



ANNUAL REPORT 2014

TNT
THE PEOPLE NETWORK

INTRODUCTION AND FINANCIAL AND CORPORATE RESPONSIBILITY HIGHLIGHTS

This is the Annual Report of TNT Express N.V. for the financial year ended 31 December 2014, prepared in accordance with Dutch regulations. The preceding Annual Report of TNT Express N.V. for the financial year 2013, was issued on 18 February 2014.

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

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

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

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

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

AT A GLANCE

Financial ¹		Corporate responsibility	
Revenue		Lost-time accidents per 100 FTEs	
2013	6,904	2013	2.71
2014	6,680	2014	2.69
Operating income		Fatal accidents (own and subcontracted)	
2013	9	2013	15
2014	(86)	2014	23
Adjusted operating income (non-GAAP)²		Absenteeism	
2013	174	2013	3.4%
2014	209	2014	3.6%
Profit/(loss) for the period		Orange Experience Score	
2013	(122)	2013	37
2014	(190)	2014	40
Net cash from operating activities		CO₂e emissions (own operations: scope 1 and 2) (ktonnes)	
2013	360	2013	1,284
2014	106	2014	1,315
Capital expenditures		Euro 4, 5 & 6 all PUD and linehaul vehicles in EU countries	
2013	133	2013	83%
2014	190	2014	85%
Net cash			
01 January 2014	469		
31 December 2014	449		

¹For comparative purposes, 2013 numbers have been restated to reflect the impact of changes in accounting policies and discontinued operations.

²Refer to page 6 for more information on the calculation of the non-GAAP measures.

(in € millions)

Segment information

	International Europe	International AMEA	Domestics	Unallocated	Total
Revenue					
2013	2,722	1,061	2,566	555	6,904
2014	2,743	906	2,547	484	6,680
Adjusted operating income (non-GAAP)					
2013	120	24	51	(21)	174
2014	118	51	66	(26)	209
Employees					
01 January 2014	15,296	9,528	29,377	5,842	60,043
31 December 2014	15,205	9,260	27,864	5,963	58,292

(in € millions)

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CAUTIONARY NOTE WITH REGARD TO “FORWARD-LOOKING STATEMENTS”

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

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

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

CHAPTER 1 OVERVIEW 2014 AND STRATEGY

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I. LETTER TO STAKEHOLDERS



Dear Stakeholders,

In the first half of 2014, TNT announced its *Outlook* strategy and appointed a new management team comprising of experienced industry leaders and corporate turnaround professionals with a clear brief to create a sustainable future for the company in the next three to five years.

The *Outlook* strategy is built around three strategic pillars: focus on profitable growth; invest in operational excellence; and organise to win; and it builds on TNT's strengths – namely our European Road Network and European Air Network with excellent connections to the rest of the world, a large base of loyal customers and TNT's people who are always willing to go the 'Extra Mile'.

The *Outlook* strategy acknowledges that small and medium-sized enterprise (SME) customers are an important part of the global economy and are particularly interested in TNT's product/service proposition as it provides a one-stop solution to their customer service needs. TNT is

in a unique position to provide combined parcel and pallet deliveries, express and economy express services as well as domestic and international services to the B2B markets. TNT has what it takes to be an integral part of an SMEs own customer's service proposition.

TNT also excels in serving industry specific needs of large global customers in the industrial, automotive, high-tech and healthcare industries. Specialised Industry Service Propositions (ISP) address very specific needs that are of great value to the supply chains of these customer groups. TNT is particularly proud of its 24/7 Global Control Towers that are fully dedicated to the express needs of our large global customers.

To realise profitable and sustainable growth, *Outlook* recognises the need to invest in operational excellence to deliver a reliable service at competitive cost. Comprehensive service, productivity and efficiency plans have been developed and are in full execution mode. Strengthening of TNT's European Road Network and European Air Network delivering both express as well as economy express services to more destinations is a key priority. A total overhaul of our IT support systems is underway and investments in depot and hub automation should deliver higher levels of productivity, lower cost and improve service. We are convinced that our European Road Network and European Air Network with excellent connections to the rest of the world are of great value to our customers and that further investments will only enhance our unique position.

The 3rd pillar of our *Outlook* strategy is 'organise to win'. Our multi-local international express organisation in Europe has been integrated into one European express organisation with one Profit and Loss account. This will enable improved service to our international customers and unified performance management. Since our domestic businesses face different competitive dynamics and are currently underperforming, we have created a focused business group supported by a global leadership team of turnaround and transformation experts to oversee this part of the business. Moreover, TNT will create a customer-centric organisation in all its operating units supported by Global Business Services (GBS), Global Networks and Operations (GNO) and a Global Strategic Accounts Organisation (GSO). The new organisation will help us to create focus on better serving our customers, whilst realising global competencies and efficiencies in our support functions.

To accelerate change and to increase our capacity to compete, a complete overhaul of our top leadership has been implemented. Industry experts with over 600 years of experience have been carefully selected to bring outside-in expertise into TNT. The top leadership teams have also been strengthened with functional and corporate transformation expertise.

Outlook also addresses our CR agenda. The reduction of TNT's environmental footprint will continue to be a priority. We have stepped up our efforts to create a safe and healthy working environment for all our employees and subcontractors.

Though execution of *Outlook* is in full swing, it should be noted that there are no quick fixes. We are re-building the company investing in our people, processes, IT support systems and institutional

competencies, whilst we are facing stiff competition in adverse trading conditions, particularly in Western Europe. These investments take time and are all pre-conditions for gaining back market share.

In 2014, we made significant progress in service-quality measured by on-time performance. The results of TNT's customer experience survey (Orange Experience Score) were the highest since many years. The launch of new services to Hanover and Venice, the coverage expansion of our premium 12:00 pm express product in Germany, and the reduction of road transit times to Turkey and Southern Europe are all tangible examples of service improvements in our core European network, with more to follow.

In 2014, we had to take significant restructuring provisions and one-off charges. These charges testify to the scale of the transformation that needs to happen and to the determination of the new management team to do whatever it takes to bring TNT back to its old glory. In 2014, we did not yet realise quality revenue growth and profitability. We are still in a stage of improving the quality of our revenue base and winning back customers that were lost over the last few years.

But with service-quality improving in our unique European Road Network and European Air Network and the benefits of newly recruited leadership, we should be able to reverse any negative trends and achieve profitable growth.

Outlook is supported by a four-year investment programme (2014 to 2017) to realise superior service at competitive cost. We are investing in our highly competitive European Road Network, expanding destinations and modernising our hubs and depots. A major overhaul in our air-hub in Liege should be finalised in 2016 and will benefit our service capability in and out of Europe. At the end of 2014, we contracted three global IT service providers to help simplify and transform our IT infrastructure. Capital expenditure for the full year 2014 was €190 million.

The *Outlook* strategy was launched in 2014. The strategy is clear and builds on TNT's core strengths. Our confidence to realise the full benefits of *Outlook* in the next three to five years is based on the orange spirit of TNT's people, the loyalty of TNT's customers and our unique European Road Network and European Air Network. The newly appointed management teams are competent and experienced turnaround leaders and are committed to go the 'Extra Mile' to create value for all our stakeholders.

We thank you for your confidence now and in the future.



Tex Gunning
Chief Executive Officer

II. REPORT OF THE EXECUTIVE BOARD

- ◆ Revenue decline: 3.2%
- ◆ Reported operating loss: €(86) million
- ◆ Reported loss for the period: €(190) million
- ◆ Total dividend: €0.08 per share
- ◆ Adjusted operating income: €209 million
- ◆ Net cash from operating activities: €106 million
- ◆ Net cash: €449 million

FINANCIAL HIGHLIGHTS^{1,2}

Financial highlights	Reported			Adjusted (non-GAAP)		
	2014	variance %	2013	2014	variance %	2013
Year ended at 31 December						
Total revenues	6,680	(3.2)	6,904			
Other income	17		208			
Operating income/(loss)	(86)		9	209	20.1	174
Net financial expense	(24)	(9.1)	(22)			
Income taxes	(87)	33.6	(131)			
Results from investments in associates and joint ventures	7		22			
Profit/(loss) for the period	(190)		(122)			
Attributable to:						
Non-controlling interests	5		0			
Equity holders of the parent	(195)		(122)			
Cash generated from operations	246	(48.1)	474			
Net cash from operating activities	106	(70.6)	360			
Net cash used in investing activities	(117)		(26)			
Net debt/(cash)	(449)		(469)			

(in € millions, except percentages)

2014 PERFORMANCE HIGHLIGHTS

2014 was a challenging year. TNT is in the midst of a significant transformation process, with high restructuring costs and other one-off charges, which has thus affected profitability. However, the investments made this year have already benefited TNT's customers as service-quality increased, evidenced by a higher customer satisfaction score.

Overall, revenues decreased by 3.2% to €6,680 million, though adjusted operating income increased by 20.1% to €209 million. In International Europe, the results were affected by the restructuring of the operating units in France and the United Kingdom, as well as continued pressure on prices, coupled with investments in future growth. International AMEA performed significantly better than last year. The segment more than doubled its adjusted operating income to €51 million. The Domestic segment experienced further improvements, notably in the performance of the domestic businesses in Italy, Brazil and Chile, despite continued negative mix effects in the United Kingdom, France, Australia and New Zealand.

At the end of 2014, net cash decreased by 4.3% to €449 million (2013: 469). With available cash and cash equivalents of €652 million and an undrawn committed facility of €600 million, TNT's financial position is sound, as reflected in its credit ratings of BBB+ (Stable) by S&P and Baa2 (Negative) by Moody's.

During 2014, as part of *Deliver!*, €115 million of savings were achieved by year-end, and approximately 1,450 FTE reductions occurred, which was regretful but unavoidable.

REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

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

²For comparative purposes, 2013 numbers have been restated to reflect the impact of changes in accounting policies and discontinued operations.

Total operating revenues

In 2014, overall revenues declined by 3.2% due to a mix of factors: the sale of China Domestic in November 2013 and TNT Fashion Group B.V. (TNT Fashion) in May 2014 (4.1%); and negative foreign exchange movements (0.9%). Most currencies in countries in which TNT operates outside the eurozone weakened against the euro. At a comparable scope and constant foreign exchange rates, revenue increased by 1.8%, primarily as a result of growth in International Europe and International AMEA.

Revenues in International Europe increased by 0.8% to €2,743 million, reflecting lower revenues in a number of large markets, offset by growing revenues from SMEs and improved revenue growth in parts of Europe. In International AMEA, revenues decreased by 14.6% to €906 million, due to the sale of China Domestic. In Domestic, revenues decreased by 0.7% to €2,547 million, due to negative foreign exchange movements, the rationalisation of loss-making customers in Italy and pressure on prices.

Other income/(loss)

Other income in 2014 included the profit on the sale of TNT Fashion of €7 million, €2 million related to other assets held for disposal and miscellaneous items of €8 million.

Operating expenses

Total reported operating expenses decreased to €6,783 million (2013: 7,103). When adjusted for one-offs (€302 million), the adjusted operating expenses were €6,481 million (2013: 6,737).

Operating expenses			
Year ended at 31 December	2014	variance %	2013
Cost of materials	407	(8.3)	444
Work contracted out and other external expenses	3,623	(2.7)	3,724
Salaries and social security contributions	2,126	(5.9)	2,259
Other operating expenses	417	72.3	242
Operating expenses excluding depreciation, amortisation and impairments	6,573	(14)	6,669
Depreciation, amortisation and impairments	210		434
Total operating expenses	6,783		7,103

(in € millions, except percentages)

Cost of materials

Cost of materials decreased by €37 million mainly due to lower fuel expenses and changes in the business portfolio.

Work contracted out and other external expenses

Work contracted out and other external expenses include fees paid for subcontractors, external temporary staff, rent and leases. These costs decreased by €101 million (2.7%) compared to 2013, due to the sale of China Domestic in 2013 and the sale of TNT Fashion in 2014, in addition to cost saving initiatives, which compensated for inflation and the cost of handling increased volumes.

Salaries and social security contributions

Salaries and social security contributions decreased by €133 million to €2,126 million (5.9%) in 2014 compared to 2013. The increase in salary costs from annual salary inflation, pension and restructuring costs was more than offset by the reduction in headcount from restructuring activities, and changes in the business portfolio. Average FTEs decreased from 60,384 in 2013 to 57,485 in 2014.

In 2014, salary costs included €159 million in restructuring costs related to *Outlook*. Pension costs in 2014 of €50 million were lower than in 2013 (€70 million), mainly due to the sobering of the Dutch pension plans as a result of new regulations.

Other operating expenses

Other operating expenses consisted of government legal fees, marketing, consulting, shared-service costs and auditors' fees. Other operating expenses increased by €175 million in 2014 compared to 2013, due to an increase in consulting fees related to the transformation of TNT, as well as marketing costs incurred relating to the re-launch of TNT.

Total operating expenses excluding depreciation, amortisation and impairments, decreased by €96 million (1.4%) to €6,573 million (2013: 6,669).

Total depreciation, amortisation and impairment costs

Total depreciation, amortisation and impairment costs decreased by €224 million due to €259 million less impairment charges.

In 2013, the impairment of intangibles was related to goodwill impairment of €296 million. Refer to chapter 5 for more information.

Adjusted operating income for the financial years ended 31 December 2014 and 2013

In 2014, total reported operating loss was €86 million. TNT calculates an adjusted operating income by adjusting for one-offs. These figures were prepared by management to analyse the results excluding non-recurring items for a better understanding of the business performance. The presentation and disclosure of the adjusted operating income is not in conformity with IFRS and is unaudited.

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

The following table sets out the unaudited adjusted operating income per segment for the financial years ended 31 December 2014 and 2013.

Adjusted operating income

Year ended at 31 December	Reported 2014	One-offs	Adjusted 2014	Adjusted 2013	One-offs	Reported 2013
International Europe	30	88	118	120	60	60
International AMEA	50	1	51	24	(30)	54
Domestics	(8)	74	66	51	263	(212)
Unallocated	(158)	132	(26)	(21)	(128)	107
Operating income/(loss)	(86)	295	209	174	165	9
(in € millions)						

Significant contributors to TNT's 2014 and 2013 performance include miscellaneous one-offs, which are discussed below.

In 2014, one-offs included amongst others:

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

The adjusted 2013 figures have been restated, due to the change in reportable segments, and changes in accounting policies relating to joint ventures and PIS/COFINS (refer to chapter 2 for more information).

In 2013, one-offs included amongst others:

- In International Europe: restructuring costs of €58 million, goodwill impairment of €2 million in CGU Benelux, €4 million catch-up depreciation of the two Boeing 747 freighters, and €-4 million related to a claim settlement.
- In International AMEA: reversal of impairments and fair value adjustments of the two Boeing 747 freighters of €-56 million, fair value adjustment for China Domestic classified as asset held for disposal of €15 million, €8 million catch-up depreciation of the two Boeing 747 freighters, and restructuring costs of €3 million.
- In Domestics: goodwill impairment of €236 million and restructuring costs of €26 million.
- In Unallocated: €-200 million UPS termination fee, goodwill impairment of €58 million in the former CGU Other Networks, restructuring costs of €9 million, and UPS offer-related costs of €5 million.

Net financial expense

Year ended at 31 December	2014	variance %	2013
Interest and similar income	12	(14.3)	14
Interest and similar expenses	(36)		(36)
Net financial expense	(24)	(9.1)	(22)

(in € millions, except percentages)

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

Net financial expense increased by €2 million, mainly due to €2 million lower interest income on foreign currency hedges.

Income taxes

Year ended at 31 December	2014	variance %	2013
Current tax expense/(income)	50	(60.3)	126
Deferred tax expense/(income)	37		5
Total income taxes	87	(33.6)	131

(in € millions, except percentages)

In 2014, the tax expense amounted to €87 million (2013: 131) on income before taxes of €-103 million (2013: 9), and resulted in an effective tax rate of -84.5% (2013: 1,455.6%).

The current tax expense was €50 million compared to €126 million in 2013. The difference between the total income taxes in the income statement and the current tax expense is due to movements in deferred tax assets and deferred tax liabilities. Refer to chapter 5 for more information.

Results from investments in associates and joint ventures

At 31 December 2014, investments in associates and joint ventures were valued at €17 million (2013: 16).

Condensed consolidated cash flow statement

Year ended at 31 December	2014	variance %	2013
Cash generated from operations	246	(48.1)	474
Interest paid	(31)	11.4	(35)
Income taxes received/(paid)	(109)	(38.0)	(79)
Net cash from/(used in) operating activities	106	(70.6)	360
Net cash from other investing activities	19		7
Net cash from acquisitions and disposals	38	(56.8)	88
Net cash used in capital investments and disposals	(174)	(43.8)	(121)
Net cash from/(used in) investing activities	(117)		(26)
Net cash used in dividends and other changes in equity	(21)	(6.7)	(18)
Net cash used in debt financing activities	(12)	0	(12)
Net cash from/(used in) financing activities	(33)	(10.0)	(30)
Changes in cash and cash equivalents	(44)		304

(in € millions, except percentages)

Net cash from operating activities

In 2014, cash generated from operations decreased by €228 million to €246 million. Net cash from operating activities decreased by €254 million to €106 million.

Trade working capital, calculated as trade accounts receivable minus trade accounts payable as a percentage of revenue, increased from 7.2% in 2013 (restated) to 7.4% in 2014.

Net cash used in investing activities

Net cash used in investing activities increased to €117 million.

Capital expenditure on property, plant and equipment and intangible assets

Net capital expenditure

Year ended at 31 December	2014	variance %	2013
Property, plant and equipment	147	36	108
Intangible assets	43	72	25
Cash out	190	43	133
Proceeds from sale of property, plant and equipment	14	17	12
Disposals of intangible assets	2		0
Cash in	16	33	12
Total net capital expenditure	174	44	121

(in € millions, except percentages)

Capital expenditure on property, plant and equipment and intangible assets (excluding finance leases) totalled €190 million (2013: 133). Capital expenditure on property, plant and equipment is mainly related to construction-related activities at a number of depots, and investments in vehicles, IT equipment and depot equipment. The capital expenditure on intangible assets is mainly related to purchased software and software development projects.

Net capital expenditure by segment

Year ended at 31 December	2014	variance %	2013
International Europe	20	(20)	25
International AMEA	15		(1)
Domestics	65	44	45
Unallocated	74	42	52
Total net capital expenditure	174	44	121

(in € millions, except percentages)

Net capital expenditure amounted to 2.6% of reported revenues (2013: 1.8%).

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2014 amounted to €14 million (2013: 12), which was mainly related to the sale of vehicles and depot equipment.

Net cash used in financing activities

In 2014, net cash used in financing activities of €33 million, increased by €3 million compared with 2013. This was mainly due to net proceeds from long-term borrowings, repayments of finance leases and dividend payments.

In 2013, net cash used in financing activities of €30 million, mostly pertained to the total net repayments on long-term borrowings, local bank debt, short-term borrowings, repayments of finance leases, discontinued operations and dividend payments.

Net cash

On 31 December 2014, net cash was €449 million. Cash used in investment activities, the sale of TNT Fashion, and the continued focus on working capital contributed to this year-end position. The net cash position as per 1 January 2014 was €469 million.

Borrowings

In November 2014, TNT successfully entered into a €600 million multi-currency revolving credit facility. This facility has replaced the former €570 million multi-currency revolving credit facility, which was originally due for re-financing in 2016. The new facility secures access to committed future financing capacity for a period of five years plus two one-year extension options at reduced financing costs and updated terms and conditions. The facility can be used for general funding purposes and includes a €300 million liquidity back-up for TNT's euro commercial paper programme.

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

On 6 December 2006, TNT Airways N.V./S.A., an indirectly wholly-owned subsidiary of TNT, entered into agreements for the lease of two Boeing 747 freighters, which are guaranteed by TNT. The outstanding debts at 31 December 2014 under these finance leases with maturities of December 2016 and May 2017 were US\$89 million and US\$95 million, respectively.

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

Dividend proposal

The Executive Board of TNT has decided, with the approval of the Supervisory Board, to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro forma dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.031 per share. The €0.049 per share interim dividend together with the proposed final dividend, (€0.08 per share in total), represents a payout of 40% of normalised net income ('profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items) over the full year 2014, in line with the dividend guidelines. The final dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash. The election period is from 10 April 2015 to 6 May 2015, inclusive.

To the extent that the final dividend is paid in shares, it will be paid free of withholding tax and it will be sourced from the additional paid-in capital that is recognised for Dutch dividend withholding tax purposes. The cash dividend will be paid out of the remaining additional paid-in capital. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 6 May 2015, after the close of trading on Euronext Amsterdam, based on the volume-weighted average price ('VWAP') of all TNT shares traded on Euronext Amsterdam over a four trading day period from 30 April 2015 to 6 May 2015, inclusive. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 3% above the cash dividend. There will be no trading in the stock dividend rights.

The ex-dividend date will be 10 April 2015, the record date is 14 April 2015 and the dividend will be payable as of 13 May 2015.

III. EXECUTIVE BOARD COMPLIANCE STATEMENT

The 2014 annual report of TNT Express N.V. has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and additional Dutch disclosure requirements for annual reports.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH CORPORATE GOVERNANCE CODE

The Executive Board confirms that in addition to adequately functioning internal controls, it is responsible for TNT's risk management, integrity and compliance systems, and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2014. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT's external auditors.

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

The Executive Board believes to the best of its knowledge, based on the outcome of TNT's specific approach to risk management, internal control, integrity and compliance, that TNT's risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2014 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

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

- the 2014 financial statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express N.V. and its consolidated companies;
- the additional management information disclosed in the 2014 annual report gives a true and fair view of TNT Express N.V. and its related companies at 31 December 2014 and the state of affairs during the financial year to which the report relates; and
- the 2014 annual report describes the main risks facing TNT Express N.V. These are described in detail in chapter 4.

Hoofddorp, 17 February 2015

Tex Gunning

Chief Executive Officer

Maarten de Vries

Chief Financial Officer

IV. STRATEGY

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

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

OUTLOOK

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

Outlook targets substantial improvements in performance to meet TNT's stakeholders' needs:

- Competitive products and services, delivered perfectly at competitive prices for customers
- A secure and meaningful future for employees
- Improving results and a solid return on investment for shareholders

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

– Focus on profitable growth

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

– Invest in operational excellence

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

– Organise to win

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

The transformation of TNT will be based upon the Orange spirit of its people, the loyalty of its customers and the unique European network with good connections to the rest of the world. The building blocks have been put in place in 2014. Comprehensive productivity and efficiency plans have been developed and are in full execution mode. 2015 will be a year of transition and TNT expects to achieve year-on-year improvements from 2016 onwards. The full benefits of *Outlook* will be unlocked in the coming three to five years with the ambition to double TNT's adjusted operating income margin percentage per segment by 2018/19.

FINANCIAL STRATEGY

TNT's financial strategy targets optimal and sustainable performance of the following aspects:

- Asset efficiency
- Capital structure
- Dividend policy
- Risk management

Asset efficiency

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

Capital structure

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

Dividend policy

TNT aims to meet shareholders' return requirements in the short term through dividends and ad hoc, through tax-exempt share repurchases or other returns of excess cash. TNT's intention is to pay a dividend that develops in line with the development of its operational performance. TNT intends to pay a dividend of around 40% of normalised net income. Normalised net income is defined as profit attributable to equity holders of the parent adjusted for significant one-offs and exceptional items. TNT aims to pay interim and final dividends annually in cash and/or in stock. Furthermore, cash and/or stock may be offered as part of an optional dividend.

Risk management

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

TNT operates integrated risk management systems of which the scope includes:

- internal control and compliance (refer to chapter 4);
- financial risk management and risk insurance structures (refer to chapter 5); and
- an aligned legal and funding structure.

CORPORATE RESPONSIBILITY STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy and is embedded in its business and operational activities.

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

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

2015 GUIDANCE

- For 2015, TNT expects the continuation of adverse trading conditions, particularly in Western Europe.
- TNT expects 2015 to be a challenging year of transition marked by the progressive ramp-up of new and upgraded facilities and other transformation projects, such as the outsourcing of IT.
- TNT anticipates restructuring charges between €10 million and €15 million in the first quarter of 2015.

ASSUMPTIONS UNDERLYING THE EXECUTION OF OUTLOOK

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

OUTLOOK AGENDA AND GUIDANCE FOR THE PERIOD 2018 - 2019

- The adjusted operating income margin percentage guidance per segment for 2018/19:
 - International Europe: 8% to 10%
 - International AMEA: 8% to 10%
 - Domestic: 4% to 5%
 - Unallocated: approximately -0.5 % (of Group revenue)
- €800 million to €900 million of capital expenditure investments during the period 2015 to 2017.
- €250 million of cost reductions to be realised by 2018 (versus baseline 2014), achieving a net cost reduction of €125 million by 2018.
- €250 million to €300 million planned restructuring charges for 2015 to 2017.
- Manage a positive net cash position.
- Maintain current dividend policy: TNT aims to pay a dividend of around 40% of normalised net income.

CHAPTER 2 BUSINESS PERFORMANCE

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I. GENERAL MARKET AND BUSINESS PROFILE

MARKET OVERVIEW

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

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

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

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

MARKET DYNAMICS

The CEP market, in particular the express business, is highly cyclical. An important development over the last two decades has been the emergence of end-to-end global supply chains, which is strengthening the relationship between express delivery and trade flows. Due to the close relationship between trade flows and economic development, a strong correlation exists between the development of the express delivery industry and real GDP (Gross Domestic Product) development. The growth of the global economy remained weak in 2014.

Other key factors that affect TNT's performance are:

- Demand for Express and Economy Express
- Customer mix
- E-commerce
- Base price and surcharges
- Wage and input-cost inflation
- Fuel prices
- Operational efficiency and productivity
- Foreign currency volatility

BUSINESS PROFILE

Originally, founded in 1946 and headquartered in Hoofddorp, the Netherlands, TNT employs over 58,000 people worldwide. With own operations in 61 countries, TNT picks up and delivers documents, parcels and palletised freight through its operations, subcontractors and agents which are connected by road and air networks. The road networks are operated in Europe, the Middle East, Asia, Australia and South America. TNT's unique European Road Network, connects more than 41 countries through 19 road hubs and over 540 depots. Its international air network has a central air hub in Liège, Belgium, and a fleet of 54 aircraft connecting 74 airports globally. In addition, TNT utilises acquired capacity on commercial airlines to destinations worldwide, allowing for service to more than 200 countries.

TNT's customers range from multinationals to small enterprises and are concentrated in the industrial, automotive, high-tech and healthcare industries. SMEs are an important part of TNT's customer base. These customers have broadly distributed geographic (domestic, intra-Europe and intercontinental)

service demand. TNT's sector-specific value propositions and products, born from meeting the needs of larger customers, are also marketed to SMEs alongside more standardised products.

With more than two-thirds of its revenues generated in Europe, TNT has a robust position in the domestic and intra-European express market. TNT's market share in both markets is estimated to have decreased in 2014 on the back of intense competition, and lack of investments in productivity and service capabilities.

EXTERNAL RECOGNITION

In January, TNT won two awards for its exemplary customer service. The 'Contact Centre Accessibility' award was presented by The House of Contact Centers (THoCC) to TNT Benelux for the prompt support offered to customers by its customer care centres. The second award, a special jury prize, was received by TNT Italy from Customer Management Multimedia Competence (CMMC), for its customer service app, *TNT Italia*. The app, which allows smartphone users to track shipments and re-arrange deliveries, has been downloaded approximately 50,000 times since November 2011.

In April, TNT received the 'Express Logistics provider of the Year' award at the Supply Chain and Transport Awards (SCATA) ceremony in Dubai. This is the second year in a row TNT has received the recognition. TNT also received an award for its 'Outstanding Achievement' within the industry.

In May, TNT Services UK & Ireland became the first operator in the transport and logistics industry to be awarded the 'Carbon Trust Standard for Waste' for its notable actions taken to reduce waste within its operations.

In November, TNT was recognised at the Supply Chain Global Awards ceremony as the winner of the 'Aftermarket Parts Logistics' category, for its outstanding contribution to the supply chain and logistics sector in the global automotive industry. Also in November, TNT Services UK & Ireland won the 'Environment Award' at the 2014 Global Freight Awards ceremony organised by Lloyd's Loading List.com, for demonstrating leadership in efforts to reduce energy consumption, emissions, noise pollution and environmental impact. At the Eye for Transport European 3PL award reception in Amsterdam, TNT won the 3PL award for Hi-Tech and Electronics.

II. OVERVIEW

As part of the *Deliver!* improvement programme, in 2013 a new management structure was implemented, which led to a change in operating segments and subsequently to a change in reportable segments: Europe Main, Europe Other & Americas, Pacific, AMEA (Asia, Middle East and Africa) and Unallocated.

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

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

BRAZIL DOMESTIC

In 2013, Brazil Domestic was reported as a discontinued operation following the announcement earlier that year that the unit would be sold. On 30 January 2014, TNT announced that it would retain Brazil Domestic. Therefore, as of 2014, Brazil Domestic is no longer reported as a discontinued operation but is incorporated in the Domestic reportable segment.

In Brazil, the social integration (Programa de Integração Social [PIS]) and the social contribution on billing (Contribuição para o Financiamento da Seguridade Social [COFINS]) programmes, levy taxes which are highly regulated and represent a significant share of the overall Brazilian tax collection.

PIS is conceived as a means to share business profits with the employees, through a mandatory national savings programme, financed by monthly deposits collected as a percentage of gross sales. COFINS was created to finance special social programmes enforced by the Federal Government through the collection of a social contribution, which is a percentage of revenues. Previously, in the absence of clear guidance under IFRS, TNT accounted for these taxes as taxes on profit, since and although the tax is levied as a percentage of revenues, certain cost credits are to be taken into account to arrive at the taxes due.

However, it is now more customary to account for PIS/COFINS taxes as an adjustment of revenue and affected cost. As a result, TNT has decided to change its accounting regarding PIS/COFINS, as such a change is deemed to result in the financial statements providing more reliable and relevant information about the effects of its financial performance.

SEGMENT OVERVIEW

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

The following tables provide a reconciliation of revenues and adjusted operating income between the old and new reportable segments for the full year 2014, taking into account the change in the accounting policy for PIS/COFINS, and the change from constant foreign exchange rates to respective foreign exchange rates.

Reconciliation of 2014 revenue from old to new segments

Year ended at 31 December

New segmentation	Old segmentation					Un-allocated & Elim.	Total
	Europe Main	Europe Other & Americas	Pacific	AMEA	Brazil		
Total revenue @avg13 FX ¹	3,205	1,183	643	918	342	484	6,775
FX / Accounting change ²	50	(48)	(32)	(12)	(53)		(95)
Total revenue @avg14 FX ¹	3,255	1,135	611	906	289	484	6,680
International Europe	1,690	1,053					2,743
International AMEA				906			906
Domestics	1,565	82	611		289		2,547
Unallocated						484	484
Total	3,255	1,135	611	906	289	484	6,680

¹FX: Foreign exchange rate.

²Related to reporting of PIS/COFINS taxes in Brazil.

(in € millions)

Reconciliation of 2014 adjusted operating income from old to new segments

Year ended at 31 December

New segmentation	Old segmentation					Un-allocated & Elim.	Total
	Europe Main	Europe Other & Americas	Pacific	AMEA	Brazil		
Operating income @avg13 FX ¹	25	23	4	59	(3)	(166)	(58)
One-offs	106	41	5	1	10	132	295
Adjusted operating income @avg13 FX ¹	131	64	9	60	7	(34)	237
FX / Accounting change ²	5	(11)	(1)	(2)	(16)	(3)	(28)
Adjusted operating income @avg14 FX ¹	136	53	8	58	(9)	(37)	209
International Europe	92	50				(24)	118
International AMEA				58		(7)	51
Domestics	44	3	8		(9)	20	66
Unallocated						(26)	(26)
Total	136	53	8	58	(9)	(37)	209

¹FX: Foreign exchange rate.

²Related to reporting of PIS/COFINS taxes in Brazil.

(in € millions)

The following table presents revenue and (adjusted) operating income per reportable segment for the financial years ended 31 December 2014 and 2013. The 2014 and comparative 2013 figures have been restated to reflect the new reportable segments in accordance with IFRS.

Revenue and operating income by segment, reported and adjusted							
	Reported			One-offs	Adjusted (non-GAAP)		
	2014	variance %	2013		2014	variance %	2013
Revenues							
International Europe	2,743	0.8	2,722				
International AMEA	906	(14.6)	1,061				
Domestics	2,547	(0.7)	2,566				
Unallocated	496	(12.7)	568				
Elimination	(12)	7.7	(13)				
Total	6,680	(3.2)	6,904				
Operating income (€m)							
International Europe ¹	30	(50.0)	60	88	118	(1.7)	120
International AMEA ²	50	(7.4)	54	1	51		24
Domestics ³	(8)	96.2	(212)	74	66	29.4	51
Unallocated ⁴	(158)		107	132	(26)	(23.8)	(21)
Total	(86)		9	295	209	20.1	174
Operating income margin (%)							
International Europe	1.1		2.2		4.3		4.4
International AMEA	5.5		5.1		5.6		2.3
Domestics	(0.3)		(8.3)		2.6		2.0
Total	(1.3)		0.1		3.1		2.5

Notes: Non-GAAP adjustments

¹FY14: €56m restructuring and restructuring-related charges, and €32m goodwill impairments.

¹FY13: €58m restructuring and restructuring-related charges, €4m catch-up depreciation Boeing 747 freighters, €2m goodwill impairments and €(4)m claim settlement.

²FY14: €1m restructuring and restructuring-related charges.

²FY13: €3m restructuring and restructuring-related charges, €8m catch-up depreciation Boeing 747 freighters, €(56)m reversal of impairments and fair value adjustments of two Boeing 747 freighters, €15m fair value adjustments of China Domestic.

³FY14: €65m restructuring and restructuring-related charges, and €9m impairment and depreciation of Brazil Domestic.

³FY13: €26m restructuring and restructuring-related charges, €236m goodwill impairments and €1m fixed asset impairments.

⁴FY14: €37m restructuring and restructuring-related charges, €50m implementation cost, €2m software impairments, €50m provision related to the French competition case and €(7)m profit on sale of TNT Fashion Group B.V.

⁴FY13: €9m restructuring and restructuring-related charges, €58m goodwill impairments, €(200)m UPS termination fee and €5m UPS offer-related cost.

(in € millions, except percentages)

In 2014, overall revenues declined by 3.2% due to a mix of factors: the sale of China Domestic in November 2013 and TNT Fashion in May 2014 (4.1%); and negative foreign exchange movements (0.9%). At a comparable scope and constant foreign exchange rates, revenue increased by 1.8%, primarily as a result of growth in International Europe and International AMEA.

TNT recorded an operating loss of €86 million in 2014 compared to operating income of €9 million in 2013. Contributing to this loss position, were the significant efforts undertaken in 2014 to transform the business, which resulted in total restructuring and restructuring-related expenses of €159 million. Total impairments amounted to €38 million, and included goodwill impairment of €32 million in Spain, due to the updated management structure, which resulted in a revised structure of cash-generating units (CGUs).

A provision of €50 million was recognised, relating to an investigation of alleged anti-competitive behaviour in the French parcels delivery sector by the French Competition Authorities (FCA), while a profit of €7 million was recognised relating to the sale of the TNT Fashion activities in the Netherlands.

In 2014, the negative impact of foreign exchange movements on operating income was €11 million. Compared to 2013, adjusted operating income increased by 20.1% or €35 million, despite a decline in International Europe (€2 million), as this was compensated by improved adjusted operating income in International AMEA (€27 million) and Domestics (€15 million), predominantly driven by positive developments in Brazil.

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

III. INTERNATIONAL EUROPE

GENERAL

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

2014 PERFORMANCE

International Europe			
Year ended at 31 December	2014	variance %	2013
Revenues	2,743	0.8	2,722
Adjusted operating income	118	(1.7)	120
Average consignments per day ('000)	239	(1.6)	243
Revenue per consignment (€) ¹	45.4	3.7	43.8
Average kilogrammes per day ('000)	8,184	1.9	8,034
Revenue per kilogramme (€) ¹	1.32	(0.8)	1.33

¹Based on reported revenues @ avg13 rates.
(in € millions, except percentages)

International Europe's revenues increased by 0.8% or 1.5% at constant foreign exchange rates. TNT exited a number of express customers with low yields, this resulted in a reduction in consignment volumes. Revenue per consignment improved by 3.7%, as pressure on prices was compensated by an increased average consignment weight and stronger growth in International Europe's international products. Growth in the SME customer segment improved during the year.

In the latter part of 2014, €13 million was invested in the re-launch of TNT. In addition, significant investments were made to improve service levels in TNT's core European market, to support future growth. While many operating units experienced healthy profit developments, the performance of the segment was lower, due to lower revenues in UK International and France International, and the economic situation in Russia.

Investments made in the European Road Network and to a lesser extent in the European Air Network, in order to drive future growth and productivity, positively impacted International Europe's service coverage and capacity.

International Europe's service levels improved by the end of the year, as evidenced by the results of customer satisfaction surveys.

IV. INTERNATIONAL AMEA

GENERAL

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

2014 PERFORMANCE

International AMEA

Year ended at 31 December	2014	variance %	2013
Revenues	906	(14.6)	1,061
Adjusted operating income	51		24
Average consignments per day ('000)	60	(33.3)	90
Revenue per consignment (€) ¹	59.6	29.3	46.1
Average kilogrammes per day ('000)	1,167	(82.6)	6,708
Revenue per kilogramme (€) ¹	3.09		0.62

¹Based on reported revenues @avg13 rates.
(in € millions, except percentages)

In 2014, International AMEA experienced an acceleration of revenue growth throughout the year. Year-on-year revenue growth, corrected for the sale of China Domestic in November 2013, was 6.0% or 7.4% at constant foreign exchange rates. The sale of China Domestic contributed to the 82.6% reduction in average kilogrammes per day shipped, as well as the increase in the revenue per kilogramme from €0.62 to €3.09. Excluding the effect of the sale of China Domestic, average kilogrammes shipped per day showed an increase year-on-year.

All operating units experienced revenue growth, including Greater China, which is International AMEA's largest and key operating unit. In the first quarter, TNT launched the 'enhanced liability' option for customers in East Asia and Greater China, which generated an additional €10 million revenue.

Adjusted operating income margin improved to 5.6% in 2014 from 2.3% in 2013, supported by the growth in higher margin import products, which is a key strategic focus area for International AMEA. The improvement was also supported by higher volumes on intercontinental aircraft in and out of China, which experienced an 18% growth in volumes year-on-year.

Indirect costs remained flat in euro terms despite fairly high levels of salary inflation in a number of certain key markets. This was achieved by a focus on cost reduction, underpinned by the *Deliver!* improvement programme, launched in 2013, which continued throughout 2014, and included the centralisation of billing for East Asia into a billing centre in Bangalore, India.

V. DOMESTICS

GENERAL

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

2014 PERFORMANCE

Domestics

Year ended at 31 December	2014	variance %	2013
Revenues	2,547	(0.7)	2,566
Adjusted operating income	66	29.4	51
Average consignments per day ('000)	634	(1.2)	642
Revenue per consignment (€) ¹	15.9	1.3	15.7
Average kilogrammes per day ('000)	13,343	0.1	13,336
Revenue per kilogramme (€) ¹	0.76	1.3	0.75

¹Based on reported revenues @avg13 rates.
(in € millions, except percentages)

Revenues for the segment decreased by 0.7%, of which 1.1% was due to the negative impact of foreign exchange movements. Heavy competition in the European domestic markets, combined with rationalisation of loss-making customers in Italy could not be fully offset by healthy growth in Brazil.

Revenue per consignment remained relatively flat due to yield improvements in Brazil and Chile, and an overall improved customer mix in Italy, which compensated for the general price pressure in the European domestic markets. Revenues in the SME customer segment started to pick-up in the second half of 2014.

Year-on-year performance in Brazil and Italy improved, while performance in Chile remained reasonably flat. Despite the growth in average consignments per day in the United Kingdom, France, Australia and New Zealand, performance in these markets was weaker due to pressure on prices and service investments.

In 2014, €9 million was invested in the re-launch of TNT. Service levels within the Domestics segment significantly improved, with a renewed focus on compliance; additional investments in equipment, fleet and infrastructure; and the roll-out of various operational excellence programmes, such as Perfect Depot.

VI. UNALLOCATED

GENERAL

The Unallocated segment consists of Other Networks (TNT Innight and TNT Fashion activities in the Netherlands, until its disposal date), Central Networks (European Road Network and European Air Network), IT, Global Business Services (GBS) and the TNT Head Office. As part of its strategy to focus on core express delivery services, on 11 March 2014, TNT announced its intention to sell its specialist fashion supply chain business in the Netherlands, TNT Fashion Group B.V. (TNT Fashion). The sale to a consortium of Belspeed and Netlog Group was completed on 16 May 2014.

Revenues in the Unallocated segment are generated by TNT Innight, TNT Fashion (until its disposal date) and the air cargo sales made by Central Networks to optimise air capacity utilisation.

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

2014 PERFORMANCE

Unallocated			
Year ended at 31 December	2014	variance %	2013
Other Networks	305		305
Non-allocated	179	(28.4)	250
Total reported revenues	484	(12.8)	555
Other Networks	(16)	71.9	(57)
Non-allocated	(142)		164
Total reported operating income/(loss)	(158)		107
Software impairments	2		
Goodwill impairments			58
Restructuring-related	37		9
Implementation cost	50		
UPS termination fee			(200)
UPS offer-related cost			5
Profit on the sale of TNT Fashion Group B.V.	(7)		
Provision related to the French competition case	50		
Adjusted operating income/(loss)	(26)	(23.8)	(21)

(in € millions, except percentages)

The year-to-date revenue and operating income for TNT Fashion, until disposal date, was €40 million and €1 million, respectively. As a result of the sale, a profit of €7 million was recognised. The net cash proceeds of €39 million were received in full in the second quarter.

On 16 July 2014, TNT announced that it had received a Statement of Objections (SO) from the FCA with respect to an investigation of alleged anti-competitive behaviour in the French parcels delivery sector. TNT has cooperated with the investigation since it started in 2010, and has subsequently entered into a settlement with the FCA. The settlement will include a reduction percentage to the fine, the absolute amount of which the authorities are not expected to determine before the end of 2015. As such, TNT made a provision of €50 million in the third quarter.

CHAPTER 3 CORPORATE RESPONSIBILITY PERFORMANCE

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I. CORPORATE RESPONSIBILITY FRAMEWORK

STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy and is embedded in its business and operational activities.

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

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

GOVERNANCE

The Executive Board is the owner of the CR agenda. A central CR Steering Committee advises and assists the Executive Board in developing, executing and monitoring the performance of TNT's CR strategy and its associated policies and procedures. The committee is chaired by the CEO and comprises relevant functional directors. The corporate CR department supports the committee and coordinates global CR activities and performance. Annually, the Supervisory Board evaluates the company's CR approach and performance.

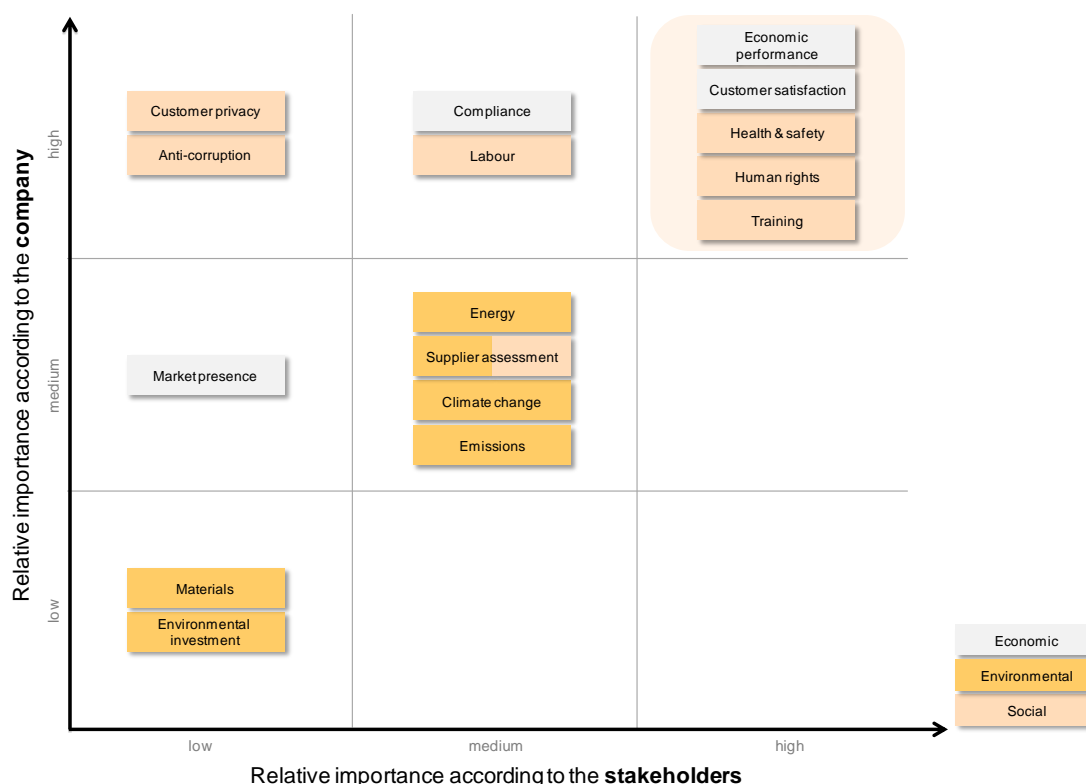
MATERIALITY ASSESSMENT

TNT reports on CR data and information in accordance with the Global Reporting Initiative (GRI) G4 reporting criteria and guidelines. TNT has prepared the 2014 annual report in accordance with G4's core option. Core reports include the majority of the General Standard Disclosures, generic Disclosures on Management Approach (DMA) for only material aspects and at least one indicator related to each identified material aspect. In compliance with G4, TNT explains how it manages each material aspect and reports relevant indicators over time.

To identify the CR-related aspects that are most relevant for TNT, an annual online survey is conducted with the six main stakeholder groups as defined by TNT: customers, employees, subcontractors, suppliers, investors and civil society organisations. Civil society organisations are selected based on apparent interest in TNT, while all other stakeholder groups are selected to ensure diverse geographical coverage. In addition, TNT systematically engages with (individual) stakeholders to obtain their perspectives, input and feedback on its business and operational activities. The survey outcome and stakeholder feedback provide guidance for developing and improving TNT's CR strategy and activities.

The 2014 survey was sent to approximately 4,000 stakeholders globally, with a response rate of 10%. The survey polled stakeholders on the CR-related aspects included in the G4 guidelines, which are relevant for TNT. The stakeholders identified and prioritised the aspects they deemed most important for TNT. The sixteen highest ranking CR-related aspects are reflected in the following matrix. The horizontal axis reflects the *"relative importance according to the stakeholders"*. The CR Steering Committee subsequently also assessed and prioritised these aspects. This prioritisation is reflected in the vertical axis *"relative importance according to the company"*. The aspects shown in the top-right hand area are important and material to both stakeholders and the company, and are covered in this annual report.

TNT's 2014 CR Materiality Matrix



CORPORATE RESPONSIBILITY RISK MANAGEMENT AND MONITORING

TNT applies continuous, formal and structured CR risk management, and a CR reporting system. It identifies CR-related risks, linked to business and operational activities, and works to reduce these through the implementation of risk management controls. Where possible, global best practices are implemented to monitor, reduce and mitigate these risks. The main CR-related risks are linked to: safety incidents and accidents; CO₂ emission rights; regulations related to environment and climate change; and restrictions on the use of vehicles. Refer to section V of chapter 4 for more information.

The principal monitoring and control processes for CR are:

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

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

II. HEALTH AND SAFETY

MANAGEMENT AND PERFORMANCE

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

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

TNT monitors its performance through a set of performance metrics. The main KPI for safety is the lost-time accident (LTA) ratio. The LTA ratio is defined as the number of employees that are absent from work as a result of a work-related workplace or road traffic accident, for at least one working day in the reporting period, excluding the day the accident occurred, per 100 FTE. Annual targets are set to drive performance improvements. TNT's health and safety performance is included in the performance management framework and is subject to quarterly reviews.

TNT acknowledges the safety record of its entire operation, a significant part of which is executed by subcontractors. Where possible, subcontractors are involved in improvement initiatives and training programmes.

Preventive measures

TNT uses the 'safe vehicle, safe driver, safe journey' approach to identify and implement effective risk mitigation measures for road safety. TNT pursues continuous improvement in each of these areas, in addition to subcontractor management. The main challenge in reducing road accidents is to ensure consistent application of this approach, particularly in less-developed countries, and to ensure that subcontractors adopt corresponding standards in practice. Where applicable, TNT promotes the improvement of the quality of public infrastructure, which is another relevant factor in enhancing road safety.

Health and safety performance KPIs

Year ended at 31 December	2014	variance %	2013
OHSAS 18001 (% of total FTE)	81%	(3.6)	84%
Workplace fatal accidents	0		0
Road traffic fatal accidents (own blameworthy and non-blameworthy)	5	150.0	2
Subcontractor road traffic fatal accidents	18	38.5	13
Lost-time accidents per 100 FTE	2.69	(0.7)	2.71
Blameworthy road traffic incidents/collisions per 100,000 kilometres	0.73	(6.4)	0.78
Absenteeism (% of total standard working hours)	3.6	5.9	3.4

Figures with a ♦ fall within the reasonable assurance scope

TNT regrets to report that the overall number of fatal accidents (including subcontractors) increased in 2014. TNT regrets any accident, including one for which it has no blame. In 2014, only one own blameworthy fatal accident occurred in Brazil (2013: one in Chile). TNT reviews the performance of its subcontractors. Since blameworthiness in accidents involving subcontractors cannot currently be officially established by TNT, all fatal accidents, irrespective of blameworthiness are reported.

The improvement of the LTA ratio in 2014 is supported by continued focus on safety enhancement.

KEY INITIATIVES

Health and safety initiatives

These initiatives include health assessments, injury rehabilitation, screening for medical conditions, safety training (drivers and workplace), driver recognition programmes, road safety charters and safe driving competitions, for employees and subcontractors. Example initiatives are:

- Back-track device: The back-track device is a wearable device introduced in the United Kingdom in 2014. The objective of the device is to reduce the risk of injury (back, knee, ankle, sprain or strain). The device detects poor manual handling technique and encourages correct manual handling

- behaviour. People wearing the device are three times less likely to have back, knee, ankle, sprain or strain injuries compared to people not wearing the device.
- **Vehicle camera system:** In the United Kingdom, all new pick-up and delivery (PUD) vehicles were fitted with forward facing cameras, in addition to the reversing cameras, to reduce the number of avoidable collisions with a vehicle in front. In 2015, nearside cameras will be fitted in all PUD vehicles, to enable the driver to see any cyclists moving along the nearside of the vehicle.
 - **Road safety charter:** France instituted a new Driver Road Safety Charter, to demonstrate continued commitment to improving road safety performance. Each driver has signed the charter and committed to the 12 golden rules for driving safely.
 - **Pill a day:** This initiative has been rolled out in the Middle East. Daily, during the debrief session, one health, safety or environmental topic is discussed and provided as a take-away for the PUD drivers and depot/warehouse workers.
 - **Check Stop:** This is a new road safety campaign implemented in Italy, which offers free service to check both the state of alertness, sleepiness and fatigue of drivers, and the primary features of their vehicles.

Safety culture initiatives

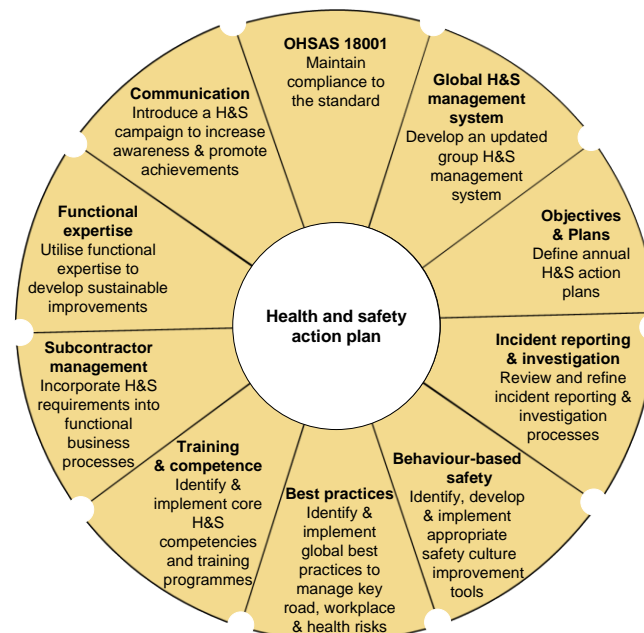
To complement safety standards, controls and tools, TNT continues to strengthen its safety culture. This is done by addressing the attitudes, beliefs, perceptions and values of employees and subcontractors with regards to safety. TNT promotes a safety culture in which management exhibits leadership and commitment to safety, and all employees assume responsibility for the health and safety of themselves and others.

The TNT hub in Liège, Belgium, rolled out a three-year programme designed to reinforce its safety culture and improve its LTA ratio by 50%. This target was achieved three months prior to the completion of the programme. Several behaviour-based safety tools and best-practice techniques are being applied, including extensive training and coaching.

OUTLOOK AND COMMITMENTS

Health and safety is an integral part of realising the Perfect Transaction, and will help to integrate health and safety behaviour in daily operations.

TNT's most relevant overall safety target is the reduction of LTAs. The objective is to realise 2.0 LTA per 100 FTE by 2015, compared to 2.69 in 2014. In support of this target, in 2014, TNT adopted a health and safety action plan based on recognised industry best practices. The action plan has ten focus areas, as shown below. The development and deployment of the action plan is led by TNT health and safety professionals from the operating units and head office. Successful deployment at subcontractors is a high priority.



III. ENVIRONMENT

MANAGEMENT AND PERFORMANCE

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

- Operations: improve CO₂e efficiency and air quality of activities, including subcontractors
- Customers: provide CO₂e information to customers and help them reduce their emissions
- People: encourage awareness and train employees and subcontractors in environmental management

TNT manages its environmental footprint via a systems-based approach. Its environmental policies and management framework are based on the international ISO 14001 standard. All operating units are required to achieve and maintain external certification to this standard as a minimum, in addition to national and local regulatory standards.

TNT's environmental management system is used to plan, implement, monitor, manage and improve the environmental impact of its activities. TNT includes environmental requirements in its capital expenditure and procurement review process. The environmental impact of TNT's fleet and infrastructure at each important juncture (planning, acquisition and operation) are managed. In addition, guidelines for subcontractors and suppliers are in place to ensure they meet TNT's environmental requirements.

TNT benchmarks its energy and carbon approach and performance against its peers via the Carbon Disclosure Project. In 2014, TNT scored 89 out of a possible 100 in the Carbon Disclosure Project (2013: 88).

In the 2013 annual report, medium-term targets were disclosed on global initiatives related to TNT's own fleet, with the objective to improve CO₂ efficiency. The following table highlights TNT's progress in attaining these targets. Where possible, subcontractors will continue to be involved in initiatives to reduce TNT's overall CO₂ footprint.

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

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

Progress has been made in attaining these medium-term targets, and at the end of 2014, most of TNT's own vehicles in the European Union have at least the Euro 4 standard. The reported percentage of own drivers trained in eco-driving is only based on the number of drivers that were trained in 2014. Drivers are trained regularly, however not on an annual basis.

Environmental performance is measured through KPIs related to energy, absolute CO₂ emission and CO₂ efficiency.

In 2014, TNT adopted the European Standard, EN 16258. This standard establishes a common methodology for the calculation and declaration of energy consumption and greenhouse gas (GHG) emissions related to transport services. This is a change compared to the disclosures in the 2013 annual report. The environmental KPI's will reflect the adoption of EN 16258 by disclosing the energy and GHG emissions using the EN 16258 default emissions factors, thus, presenting CO₂ equivalent (CO₂e) emissions instead of only CO₂. In addition, CO₂e will be presented as well-to-wheel emissions instead of tank-to-wheel. Vehicle fleet will now be aligned with operations, and segmented into PUD and linehaul vehicles instead of small trucks and vans and large trucks.

The adoption of EN 16258 has not impacted the collection process of data via the operating units and the methodology for estimating the subcontractor CO₂e emissions.

Environmental performance KPIs

Year ended at 31 December		2014	variance %	2013
ISO 14001 (% of total FTE)		82%	(2.4)	84%
CO ₂ e emissions absolute of own operations (Scope 1 and 2) (ktonnes)	♦	1,315	2.4	1,284
CO ₂ e emissions absolute of subcontracted operations (Scope 3) (ktonnes)		1,600	2.5	1,561
CO ₂ e efficiency network flights (European Air Network + domestic) (g CO ₂ e/tonnes.km)	♦	1,828	(5.9)	1,943
CO ₂ e efficiency long haul air (g CO ₂ e/tonnes.km)	♦	512	1.4	505
CO ₂ e efficiency PUD vehicles (g CO ₂ e/km)	♦	549	(1.4)	557
CO ₂ e efficiency linehaul vehicles (g CO ₂ e/km)	♦	943	(0.6)	949
CO ₂ e efficiency buildings (kgCO ₂ e/m ²)	♦	22.8	(7.7)	24.7

Figures with a ♦ fall within the reasonable assurance scope

In 2014, the total CO₂e emissions of TNT's own and subcontractor operations (Scope 1, 2 and 3 of the GHG Protocol) increased by 2.5% to 2,915 ktonnes. The CO₂e emissions of TNT's own operations (Scope 1 and 2) increased in absolute terms by 2.4% to 1,315 ktonnes (2013: 1,284) as a result of higher air and road linehaul operation activity levels. CO₂e emissions of subcontractor operations (Scope 3) increased by 2.5% to 1,600 ktonnes. In 2014, 55% of total CO₂e emissions was related to subcontractor operations.

The CO₂e efficiency of TNT's air operations in Europe, measured in CO₂e per freight tonne kilometre, improved in 2014, due to the transition to more fuel-efficient aircraft and improved load factors. The CO₂e efficiency of PUD vehicles and linehaul vehicles, measured in CO₂e per kilometre, improved, due to the transition to newer fuel-efficient vehicles and increased focus on driver behaviour. The relatively warm winter in Europe in the beginning of 2014 led to the reported improvement of the CO₂e efficiency of TNT's buildings.

KEY INITIATIVES

Operations

Road

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

TNT is constantly optimising the configuration of its network, which has an impact on its CO₂e footprint. A number of projects have been rolled out, including:

- the Road Operations Supply Chain Optimisation (ROSCO) project, which aims to re-design the network, by maintaining full capacity of its trucks, as well as implementing different loading techniques, such as loose loading; and
- the Infrastructure project, which aims to identify the optimal local configuration of depots leading to the lowest overall costs and minimal CO₂e impact of the total supply chain.

Air

TNT aims to constantly improve the fuel efficiency of its aircraft operations by applying best practices in network and flight planning, take-off, in-flight procedures and ground processes. In 2014, TNT rolled out paperless cockpits across its worldwide fleet of 54 aircraft, following approval from the Belgian Civil Aviation Authority to use iPad Air tablets as electronic flight bags.

In 2014, TNT increased its capacity utilisation on its European Air Network, resulting in a significant reduction in CO₂e/tonnes.km, through better planning, load quality and daily monitoring of load factors. This initiative will continue in 2015.

In the years leading up to 2017, a significant number of short haul aircraft will be replaced by younger, more fuel-efficient aircraft types.

Supply chain and innovation platforms

At the industry level, TNT participated in several of the European Union's 7th Framework Programme for Research (FP7) programmes (CITYLOG, STRAIGHTSOL, FREVUE), which aim to generate 'zero-

emission' solutions for deliveries to city centres. In the FREVUE programme, TNT has committed to partner with the cities of Amsterdam, Madrid and Rotterdam, in the deployment of electric freight vehicles.

TNT is also co-founder of the Green Freight Europe (GFE) sector initiative which aims, amongst others, to reduce carbon emissions of the transportation sector by supporting its members through a standard methodology for monitoring and reporting on carbon emissions. In 2014, TNT was awarded with the first Green Freight Europe 'leaf'; an award that recognises TNT's commitment to report and reduce CO₂e emissions from freight transport.

Customers

TNT's CO₂ Services enable customers to pro-actively address the environmental impact of their business. TNT's portfolio of CO₂ Services include:

- CO₂ Report: tracks and analyses CO₂ footprint
- CO₂ Neutral: mitigates the CO₂ impact of consignments
- CO₂ Quote: predicts future CO₂ emissions
- CO₂ Scenario: models and optimises CO₂ emissions in the transport supply chain

In 2014, TNT extended its portfolio of CO₂ Services, these services will be rolled out in key European countries. In January 2015, as part of its extended offering, TNT launched CO₂ Neutral domestic express delivery in Germany at no additional charge.

People

Driver behaviour has a major impact on vehicle fuel efficiency. Therefore, TNT's drivers are trained in driving behaviour, which helps to improve fuel efficiency and safety. Eco-driving is included as a standard requirement in driving courses in various locations and is also offered to subcontractors, where possible. In 2014, the 8th "Drive Me Challenge" edition was held at Millbrook Proving Ground in Bedfordshire, England. TNT's drivers and subcontractors from operating units worldwide competed in fuel efficiency, safety and customer experience.

OUTLOOK AND COMMITMENTS

In the coming years, TNT will continue to work on the evolvement of its methodology and process of recording, monitoring and reporting CO₂ efficiency information, and will strive to unify the customer, management and investor disclosure.

In 2015, TNT will further refine its reporting and continue to roll-out its extended CO₂ Services. In addition, TNT will launch programmes to educate operational management on the process of effectively managing and reducing environmental emissions.

TNT's current efficiency indicator for vehicles, CO₂e per kilometre, does not reflect all improvement efforts, such as improved network optimisation and positive changes in capacity load factors, and excludes subcontractor performance.

In 2014, TNT initiated a project in operational excellence to increase efficiency and productivity in its operations, and developed a new CO₂e efficiency KPI to:

- gain additional insight for operational management for strategic purposes and day-to-day operations;
- comply with new industry standards on reporting TNT's footprint;
- embed environmental considerations in all operational and network optimisation initiatives; and
- serve all customers, investors and management information needs, through a unified disclosure system.

As a result, in 2015, TNT will amend its efficiency indicator to the number of kilogrammes of CO₂e that is emitted to transport one metric tonne (1,000 kg) of cargo over a distance of one kilometre (kg CO₂e/tonnes.km), to incorporate load factors. The revised KPI will allow monitoring of CO₂e efficiency against previous years and has been added to the performance management framework for senior management.

The project will enable publication of the CO₂e efficiency performance for all TNT's activities, including subcontractors in the 2015 annual report.

IV. SOCIAL AND ENGAGEMENT

Social and engagement performance KPIs

Year ended at 31 December	2014	variance %	2013
Investors in People (% of total headcount)	79%	(2.5)	81%
Employee engagement	nd ¹		67%

¹A survey was not conducted in 2014, as such no data is available.

THE PEOPLE NETWORK

TNT has hard-working people in every corner of the world, who take pride in what they do; helping customers and each other succeed. This resilient, reliable network is the heart of the company, and is valued by customers. TNT employees rely on and support each other, to continuously strengthen each touch point in the TNT global network, and to realise the Perfect Transaction for its customers. As of 29 September 2014, *TNT - The People Network* became an official part of TNT's identity.

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

HUMAN RESOURCES

TNT uses the Investors in People (IiP) standard to provide a consistent and structured approach to people management. The standard requires TNT to identify and communicate clear business objectives to all employees, and to provide performance feedback, development plans and adequate training. The objective is to achieve and maintain IiP certification for all operations. In 2014, 79% of employees were working at IiP-certified sites (2013: 81%).

Training and other development actions are undertaken at all levels within the organisation. All global training-related development activities are centrally managed to ensure alignment with the company's values and strategic priorities. Implementation takes place at local level to ensure local cultures and languages are taken into account and to minimise cost of travel.

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

In 2014, with the roll-out of *Outlook* and its strategic priorities, the global engagement survey, *VOICE* was not conducted. A revised survey that is closely aligned to *The People Network* will be conducted in 2015.

CUSTOMERS

TNT has an increased focus on service improvement as part of the *Outlook* strategy and customers benefit from that. TNT measures customer satisfaction and obtains a deeper insight into the needs of customers through the Orange Experience Score survey. In 2014, the Orange Experience Score increased from 37 in 2013 to 40. Refer to chapter 5 for more details.

HUMAN RIGHTS

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

SOCIAL RESPONSIBILITY

TNT provides expertise and capacity to a number of charitable initiatives, often at the local level with a close link to the company's expertise, culture, employees and customers. TNT uses its supply chain management skills to support non-profit organisations in their logistical operations. For example, in Germany and Austria, TNT offered its surplus capacity on its linehaul routes to distribute donated

grocery to underprivileged people; while in the Middle East, TNT employees donated and distributed food packages.

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

CHAPTER 4 GOVERNANCE

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I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

The Supervisory Board is pleased to report that TNT took critical first steps in 2014 towards recovery, despite tough trading conditions. The company, under the leadership of its new management team, is executing a clear strategy to focus on its competitive advantages, operational excellence and shareholder value.

In particular, much emphasis in 2014 was placed on improving customer experience, as this is what will truly differentiate TNT from its peers. Continuously improving service is the starting point for the new strategy. To achieve this, the company is optimising its processes and investing in infrastructure and IT. More automation and standardisation will not only benefit customers, but also improve efficiency and reduce costs, another management priority.

The Supervisory Board worked very closely with management in 2014 to implement the necessary changes to turn the company around. Of course, there are still many challenges to overcome. Yet the Supervisory Board has every confidence in the strategy and in management's ability and commitment to improve performance and create a basis for sustainable profitable growth.

On behalf of the Supervisory Board, I would like to thank management and employees for their hard work in 2014 – it is their efforts that make *TNT - The People Network*. I would also like to thank our shareholders and other stakeholders for their continued commitment to our business.

Kind regards,



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

II. REPORT OF THE SUPERVISORY BOARD

INTRODUCTION

In 2014, the Supervisory Board advised the Executive Board on strategic and operational processes, governance, corporate responsibility and developments. This report provides an overview of the events and challenges the Supervisory Board dealt with throughout the year.

SUPERVISION BY THE SUPERVISORY BOARD

Achievement of company goals

In 2014, TNT continued to operate under challenging trading conditions, which resulted in significant provisions and one-off charges. These challenges testified to the scale of transformation required, which the Supervisory Board acknowledged would not occur overnight. The Supervisory Board played a significant role in the evolution of *Outlook*, as well as the selection of the new management team and the development of the new organisational structure. The Supervisory Board is confident that *Outlook* will create a sustainable future for TNT and all its stakeholders, and provided the Executive Board with its full support.

Strategy and risks

During the year, the Supervisory Board together with the Executive Board discussed initiatives to reinforce the company's performance, synthesising the strategic features and processes. TNT's strategic agenda continued to evolve around the strength of the European Road Network, the large base of SMEs and its dedication to customer service. In February, the Supervisory Board decided to extend the dissolution date of its ad hoc Strategy Committee, from April to the end of 2014, to provide support to the Executive Board throughout the year in the further development of the strategy's key levers, which include IT transformation, service improvement, organisation transformation and the re-launch of TNT.

Risk management

In 2014, the Supervisory Board was informed regularly, promptly and comprehensively on risks and risk management. The outcome of TNT's risk management process, the risks identified and the mitigation plans were discussed in detail with the Audit Committee, and between the Supervisory Board and the Executive Board. The Supervisory Board strongly supports the allocation of risk ownership at Management Board level, facilitating the monitoring process and execution of action plans throughout the company. Refer to section V for more information on the risk management process and the strategic, operational, financial and compliance risks facing TNT.

Financial reporting

In 2014, members of the Supervisory Board received comprehensive financial reporting updates on a regular basis. This included the 2013 annual report with the consolidated financial statements, drawn up in accordance with IFRS; the proposal for a pro forma (interim) dividend from the distributable part of the shareholders' equity; the quarterly consolidated financial statements; PricewaterhouseCoopers (PwC)'s specified procedures report on TNT's half-yearly statements; PwC's hard close report; and PwC's year-end audit findings. The Audit Committee and Supervisory Board dealt extensively with these reports. The external auditor attended all meetings of the Audit Committee.

Compliance

The Supervisory Board believes in a strong compliance framework. It advocates a corporate culture that values integrity and commitment to external and internal rules and regulations as well as fair treatment of business partners, employees and other stakeholders. In 2014, the Supervisory Board was informed on compliance-related topics and ascertained the legality and proper conduct of management activities.

Investor relations

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

Corporate responsibility

The Supervisory Board acknowledged the continued integration of corporate responsibility into TNT's overall business strategy and operations. The Supervisory Board considers corporate responsibility to be an essential condition for long-term success. In 2014, the Supervisory Board paid particular attention to safety. Regrettably, TNT, including subcontractors, was involved in 23 road traffic fatal accidents. This is a significant increase from the prior year (15). Together with management the Supervisory Board encourages the reduction in the number of incidents and accidents, and strives to gain more insight in the root cause of the accidents, to be able to take specific mitigating actions. Refer to chapter 3 for more information.

MEETINGS OF THE SUPERVISORY BOARD

In 2014, the Supervisory Board held six regular meetings and two ad hoc meetings. The Executive Board attended most of the meetings. Agenda items included: business performance and market developments; strategic, governance and regulatory updates; and corporate responsibility items. The ad hoc meetings took place in January to discuss the decision to retain Brazil Domestic and in September to discuss the trading update and the announcement of the settlement with the French Competition Authorities (FCA).

All members of the Supervisory Board attended nearly all Supervisory Board meetings (refer to page 38 for an attendance overview). Between meetings, the chairman of the Supervisory Board held frequent discussions with the CEO, both in person and by phone. The Executive Board kept the entire Supervisory Board informed of important developments on a regular basis.

In February, the main topics of discussion were the *Outlook* strategy, the 2013 annual results, including the fourth-quarter and full-year results, the year-end report by the external auditor (PwC) and the risk environment report. The Supervisory Board approved the 2013 annual report, the final 2013 dividend proposal, the agenda for the Annual General Meeting of Shareholders on 9 April 2014 and the infrastructure investments in Australia and in the hub in Liege, Belgium.

In April, the Supervisory Board held two regular meetings: the first to prepare for the Annual General Meeting of Shareholders; and the second to discuss the progress of *Outlook* and the first-quarter results.

In July, the Supervisory Board discussed the half-year and second-quarter results as well as the outlook for the remainder of 2014. It also reviewed the progress of *Outlook* as well as the proposal for substantial investments in the European Road Network in the next few years. The Supervisory Board approved an investment in depot automation in Italy and the agenda for the Extraordinary General Meeting of Shareholders on 18 September 2014, where the appointment of Mr De Vries as CFO was proposed to shareholders.

In October, the third-quarter results as well as updates on the main parts of the business and service improvement were discussed. The Supervisory Board approved infrastructure investments in France and the United Kingdom. Other items discussed included updates on IT transformation, the hub in Liege, Belgium and the marketing campaign.

In December, the Supervisory Board discussed and approved the budget for 2015. Other topics discussed included: general business updates; the progress of *Outlook*; updates on customer service, IT transformation, organisation transformation, and safety; and planning for the Capital Markets Day. The Supervisory Board approved three IT outsourcing contracts.

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

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has four committees: the Audit Committee, the Chairman's & Nominations Committee, the Remuneration Committee, and the Strategy Committee. These committees help prepare the Supervisory Board for its decision-making responsibility and provide advisory input. During 2014, each committee reported its findings and conclusions to the entire Supervisory Board on a regular basis, both verbally and in writing.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr Levy. In 2014, the Audit Committee met five times, with all committee members present. All meetings were attended by the CFO, the director of internal audit, risk and control services, the director of financial reporting, consolidation & accounting and PwC.

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

In February, the Audit Committee discussed the 2013 annual results, the year-end report by PwC, the risk management process and the 2013 final dividend. Furthermore, it discussed the internal audit and internal control reports, TNT's business ethics programme and the letter of representation. Other topics discussed were the full-year claims and litigation report, updates on the divestment process of TNT Fashion, IT transformation, Brazil and on the financial impact of *Outlook*.

In April, the Audit Committee discussed the first-quarter results. Updates on internal audit, internal control, pensions, tax, the financial impact of *Outlook*, and the business principles were presented.

In July, the second-quarter and half-year results were discussed as well as updates on business ethics, export control, internal control, internal audit and risk management. PwC presented their half-year specified procedures report and the 2014 audit plan. Furthermore updates on claims and litigation, pensions, IT transformation, infrastructure investments in Australia and the financial impact of *Outlook* were presented.

In October, the third-quarter results and the quarterly internal audit and internal control reports were reviewed. The Audit Committee requested that a dashboard be provided in future meetings, showing clearly open and recurring audit action items. Updates on pensions, IT transformation, the financial impact of *Outlook*, and a preview of the 2015 budget were discussed.

In December, the Audit Committee discussed the 2015 budget and the 2015 internal audit, risk and control services plan, and the findings from PwC's hard close report. In addition, updates on risk management, internal control, pensions, France, IT transformation, dividend evolution, and the 2014 annual report process were discussed.

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

Chairman's & Nominations Committee

The Chairman's & Nominations Committee held meetings in February, April, July, October and December. Agenda items at each meeting included the composition and performance of the Supervisory Board, the Executive Board and the Management Board. Other issues discussed included the organisation and division of responsibilities between the Supervisory Board committees, corporate governance developments and the selection of training topics and company visits.

Remuneration Committee

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

The committee addressed a number of issues and prepared a proposal for amendments to the Executive Board remuneration policy that were adopted during the Annual General Meeting of Shareholders on 9 April 2014. Refer to section IV for the 2014 remuneration report and the remuneration policy.

Strategy Committee

The ad hoc Strategy Committee was established in July 2013 to assist the Executive Board in developing the company's strategy. The committee has three members and is chaired by Ms Harris. In 2014, meetings were held in January, April, June, September and the committee's final meeting in November. In the meetings, the Strategy Committee reviewed the overall progress of *Outlook* and had in-depth discussions with management on the key levers of the strategy, which include IT transformation, service improvement, organisation transformation, as well as, the re-launch of TNT.

The members discussed and challenged the further development and implementation of the company's strategy with special focus on opportunities, the competitive landscape, coherence with market trends and impact on financial performance. In January, the Strategy Committee visited UK International & Ireland, where local management presented a detailed analysis of UK International & Ireland's business and strategy, followed by a meeting with customers and a depot visit.

INTERNAL ORGANISATION

Evaluation

In 2014, the Supervisory Board conducted a self-assessment with the support of an external consultant. Each member of the Supervisory Board completed a questionnaire with questions regarding the functioning of the board including topics such as composition, competencies, decision-making process, effectiveness, communication and culture. Based on the completed questionnaires, personal interviews were conducted with the Supervisory Board members. In addition, interviews with the members of the Executive Board were conducted by the external facilitator. Based on the questionnaires and interviews, an evaluation report was drafted which was discussed in a plenary Supervisory Board session, with the facilitator present. Overall, the Supervisory Board was positive about its functioning and culture. A few improvement points were formulated including a stronger focus on the company's KPIs and ensuring sufficient time in the meetings for discussion on key items such as the current IT environment.

The Supervisory Board intends to use an external facilitator for the evaluation process at least once every three years.

Composition

In 2014, the Supervisory Board of TNT consisted of six members. Refer to page 41 for the names and biographies of the members of the Supervisory Board. A detailed overview of their diversity and competences is provided on the following page. During the Annual General Meeting of Shareholders on 9 April 2014, Mr King was re-appointed as member of the Supervisory Board for four years.

Conflict of interest

No transaction involving a conflict of interest between TNT and a member of the Supervisory Board or the Executive Board was reported in 2014.

Induction and training

In April, the members of the Supervisory Board visited TNT's hub in Liege, Belgium, where they were briefed by senior local management on the hub's processes, plans and projects. In addition they were informed on TNT's preparedness for crises or disasters.

External advice

In 2014, the Supervisory Board obtained independent professional advice on the search and selection of candidates for the position of CFO and on remuneration-related matters.

Competences and Diversity

During 2014, each member of the Supervisory Board was capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board. In their designated roles, each member had specific expertise to fulfil the duties assigned to him or her. Collectively, the Supervisory Board covered all required expertise, skills and competences to fulfil its duties. The competencies and diversity overview on the following page, provides more detailed information.

Supervisory Board competencies and diversity overview

General competencies

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

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

Functional competencies

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

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

Diversity

	Age	Gender	Nationality
Mr Burgmans	68	Male	Dutch
Ms Harris	48	Female	British
Mr King	74	Male	American
Mr Levy	67	Male	French
Ms Scheltema	60	Female	Dutch
Mr Vollebregt	60	Male	Dutch

Supervisory Board attendance

Overview

	Supervisory Board meetings	Audit Committee meetings	Remuneration Committee meetings	Strategy Committee meetings	Chairman's and Nominations Committee meetings	Additional ad hoc Supervisory Board meetings	EGM ¹	AGM ²
Mr Burgmans	6/6		4/4		5/5	2/2	1/1	1/1
Ms Harris	6/6	5/5	4/4	5/5	5/5	2/2	1/1	1/1
Mr King	6/6		4/4		5/5	2/2	0/1	1/1
Mr Levy	6/6	5/5	4/4		5/5	2/2	0/1	1/1
Ms Scheltema	6/6	5/5		5/5	5/5	1/2	0/1	1/1
Mr Vollebregt	6/6			5/5	5/5	1/2	1/1	1/1
Total % attendance	100%	100%	100%	100%	100%	83%	50%	100%

¹EGM: Extraordinary General Meeting of Shareholders.

²AGM: Annual General Meeting of Shareholders

Throughout 2014, each member of the Supervisory Board was able to secure sufficient time for the proper performance of his/her duties. This was confirmed by the very high attendance rate, as shown in the table above.

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

The members represented four different nationalities. Their average age at the end of 2014 was 63, with ages ranging from 48 to 74. Most of the members possess a university degree or equivalent. Functional expertise covers finance and general management, and business experience ranges geographically from Europe and North America to Asia.

In 2014, TNT complied with the requirement of the Dutch Corporate Governance Code stipulating that a Supervisory Board member may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT), a chairmanship counting twice.

Matters pertaining to the Executive Board

CFO succession

On 4 April 2014, TNT announced that Mr Bot would not seek re-appointment as member of the Executive Board. To select a successor to Mr Bot, the Supervisory Board drew up a list of selection criteria and engaged a professional executive search firm to perform an international search for a new CFO. Among the possible candidates, Mr De Vries was found to be the strongest with regards to his knowledge and experience in finance, IT, procurement and supply chain management. His extensive experience in driving organisational change and implementing transformation programmes were also considered as highly valuable to the company. Pending shareholder approval, Mr De Vries was assigned as CFO as of 1 July 2014.

During the selection procedure for the new CFO, the Supervisory Board acknowledged the importance of a balanced composition of the Executive Board. With the appointment of Mr De Vries, the composition of the Executive Board in 2014, did not comply with the gender diversity rules recommended by the Dutch Management and Supervision Act (*'Wet Bestuur en Toezicht'*).

Contract

In compliance with the Dutch Management and Supervision Act (*'Wet Bestuur en Toezicht'*), which took effect in January 2013, TNT concluded a service agreement with Mr Gunning and Mr De Vries. Mr Bot's employment agreement remained unaffected as it already existed at the effective date of the Act. Mr Bot's employment agreement was for an indefinite period and ended as of 30 June 2014.

FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

The 2014 (consolidated) financial statements as included in the annual report has been audited by PricewaterhouseCoopers Accountants N.V. (PwC) and presented to the Supervisory Board in the presence of the Executive Board and the external auditor. Refer to pages 139 to 146 of chapter 5 for PwC's report.

Members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code (*'Burgerlijk Wetboek'*). Members of the Executive Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Dutch Financial Markets Supervision Act (*'Wet op het financieel toezicht'*). Refer to page 10 of chapter 1.

The Supervisory Board recommended that the Annual General Meeting of Shareholders, to be held on 8 April 2015, adopts the 2014 consolidated financial statements of TNT. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability in the exercise of their duties. Refer to page 148 of chapter 5 for the appropriation of results as approved by the Supervisory Board.

The Supervisory Board endorsed the Executive Board's view on 2014. The Supervisory Board approved the decision of the Executive Board to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro forma dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.031 per share. The €0.049 per share interim dividend, together with the proposed final dividend, (€0.08 per share in total), represents a payout of 40% of normalised net income ('profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items) over the full year 2014, in line with the dividend guidelines.

COMPLIANCE WITH BY-LAWS

In 2014, no decision was taken by the Supervisory Board that did not comply with its by-laws.

A WORD OF THANKS

The Supervisory Board wishes to thank the Executive Board and all employees of TNT for their contributions in 2014.

Supervisory Board

Antony Burgmans
Mary Harris
Roger King
Shemaya Levy
Margot Scheltema
Sjoerd Vollebregt

Hoofddorp, 17 February 2015

III. CORPORATE GOVERNANCE

The Supervisory Board of TNT currently consists of six members.



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

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

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



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

Independent supervisory board member of Scotch & Soda B.V.; non-executive director at Reckitt Benckiser Group plc, J. Sainsbury plc. and ITV plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.

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



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

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

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



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

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

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



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

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

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



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

Former chairman and chief executive officer of Fokker Technologies B.V., previously held positions as chairman of the board of management and CEO of Stork B.V., executive board member and deputy chief executive Freight Forwarding & Technology Division America-Europe of Exel plc. (London) and as regional chief executive Central & Eastern Europe, member of the Logistics board of Ocean plc. (London).

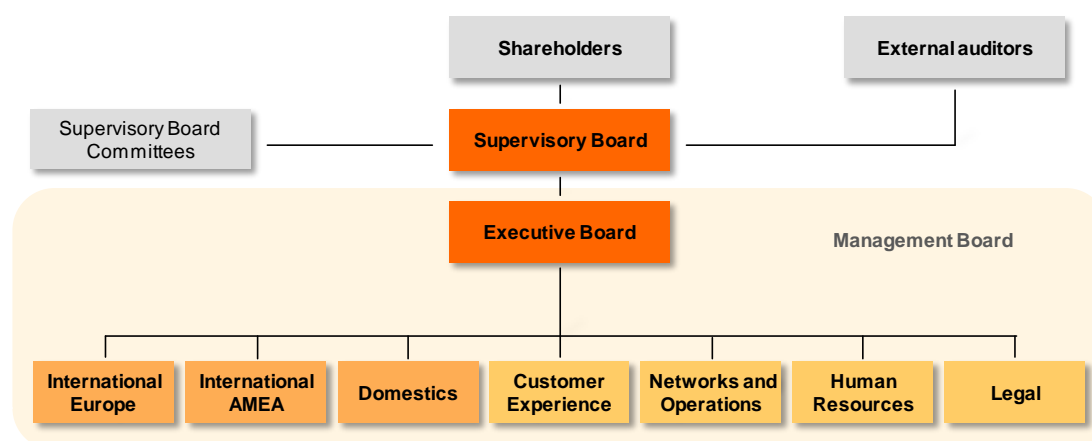
- Member of the Chairman's & Nominations Committee and Strategy Committee

INTRODUCTION

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

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

Corporate governance changes, compared to 2013, included the creation of focused and accountable units and the formation of a new nine-member Management Board.



Internal regulations, policies and processes, including:

- Articles of Association
- Business Principles
- By-laws Supervisory Board
- By-laws Executive Board
- COSO – ERM³
- Key controls/CWC⁴
- Company policies
- Corporate responsibility standards

External regulations, including:

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

- Reportable segments
- Key functions

General

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

As illustrated in the diagram above, the Executive Board is supported by a Management Board. Refer to page 49 for a description of the composition of the Management Board.

TNT's corporate governance structure and processes are based on external regulations (including the Dutch Corporate Governance Code, Dutch Civil Code, Dutch Financial Markets Supervision Act, and

³COSO – ERM: Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM).

⁴Company Wide Controls.

NYSE Euronext listing rules) complemented by its Articles of Association, Business Principles, by-laws, controls and policies based on external legal and regulatory obligations, and internationally recognised corporate responsibility standards.

SUPERVISORY BOARD

General

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

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

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

Composition of the Supervisory Board

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

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

Conflict of interest

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

External advice

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

Appointment and removal

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

than in accordance with a nomination by the Supervisory Board, or to deprive a binding list of candidates from its binding character, requires an absolute majority of votes representing at least one-third of the issued share capital.

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

Chairman and Corporate Secretary

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

Committees of the Supervisory Board

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

Audit Committee

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

Remuneration Committee

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

Strategy Committee

The Strategy Committee is an ad hoc committee of the Supervisory Board. Its purpose is to assist the Executive Board in developing and implementing the strategy of the company, by acting as a sounding board, including debating and challenging the approach, findings and risks of strategies developed by the Executive Board. The formulation of the strategy remains the exclusive responsibility of the Executive Board, and approval of the strategy and the assessment of the associated risks rest with the Supervisory Board. The Strategy Committee commenced in July 2013 and was effective until the end of 2014.

Chairman's & Nominations Committee

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

EXECUTIVE BOARD AND MANAGEMENT BOARD



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

Executive Board

Tex Gunning (1950, Dutch)

Chief Executive Officer (CEO) and Chairman of the Executive Board and Management Board

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

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

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

Maarten de Vries (1962, Dutch)

Chief Financial Officer (CFO) and member of the Executive Board and Management Board

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

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

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

Additional members of the Management Board

Ian Clough (1967, British)

Member of the Management Board and Managing Director of International Europe

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

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

Michael Drake (1963, British)

Member of the Management Board and Managing Director of International AMEA

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

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

Marco van Kalleveen (1969, Dutch)

Member of the Management Board and Managing Director of Domestic

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

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

Chris Goossens (1962, Belgian)

Member of the Management Board and Managing Director of Customer Experience

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

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

Martin Södergård (1959, Swedish)

Member of the Management Board and Managing Director of Global Network Operations

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

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

Joost Otterloo (1968, Dutch)

Member of the Management Board and Chief People Officer

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

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

Tjeerd Wassenaar (1969, Dutch)

Member of the Management Board and General Counsel

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

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

EXECUTIVE BOARD

General

The Executive Board is entrusted with the day-to-day management of TNT, which includes: deploying its strategy; managing its operations, risk profile and financing; achieving its objectives; and addressing compliance and corporate responsibility issues. The Executive Board may perform all acts it deems

necessary or useful for achieving the corporate purposes of TNT, except for those expressly attributed to the general meeting of shareholders or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association. The members of the Executive Board have joint powers and responsibilities, and share responsibility for all decisions and acts of the Executive Board and for the acts of each individual member of the Executive Board. The Executive Board may only adopt resolutions with an absolute voting majority.

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

Appointment and removal

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

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

Conflict of interest

If a member of the Executive Board becomes aware of any significant (potential) conflict of interest, he must report this immediately to the chairman of the Supervisory Board and to the other members of the Executive Board, providing all relevant information. If a conflict of interest is established, TNT will be represented by another member of the Executive Board or by a member of the Supervisory Board appointed by the Supervisory Board for this purpose. A decision to enter into a transaction involving a conflict of interest with a member of the Executive Board that is of (material) significance to TNT or to the relevant member, requires the approval of the Supervisory Board. No such transactions were entered into in 2014.

Contract

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

Issuance of shares

At the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was designated as competent body to issue ordinary and preference shares and to grant rights to subscribe for ordinary and preference shares until 9 October 2015. The authority of the Executive Board as regards the issuance of ordinary shares is restricted to a maximum of 10% of the total issued and outstanding share capital at the time of issuance plus a further issuance up to 10% of the total issued and outstanding share capital at the time of issuance in case an issue occurs as part of a merger or acquisition. The authority to issue preference shares and to grant rights to subscribe for preference

shares is not limited and concerns all preference shares which are not yet issued from the authorised capital as it will read from time to time.

In addition, at the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was designated as competent body to restrict or exclude pre-emptive rights upon issuance of ordinary shares (including the granting of rights to subscribe for ordinary shares) until 9 October 2015. A resolution of the Executive Board to issue ordinary or preference shares, or to grant rights to subscribe to shares, is subject to the approval of the Supervisory Board.

Acquisition of own shares

At the Annual General Meeting of Shareholders, held on 9 April 2014, the Executive Board was authorised to acquire fully paid-up ordinary shares in the capital of the company through a purchase on the stock exchange or otherwise for a term of 18 months until 9 October 2015, up to 10% of the nominal amount of its total issued and outstanding share capital. The acquisition can take place for a price per share of at least the nominal value and at most the quoted ordinary share price plus 10%. The quoted share price is the average of the closing prices of an ordinary share according to the 'Official Price List of Euronext Amsterdam N.V.' for a period of five trading days prior to the day of repurchase. A resolution of the Executive Board relating to the acquisition of own shares is subject to the approval of the Supervisory Board.

MANAGEMENT BOARD

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

PREVENTION OF INSIDER TRADING

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

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

As for members of the Executive Board, no member holds ordinary shares in TNT as of 31 December 2014. This excludes any granted rights on (phantom) shares allocated to members of the Executive Board under any of TNT's equity plans and/or any participation in the Executive Board's variable compensation scheme.

As for members of the Supervisory Board, only Mr Vollebregt holds shares in TNT. As of 31 December 2014, the total number of shares held was 10,052.

FOUNDATIONS OF THE CORPORATE GOVERNANCE OF TNT

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the Dutch Corporate Governance Code and with regulatory requirements. The Executive Board's compliance statement relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*') can be found on page 10.

Internal Control

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

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

Throughout 2014, TNT documented and evaluated the design of ICFR. In addition, TNT continued a comprehensive programme of testing the operational effectiveness of its ICFR. Further initiatives on entity-level controls were undertaken, including integrity awareness and training and reinforcement of policies and procedures. The findings identified by each of the entities included in the ICFR programme, including the findings raised by the external auditor, were reported to the Executive Board and the Audit Committee of the Supervisory Board.

Risk Management

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

Business Ethics

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

Internal Audit

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

EXTERNAL AUDITOR

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

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

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

Once every three years, the Audit Committee and the Executive Board are required to conduct a thorough assessment of the functioning of the external auditor. The last assessment was conducted in 2013. The lead engagement partner is present at the general meeting of shareholders and may be questioned with regard to his issued opinion on the financial statements. The lead engagement partner, other key audit partners, and the quality (review) partner of the external auditor are rotated after a

maximum period of seven years. From 2011, the lead engagement partner of PwC in charge of the TNT account is Mr Dekkers.

DUTCH CORPORATE GOVERNANCE CODE

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

Best practice provision II.2.8

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

Best practice provision IV.1.1

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

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

SHAREHOLDERS

General meetings of shareholders

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

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

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

On 18 September 2014, an Extraordinary General Meeting of Shareholders was held, to appoint Mr De Vries as a member of the Executive Board of TNT in the position of CFO. Mr Bot was granted full and

final release and discharge from liability as member of the Executive Board of TNT, until and including 30 June 2014.

Agenda

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

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

Admission to and voting rights at the meeting

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

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

Dissolution and liquidation

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

Change to the rights of shareholders

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

Major shareholders

The Dutch Financial Markets Supervision Act (*'Wet op het financieel toezicht'*) imposes a duty on shareholders to disclose substantial percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay. As per 31 December 2014, the register of the AFM disclosed that Blackrock Inc.; UBS Group AG; Artisan Investments GP LLC; Tweedy, Browne Company LLC; Franklin Templeton Investment Funds; Investec Asset Management Limited; MacKenzie Financial Corporation; First Eagle Global Fund; PostNL N.V.; Arnhold and S. Bleichroeder Holdings, Inc.; B. Rosenstein; and Her Majesty the Queen in right of Alberta have a substantial percentage holding in TNT Express N.V. exceeding 3%.

FOUNDATION

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

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

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

The Foundation may exercise the call option for certain reasons, including:

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

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

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

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

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

IV. REMUNERATION REPORT

REMUNERATION GOVERNANCE

The Supervisory Board proposes the remuneration policy for adoption by the general meeting of shareholders. The contracts of the members of the Executive Board are drawn up by the Supervisory Board in accordance with this policy. The Remuneration Committee is responsible for assessing and preparing the remuneration policy of the Executive Board. The committee prepares its proposals independently, after careful consideration.

TNT's remuneration policy complies with all relevant Dutch legal requirements and the Dutch Corporate Governance Code. The single deviation from the best practice provisions of the Code relates to a change of control and is explained on page 51. In preparing the remuneration policy, the Remuneration Committee takes into account the difference between the highest paid and the lowest paid employee, and the remuneration of senior management reporting to the Executive Board in order to ensure a consistent and aligned remuneration practice within TNT.

2014 REMUNERATION POLICY

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

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

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

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

European reference group¹

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

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

The Dutch peer group consisted of all AEX-listed companies, excluding the two largest and two smallest companies as well as companies in the financial sector. The last benchmark test was performed in 2013 by an external party. A new benchmark test will occur before the end of 2016.

Base compensation

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

Variable income

The variable income policy comprises the following instruments:

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

The 2014 short-term and long-term incentive plans for members of the Executive Board are aligned with the variable income programmes for senior management.

Short-term incentive

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

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

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

Bonus/matching plan

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

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

Long-term incentive

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

The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:

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

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

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

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

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

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

Pension

The remuneration policy provides for a pension provision for members of the Executive Board in line with the local practice on the labour market.

Severance

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

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

Other

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

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

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

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

TOTAL REMUNERATION – 2014

In 2014, members of the Executive Board received a base compensation, a variable component (short-term incentive and long-term incentive), other periodic compensation, and contributions to pension provisions.

The reported 2014 remuneration of Mr De Vries represents income received as of 1 July 2014, the starting date of his assignment as CFO. Mr Bot's reported remuneration represents income received during his term as CFO, which ended on 30 June 2014. Refer to note 19 in chapter 5 for more information.

The following table highlights the elements of the 2014 remuneration for the individual members of the Executive Board:

Total remuneration - Executive Board

	Financial year	Base compensation	Temporary allowance ¹	Other periodic paid compensation ²	Pension costs	Accrued for short-term incentive	Accrued for long-term incentive	Termination benefits ³	One-off employer tax ⁴	Total
Current members										
Tex Gunning	2014	750,000		45,529	187,500		100,147			1,083,176
Tex Gunning ⁵	2013	437,500		20,099	109,375				65,593	632,567
Maarten de Vries ⁶	2014	250,000		11,103	62,500		34,754			358,357
Former members										
Bernard Bot ⁷	2014	250,000		40,986	75,374	6,141	21,293	1,524,000		1,917,794
Bernard Bot ⁸	2013	500,000	104,167	59,385	168,363	40,466	40,149		89,045	1,001,575
Jeroen Seyger ⁹	2013	100,540	112,071	14,582	23,707	3,739	30,586		23,282	308,507

¹A temporary quarterly allowance is paid for the duration of the interim appointment of Mr Bot as CEO ad interim and Mr Seyger as CFO ad interim.

²Other periodic paid compensation includes company costs related to tax and social security, company car and other costs.

³The termination benefits for Mr Bot include: severance payment of one year's base compensation, compensation for the 6 months notice period and the estimate for additional wage tax of €596,000 subject to article 32bb Dutch Wage Tax Act 1964.

⁴According to Dutch tax law, a one-off employer tax was applied in 2013.

⁵As of 1 June 2013, Mr Gunning was assigned as CEO.

⁶As of 1 July 2014, Mr De Vries was assigned as CFO.

⁷As of 30 June 2014, Mr Bot resigned from the company. For Mr Bot, the accrued costs for short-term incentive consist of costs taken in 2014 for awards in the period 2011-2013.

⁸Mr Bot was CEO ad interim from 1 January 2013 through 31 May 2013, after his resignation as CEO ad interim Mr Bot remained CFO.

⁹Mr Seyger was CFO ad interim from 1 January 2013 through 31 May 2013, the reported amounts relate to his income as CFO ad interim.

(in €)

Base compensation

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

The 2014 annual base fee for Mr Gunning was €750,000 and the annual base fee for Mr De Vries amounted to €500,000. Due to his assignment as CFO as of 1 July 2014, Mr De Vries received a total base compensation of €250,000.

Variable income

Short-term incentive

The 2014 short-term incentive focuses entirely on financial targets comprising:

- 70% company results
- 30% net cash flow

The reward for 'at target' performance amounts to 100% of the annual base compensation.

The Supervisory Board has assessed and scored the 2014 performance against the set targets and objectives, and determined that the targets were not met, therefore, no short-term incentive payout will occur.

Bonus/matching plan

In 2014, due to the fact that both Mr Gunning and Mr Bot fully waived their 2013 short-term incentive entitlements, they were not eligible to participate in the bonus/matching plan.

Long-term incentive

On 29 April 2014, the Supervisory Board awarded conditional rights to shares to members of the Executive Board under the TNT performance share plan.

The 2014 performance shares vest after a three-year period. The actual number of shares that vest depends on the performance of the following performance measures:

- 50% financial target: (for further information, refer to the remuneration policy above)
- 50% non-financial target(s), for 2014: a customer satisfaction target

The Supervisory Board has assessed the performance on the non-financial target and determined that performance exceeded the set target level.

Mr De Vries was not a member of the Executive Board at the time of the annual grant, therefore his 2014 award of performance shares has been prorated (94%) for his time in service during the three years vesting period (29 April 2014 - 1 May 2017). This grant took place on 28 October 2014.

Pension

Members of the Executive Board receive a gross pension allowance as a contribution to their individual pension provision. For Mr Gunning and Mr De Vries, a monthly gross pension allowance of 25% of their monthly base compensation is made available. Mr Gunning and Mr De Vries do not participate in the TNT pension scheme.

Severance

The contractual severance payments for both Mr Gunning and Mr De Vries are in line with the remuneration policy. Mr Bot received a severance payment equal to one year's annual base compensation, according to the remuneration policy.

Other

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

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

2015 REMUNERATION POLICY

In 2015, following the request of various stakeholders, the Supervisory Board will introduce shareholding guidelines, under which executives are required to build up a minimum ownership of company shares. In order to facilitate such guidelines the Supervisory Board will propose amendments to the 2014 Remuneration Policy. The amendments will consist of the following changes to the existing bonus/matching plan:

- renaming the plan from bonus/matching plan to investment/matching plan; and
- allowing executives to participate in the investment/matching plan, with shares purchased from their own funds. Matching of shares that are purchased from the executive's own funds will be subject to a maximum as per the shareholding guidelines. Thereafter, the matching will be limited to the proceeds of the short-term incentive.

All other characteristics of the existing bonus/matching plan, such as the one-to-one matching and the three-year holding period will remain unchanged.

The Supervisory Board will take into account the overall performance of the company, when it decides on the vesting of rights to matching shares relating to the investment/matching plan.

The amendment of the remuneration policy will be submitted for approval to the Annual General Meeting of Shareholders on 8 April 2015.

REMUNERATION – SUPERVISORY BOARD

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

In 2014, the level of the remuneration of the Supervisory Board remained unchanged. The compensation of the members of the Supervisory Board will be benchmarked every three years. A benchmark test will be executed at the end of 2016, synchronous with the benchmark of the compensation of the members of the Executive Board. The 2014 remuneration for the Supervisory Board is set out in the following table:

Remuneration - Supervisory Board

		Base fee	Additional meeting fee
	Chairman	60,000	2,500
	Member	45,000	1,500
Committees			Regular meeting fees
Audit	Chairman		2,500
Remuneration	Member		1,500
Strategy (ad hoc)			
Chairman's and Nomination	Chairman		1,500
	Member		1,000

(in €)

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

Members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT. Members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the general meeting of shareholders. TNT does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board. Refer to note 19 in chapter 5 for more information.

V. RISK MANAGEMENT

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

The Executive Board, supported by senior management and dedicated risk management employees, is responsible for identifying, prioritising and mitigating risks and for the establishment and maintenance of a robust risk management system.

RISK MANAGEMENT FRAMEWORK

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

Risk appetite

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

Risk appetite table

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

Throughout 2014, the company reviewed its risk profile on a regular basis. As input, the Executive Board used the outcome of all risk assessments, representing input from members of the Management Board, all functional areas, entities and key strategic projects.

Risk factors

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

Summary of main risks

	Specific risks	Inherent risks
Strategic risks	<ul style="list-style-type: none"> – Risks related to execution of strategy, restructuring or other change management programmes – Risks related to closure or disposal of certain businesses – Negative operational impact of a takeover bid 	<ul style="list-style-type: none"> – Deterioration of economic conditions – Changing customer preferences or shipping patterns – Intensifying competition in the CEP market
Operational risks	<ul style="list-style-type: none"> – Inaccurate forecasting of infrastructure requirements – Loss of or unavailability of suitable key suppliers or subcontractors – Failures in key infrastructures and networks – Potential impact of accidents and incidents 	<ul style="list-style-type: none"> – Increase in security requirements – Volatility in fuel prices and energy costs
Financial risks	<ul style="list-style-type: none"> – Proportionate but significant influence of major shareholders – Inadequate insurance coverage 	<ul style="list-style-type: none"> – Volatility in the financial market
Compliance risks		<ul style="list-style-type: none"> – Negative exposure from (changes in) regulatory, political and other environments, especially in emerging markets – Non-compliance with company policies, and/or external laws and regulations – Negative outcome of various claims and lawsuits

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

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

Strategic risks

Risk description

Mitigating action

Risks associated with the execution of strategy, restructuring or other change management programmes

Identified risks:

- Reduced benefits due to design failures or inaccurate estimates of revenue benefits and/or cost savings
- Reduced investments compared to plan, impacting the overall (revenue) benefits and/or cost savings
- Negative staff or supplier reactions (including strikes and work stoppages)
- Management distraction due to organisational and other changes
- Failure to retain and attract key employees
- Inadequate IT capacity and capability
- Deficiencies in the control environment

- Involving senior management and qualified personnel in all major projects
- Closely monitoring restructuring programmes by a dedicated programme office that tracks progress and plans resources which enables timely adjustments
- Proactively involving employee representative bodies at an early stage
- Developing employee engagement, investing in professional learning and development programmes
- Utilising structured succession planning and developing future leaders
- Increasing investments in IT and diversification of the IT supply base (including development of alternative providers)

Risks associated with closure or disposal of certain businesses

Identified risks:

- Unexpected costs (including impairment of intangible or tangible assets), liabilities and cash outflows
- Business disruption
- Loss of key relationships
- Loss of management and staff in affected businesses
- Inability to sell business held for sale

- Carefully analysing, planning and executing closure or divestment proposals
- Monitoring execution by senior management
- Maintaining ongoing communication with key customers and suppliers
- Maintaining transparent and frequent communication with management and staff
- Paying continued attention to business performance during the disposal process

Negative operational impact of a takeover bid for TNT or speculations about such a bid

Identified risks:

- Loss of customers, supplier contracts, business opportunities and employees
- Management distraction

- Establishing comprehensive corporate procedures to handle a bid situation
- Providing adequate and timely information to internal and external stakeholders

Deterioration of the economy, either globally or in specific geographies

Identified risks:

- High volatility and/or prolonged downturns in regions in which TNT operates, causing decline in demand for express volumes and/or significant changes in product mix
- Customers' or suppliers' solvency problems

- Closely monitoring all market developments
- Implementing profit improvement programmes and other cost reducing initiatives
- Further expanding TNT's flexible cost base
- Diversifying suppliers and subcontractors
- Actively monitoring customers' and suppliers' solvency
- Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ by S&P and Baa1 by Moody's

Strategic risks (continued)

Risk description	Mitigating action
Changing customer preferences or shipping patterns Identified risks: <ul style="list-style-type: none"> – Further shift in volumes, for example from express to economy express or from B2B to B2C services – Inability to realise the targeted customer mix – Loss of customers if service offering no longer matches their demands – Inadequate cover of changing trade lanes 	<ul style="list-style-type: none"> – Monitoring trends and shipping patterns – Maintaining close contact with customers – Flexibility to adjust network and local operations to meet new service requirements – Operating a company-wide service delivery improvement programme – Enhancing the company's economy express service offering – Building a selective service offering for B2C – Developing and maintaining access to third-party suppliers with complementary capabilities
Intensifying competition in the CEP market may put downward pressure on volumes and prices Identified risk: <ul style="list-style-type: none"> – Targeted actions by global or low-cost competitors 	<ul style="list-style-type: none"> – Monitoring markets and competitors – Implementing cost reductions to increase competitiveness – Introducing innovative pricing standards – Focusing on yield improvement activities

Operational risks

Risk description	Mitigating action
Inaccurate forecasting of infrastructure requirements, such as road and air hubs, aircraft, vehicles, depots and IT Identified risks: <ul style="list-style-type: none"> – Cost of excess capacity – Opportunity costs of capacity constraints (growth constraints, operational disruptions, inability to meet contractual commitments, contingencies) – Inadequate airport slots, air traffic control slots, and operating flexibility 	<ul style="list-style-type: none"> – Forecasting volumes for short, medium and long term – Developing alternative uses for capacity – Maintaining consistent, cross-functional budgeting and forecasting cycles – Sourcing from multiple suppliers locally and globally – Working with subcontractors and other third-party suppliers that have the ability to adjust their capacity in the short term – Executing network planning as core competency, with designated managers on a global and regional level
Loss of or the unavailability of key suppliers and subcontractors could impact TNT's ability to deliver Identified risks: <ul style="list-style-type: none"> – Dependency on a key supplier or subcontractor who turns insolvent or bankrupt – Asymmetric negotiations with a key supplier due to dependency 	<ul style="list-style-type: none"> – Sourcing from multiple suppliers – Implementing contingency plans to enable seamless transfer to alternative suppliers – Screening and monitoring suppliers closely – Utilising longer-term contractual arrangements where appropriate
TNT's services are time-critical. Network and IT disruptions in key infrastructure facilities may lead to its inability to deliver according to customer expectations and contractual obligations Identified risks: <ul style="list-style-type: none"> – Disruption or breakdown of concentrated (hub) infrastructure facilities, owned or third party – Disruption in subcontractor operations – Failure of IT infrastructure and applications 	<ul style="list-style-type: none"> – Actively monitoring and identifying potentially disruptive events – Investing in preventive measures – Implementing business continuity plans – Maintaining a global and local crisis response organisation including back-up facilities and networks

Operational risks (continued)

Risk description	Mitigating action
<p>Accidents and incidents resulting in fatalities, injuries or damages could negatively impact TNT</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Road traffic accidents – Aircraft accidents – Incidents from the transport of (hazardous) materials – Loss of consignments 	<ul style="list-style-type: none"> – Investing in fleet, systems, procedures and training relating to health and safety – Complying with external and internal health and safety rules and policies – Reporting and analysing all accidents and incidents; ensuring continuous improvement – Executing a company-wide health and safety improvement programme and promoting a safety culture
<p>A terrorist attack or increased security requirements could negatively affect TNT</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Staff or third-party injuries or fatalities due to terrorist attack – Costs or operating restrictions due to additional or changing rules and regulations for the transportation industry – Criminal acts against TNT which puts staff, property or customer consignments at risk 	<ul style="list-style-type: none"> – Strictly adhering to security policies, processes, procedures and systems (including supporting training, monitoring and auditing) – Investing in security personnel and equipment – Maintaining a continuous dialogue with authorities and participating in industry associations on changes in security rules – Adding a security surcharge to mitigate cost impact
<p>Volatility in the price of fuel, energy or CO₂ emission rights may adversely affect TNT</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Large dependency on air and road transportation can result in a potentially significant impact 	<ul style="list-style-type: none"> – Implementing company-wide fuel and energy efficiency measures – Ensuring application of fuel surcharges to mitigate cost impact

Financial risks

Risk description	Mitigating action
<p>Major owners of TNT's ordinary shares could exercise proportionate but significant influence, affecting the course of the company or the trading volume and share price</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Concentration of voting power at the general meeting of shareholders 	<ul style="list-style-type: none"> – Regularly engaging with major shareholders – Ensuring visibility of TNT with target investors to promote a diversified investor base by geography and investor style – Maintaining a corporate governance framework including Foundation call option (refer to page 53) – Ensuring compliance to the Relationship Agreement with PostNL (refer to TNT's corporate website: www.tnt.com/corporate)
<p>Inadequate insurance coverage</p> <p>Identified risk:</p> <ul style="list-style-type: none"> – Size and scope of insurance policy is inadequate to meet nature or size of damage claims 	<ul style="list-style-type: none"> – Utilising an in-house captive insurance company for additional coverage – Insuring 'catastrophe exposures' externally – Retaining several external insurers with a rating of A or higher

Financial risks (continued)

Risk description	Mitigating action
<p>Volatility and unfavourable movements of the financial markets may have a negative impact on TNT's ability to fund and cost of funding</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Fluctuations in exchange rates and interest rates – Downgrade of TNT's credit ratings – Break-up of or change of eurozone and its currency 	<ul style="list-style-type: none"> – Monitoring of capital investments in context of capital structure – Maintaining hedging arrangements to limit intragroup and external financial currency and interest exposures. Operational foreign currency cash flow exposures are mostly not hedged – Maintaining headroom under committed longer-term revolving credit facilities – Striving for a solid capital structure reflected in a long-term credit rating target of BBB+ by S&P and Baa1 by Moody's – Refer to note 29 in chapter 5

Compliance risks

Risk description	Mitigating action
<p>TNT's global presence exposes it to a variety of regulatory, political and other environments which may affect its business and operations, especially in emerging markets where the legal systems are in varying stages of development</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Changes in regulatory requirements, practices and procedures, in areas such as transportation, trade, anti-trust, labour, data protection, business licensing, foreign ownership, health and safety, taxes, limited liability for loss, export controls, sanctions, customs and security – Unfavourable policies and regulations related to environment and climate change – Restrictions on the use of vehicles during parts of the day or week – Underdeveloped judiciary and legal infrastructure in specific emerging markets 	<ul style="list-style-type: none"> – Monitoring and adapting to relevant (changes in) rules and regulations – Maintaining a dialogue with authorities and participating in industry associations – Implementing a company-wide compliance system, including training and reporting procedures
<p>Non-compliance with internal policies and/or external laws and regulations by employees, subcontractors or third-party suppliers could result in financial losses, loss of customers, sanctions or reputational damage</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Unwanted involvement in anti-competitive actions – Non-compliance with applicable social security or fiscal regulations – Classification of subcontractors or their employees as employees of TNT 	<ul style="list-style-type: none"> – Maintaining company-wide business principles, control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Communicating and implementing business principles and related guidelines towards subcontractors and third-party suppliers – Maintaining a global whistleblower procedure

Compliance risks (continued)

Risk description	Mitigating action
<p>The nature of its business exposes TNT to the potential for claims and litigations in a wide variety of areas</p> <p>Identified risks:</p> <ul style="list-style-type: none"> – Claims from/litigations by partners or third parties in relation to partnerships or potential partnerships, acquisitions or divestments – Customers claiming contractual obligations have not been met – Claims from public authorities and other third parties in relation to TNT's local operations – TNT may be held liable for PostNL obligations outstanding at the date of the demerger of TNT N.V. in 2011 	<ul style="list-style-type: none"> – Maintaining company-wide business principles, legal and other control frameworks, compliance policies, guidelines and integrity programmes including representations and training, audits and complaints procedures – Reporting quarterly material contracts and claims and litigations – Centrally involving senior management in claim and litigation resolution

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I. FINANCIAL STATEMENTS

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Consolidated statement of financial position

	Notes	31 December 2014	31 December 2013 ¹ variance %
Assets			
Non-current assets			
Intangible assets	(1)		
Goodwill		1,007	1,039
Other intangible assets		110	98
Total		1,117	1,137 (1.8)
Property, plant and equipment	(2)		
Land and buildings		441	447
Plant and equipment		204	161
Aircraft		156	182
Other		87	79
Construction in progress		50	19
Total		938	888 5.6
Financial fixed assets	(3)		
Investments in associates and joint ventures		17	16
Other loans receivable		2	3
Deferred tax assets	(23)	198	198
Other financial fixed assets		14	12
Total		231	229 0.9
Pension assets	(10)	4	3
Total non-current assets		2,290	2,257 1.5
Current assets			
Inventory	(4)	11	9
Trade accounts receivable	(5)	968	930
Accounts receivable	(5)	127	101
Income tax receivable	(23)	46	28
Prepayments and accrued income	(6)	182	120
Cash and cash equivalents	(7)	652	696
Total current assets		1,986	1,884 5.4
Assets held for disposal	(8)	1	100
Total assets		4,277	4,241 0.8
Liabilities and equity			
Equity			
Equity attributable to the equity holders of the parent	(9)	2,180	2,413
Non-controlling interests		12	7
Total equity		2,192	2,420 (9.4)
Non-current liabilities			
Deferred tax liabilities	(23)	10	15
Provisions for pension liabilities	(10)	222	93
Other provisions	(11)	94	68
Long-term debt	(12)	166	175
Accrued liabilities		4	3
Total non-current liabilities		496	354 40.1
Current liabilities			
Trade accounts payable		471	430
Other provisions	(11)	218	120
Other current liabilities	(13)	290	292
Income tax payable	(23)	52	94
Accrued current liabilities	(14)	558	470
Total current liabilities		1,589	1,406 13.0
Liabilities related to assets held for disposal	(8)		61
Total liabilities and equity		4,277	4,241 0.8

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies.
(in € millions, except percentages)

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

Consolidated income statement

Year ended at 31 December	Notes	2014	variance %	2013 ¹
Net sales	(15)	6,472		6,713
Other operating revenues	(16)	208		191
Total revenues		6,680	(3.2)	6,904
Other income/(loss)	(17)	17		208
Cost of materials		(407)		(444)
Work contracted out and other external expenses		(3,623)		(3,724)
Salaries and social security contributions	(18)	(2,126)		(2,259)
Depreciation, amortisation and impairments	(20)	(210)		(434)
Other operating expenses	(21)	(417)		(242)
Total operating expenses		(6,783)	4.5	(7,103)
Operating income/(loss)		(86)		9
Interest and similar income		12		14
Interest and similar expenses		(36)		(36)
Net financial (expense)/income	(22)	(24)	(9.1)	(22)
Results from investments in associates and joint ventures	(3)	7		22
Profit/(loss) before income taxes		(103)		9
Income taxes	(23)	(87)		(131)
Profit/(loss) for the period		(190)	(55.7)	(122)
Attributable to:				
Non-controlling interests		5		0
Equity holders of the parent		(195)	(59.8)	(122)
Earnings per ordinary share (in € cents) ²		(35.7)		(22.4)

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies and discontinued operations.

²Based on an average of 546,396,949 outstanding ordinary shares (2013: 544,171,809). 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	2014	variance %	2013 ¹
Profit/(loss) for the period	(190)	(55.7)	(122)
Other comprehensive income that will not be reclassified to the income statement			
Pensions: Actuarial gains/(losses), before income tax	(146)		19
Income tax on pensions	37		(6)
Other comprehensive income items that are or may be reclassified to the income statement			
Gains/(losses) on cash flow hedges, before income tax	7		11
Income tax on gains/(losses) on cash flow hedges	(2)		(4)
Currency translation adjustment, before income tax	84		(79)
Income tax on currency translation adjustment	0		
Other comprehensive income for the period net of tax	(20)	66.1	(59)
Total comprehensive income for the period	(210)	(16.0)	(181)
Attributable to:			
Non-controlling interests	5		0
Equity holders of the parent	(215)	(18.8)	(181)

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies and discontinued operations.

(in € millions, except percentages)

Consolidated statement of cash flows

Year ended at 31 December	Notes	2014	variance %	2013 ¹
Profit/(loss) before income taxes		(103)		9
Adjustments for:				
Depreciation, amortisation and impairments		210		434
Amortisation of financial instruments/derivatives		2		2
Share-based compensation		5		2
Investment income:				
(Profit)/loss of assets held for disposal	(17)	(7)		(2)
(Profit)/loss on sale of Group companies		(7)		
Interest and similar income		(12)		(14)
Foreign exchange (gains) and losses		5		2
Interest and similar expenses		31		34
Results from investments in associates and joint ventures		(7)		(22)
Changes in provisions:				
Pension liabilities		(10)		(7)
Other provisions		89		58
Changes in working capital:				
Inventory		0		1
Trade accounts receivable		(2)		16
Accounts receivable		(16)		(6)
Other current assets		(28)		(2)
Trade accounts payable		29		19
Other current liabilities excluding short-term financing and taxes		67		(50)
Cash generated from operations		246	(48.1)	474
Interest paid		(31)		(35)
Income taxes received/(paid)		(109)		(79)
Net cash from/(used in) operating activities	(24)	106	(70.6)	360
Interest received		12		14
Acquisition of subsidiaries and joint ventures		(1)		
Disposal of subsidiaries and joint ventures		39		61
Disposal of associates		0		27
Capital expenditure on intangible assets		(43)		(25)
Disposal of intangible assets		2		
Capital expenditure on property, plant and equipment		(147)		(108)
Proceeds from sale of property, plant and equipment		14		12
Cash from financial instruments/derivatives		19		(15)
Other changes in (financial) fixed assets		(17)		(1)
Dividends received		5		8
Other		0		1
Net cash from/(used in) investing activities	(25)	(117)	(350.0)	(26)
Proceeds from long-term borrowings		12		0
Repayments of long-term borrowings		0		(2)
Proceeds from short-term borrowings		40		66
Repayments of short-term borrowings		(44)		(61)
Repayments of finance leases		(20)		(15)
Dividends paid		(21)		(18)
Net cash from/(used in) financing activities	(26)	(33)	(10.0)	(30)
Total changes in cash	(27)	(44)	(114.5)	304

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies and discontinued operations.
(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 2012	43	2,749	(4)	(92)	(86)	2,610	7	2,617
Profit/(loss) for the period					(122)	(122)		(122)
Other comprehensive income/(loss)			(72)	13		(59)		(59)
Total comprehensive income/(loss)			(72)	13	(122)	(181)		(181)
Final dividend previous year		(11)				(11)		(11)
Interim dividend		(7)				(7)		(7)
Compensation retained earnings		(83)			83			
Legal reserves reclassifications			(8)	8				
Share-based payments				2		2		2
Stock dividend	1	(1)						
Total direct changes in equity	1	(102)	(8)	10	83	(16)		(16)
Balance at 31 December 2013¹	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)				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

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(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 17 February 2015 and are subject to adoption by the Annual General Meeting of Shareholders on 8 April 2015.

Segment information

As part of the *Deliver!* improvement programme, in 2013 a new management structure was implemented, which led to a change in operating segments and subsequently to a change in reportable segments: Europe Main, Europe Other & Americas, Pacific, AMEA (Asia, Middle East and Africa) and Unallocated.

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, Domestic 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 cooperation with International Europe.
- The Domestic reportable segment includes the domestic operations in France, Italy and the United Kingdom, as well as Brazil, Chile, 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 continues to consist of Other Networks (TNT Innight), Central Networks (European Road Network and European Air Network), IT, Global Business Services (GBS) and the TNT Head Office.

In 2013, Brazil Domestic was reported as a discontinued operation, following the announcement earlier that year that the unit would be sold. On 30 January 2014, TNT announced that it would retain Brazil Domestic. Therefore, as of 2014, Brazil Domestic is no longer reported as a discontinued operation but is incorporated in the Domestic reportable segment.

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 adopted 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

In Brazil, the social integration (Programa de Integração Social [PIS]) and the social contribution on billing (Contribuição para o Financiamento da Seguridade Social [COFINS]) programmes, levy taxes which are highly regulated and represent a significant share of the overall Brazilian tax collection.

PIS is conceived as a means to share the business profits with employees, through a mandatory national savings programme, financed by monthly deposits collected as a percentage on the gross sales. COFINS was created to finance special social programmes enforced by the Federal Government through the collection of a social contribution as a percentage of revenues.

Previously, in the absence of clear guidance under IFRS, TNT had accounted for these taxes as taxes on profit since and although the tax is levied as a percentage of revenues, certain cost credits are to be taken into account to arrive at the taxes due.

However, it is now more customary to account for the PIS/COFINS taxes as an adjustment of revenue and affected cost. As a result, TNT has decided to change its accounting for the PIS/COFINS, since such a change will result in the financial statements providing more reliable and relevant information about the effects of its financial performance.

The impact on the 2014 reported figures of this change results in €33 million lower revenue, €17 million lower operating income and €17 million lower income tax with no impact on the profit for the period nor the equity position of the Group.

a) New and amended standards adopted by TNT

- IFRS 10, '*Consolidated Financial Statements*', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. As of 1 January 2014, TNT has adopted IFRS 10. This did not have a material impact on the consolidated financial statements.
- IFRS 11, '*Joint Arrangements*', replaces IAS 31 '*Interests in Joint Ventures*' and deals with how a joint arrangement in which two or more parties have joint control should be classified. Under IFRS 11, joint ventures are required to be accounted for using the equity method of accounting, whereas under IAS 31, jointly controlled entities can be accounted for using either the equity method of accounting or proportionate consolidation method. As of 1 January 2014, TNT has adopted IFRS 11. The impact is disclosed in the paragraph hereafter.
- IFRS 12, '*Disclosures of Interests in Other Entities*', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles. As of 1 January 2014, TNT has adopted IFRS 12. 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 2014 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. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on

the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. TNT is yet to assess IFRS 9's full impact.

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

Adoption of IFRS 11

TNT has joint control over the following entities:

- TNT Swiss Post AG;
- TNT Express Luxembourg SA;
- PNG Air Charter Services Limited; and
- X-Air Services NV/SA.

These investments have been classified as joint ventures under IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. Prior to the adoption of IFRS 11, TNT applied proportionate consolidation, and recognised its investment in the joint ventures at the beginning of the earliest period presented (1 January 2013), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. Upon transition to the equity method of accounting, this is the deemed cost of the Group's investment in the joint ventures.

The effect of this change is shown in the following tables. There is no impact on equity, comprehensive income, net result and earnings per share.

Consolidated statement of financial position

	31 December 2013 before adoption of IFRS11 ¹	Equity accounting joint ventures	31 December 2013 after adoption of IFRS11	1 January 2013 before adoption of IFRS11	Equity accounting joint ventures	1 January 2013 after adoption of IFRS11
Assets						
Non-current assets						
Intangible assets						
Goodwill	1,039	0	1,039	1,340	0	1,340
Other intangible assets	98	0	98	117	0	117
Total	1,137	0	1,137	1,457	0	1,457
Property, plant and equipment						
Land and buildings	448	(1)	447	482	(1)	481
Plant and equipment	163	(2)	161	207	(2)	205
Aircraft	182	0	182	40	0	40
Other	79	0	79	87	(1)	86
Construction in progress	19	0	19	20	0	20
Total	891	(3)	888	836	(4)	832
Financial fixed assets						
Investments in associates and joint ventures	1	15	16	10	19	29
Other loans receivable	3	0	3	3	0	3
Deferred tax assets	198	0	198	243	0	243
Other financial fixed assets	14	(2)	12	15	(1)	14
Total	216	13	229	271	18	289
Pension assets	3	0	3	1	0	1
Total non-current assets	2,247	10	2,257	2,565	14	2,579
Current assets						
Inventory	10	(1)	9	13	(1)	12
Trade accounts receivable	942	(12)	930	1,026	(12)	1,014
Accounts receivable	100	1	101	88	2	90
Income tax receivable	28	0	28	14	0	14
Prepayments and accrued income	123	(3)	120	129	(3)	126
Cash and cash equivalents	700	(4)	696	397	(4)	393
Total current assets	1,903	(19)	1,884	1,667	(18)	1,649
Assets held for disposal	100	0	100	235	0	235
Total assets	4,250	(9)	4,241	4,467	(4)	4,463
Liabilities and equity						
Equity						
Equity attributable to the equity holders of the parent	2,413	0	2,413	2,610	0	2,610
Non-controlling interests	7	0	7	7	0	7
Total equity	2,420	0	2,420	2,617	0	2,617
Non-current liabilities						
Deferred tax liabilities	15	0	15	31	0	31
Provisions for pension liabilities	93	0	93	124	0	124
Other provisions	69	(1)	68	106	(1)	105
Long-term debt	176	(1)	175	191	(1)	190
Accrued liabilities	3	0	3	3	0	3
Total non-current liabilities	356	(2)	354	455	(2)	453
Current liabilities						
Trade accounts payable	440	(10)	430	439	(11)	428
Other provisions	121	(1)	120	66	0	66
Other current liabilities	279	13	292	297	17	314
Income tax payable	96	(2)	94	44	(2)	42
Accrued current liabilities	477	(7)	470	504	(6)	498
Total current liabilities	1,413	(7)	1,406	1,350	(2)	1,348
Liabilities related to assets held for disposal	61	0	61	45	0	45
Total liabilities and equity	4,250	(9)	4,241	4,467	(4)	4,463

¹ 2013 comparative numbers have been restated to reflect other changes not related to the adoption of IFRS11.
(in € millions)

Consolidated income statement

Year ended at 31 December	2013 before adoption of IFRS11 ²	Equity accounting joint ventures	2013 after adoption of IFRS11
Net sales	6,787	(74)	6,713
Other operating revenues	177	14	191
Total revenues	6,964	(60)	6,904
Other income/(loss)	208	0	208
Cost of materials	(447)	3	(444)
Work contracted out and other external expenses	(3,744)	20	(3,724)
Salaries and social security contributions	(2,284)	25	(2,259)
Depreciation, amortisation and impairments	(435)	1	(434)
Other operating expenses	(246)	4	(242)
Total operating expenses	(7,156)	53	(7,103)
Operating income	16	(7)	9
Interest and similar income	14	0	14
Interest and similar expenses	(36)	0	(36)
Net financial (expense)/income	(22)	0	(22)
Results from investments in associates and joint ventures	17	5	22
Profit before income taxes	11	(2)	9
Income taxes	(133)	2	(131)
Profit/(loss) for the period	(122)	0	(122)
Attributable to:			
Non-controlling interests	0	0	0
Equity holders of the parent	(122)	0	(122)
Earnings per ordinary share (in € cents) ¹	(22.4)		(22.4)

¹Based on an average of 544,171,809 outstanding ordinary shares.

²2013 comparative numbers have been restated to reflect other changes not related to the adoption of IFRS11.

(in € millions, except per share data)

Consolidated statement of cash flows

Year ended at 31 December	2013 before adoption of IFRS11 ¹	Equity accounting joint ventures	2013 after adoption of IFRS11
Profit before income taxes	11	(2)	9
Adjustments for:			
Depreciation, amortisation and impairments	435	(1)	434
Amortisation of financial instruments/derivatives	2		2
Share-based compensation	2		2
Investment income:			
(Profit)/loss of assets held for disposal	(2)		(2)
Interest and similar income	(14)		(14)
Foreign exchange (gains) and losses	2		2
Interest and similar expenses	34		34
Results from investments in associates and joint ventures	(17)	(5)	(22)
Changes in provisions:			
Pension liabilities	(7)		(7)
Other provisions	58		58
Changes in working capital:			
Inventory	1		1
Trade accounts receivable	14	2	16
Accounts receivable	(6)		(6)
Other current assets	(2)		(2)
Trade accounts payable	19		19
Other current liabilities excluding short-term financing and taxes	(45)	(5)	(50)
Cash generated from operations	485	(11)	474
Interest paid	(35)		(35)
Income taxes received/(paid)	(81)	2	(79)
Net cash from/(used in) operating activities	369	(9)	360
Interest received	14		14
Disposal of subsidiaries and joint ventures	61		61
Disposal of associates	27		27
Capital expenditure on intangible assets	(25)		(25)
Capital expenditure on property, plant and equipment	(109)	1	(108)
Proceeds from sale of property, plant and equipment	12		12
Cash from financial instruments/derivatives	(15)		(15)
Other changes in (financial) fixed assets	(1)		(1)
Dividends received	0	8	8
Other	1		1
Net cash from/(used in) investing activities	(35)	9	(26)
Proceeds from long-term borrowings	0		0
Repayments of long-term borrowings	(2)		(2)
Proceeds from short-term borrowings	66		66
Repayments of short-term borrowings	(61)		(61)
Repayments of finance leases	(15)		(15)
Dividends paid	(18)		(18)
Net cash from/(used in) financing activities	(30)	0	(30)
Total changes in cash	304	0	304

¹2013 comparative numbers have been restated to reflect other changes not related to the adoption of IFRS11.

(in € millions)

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 is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if 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 the translation reserve. 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.

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, assets under development, licences and concessions. Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

An asset under development 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 the lower of 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 and the 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 value 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 to sell 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 value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell 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 in 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 carried 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 carried at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories 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 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 collectability risk, which is taken into account when assessing the overall risk of uncollectability. 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 fair value. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are not netted off from cash and cash equivalents.

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 are 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 recognition

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. 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 lendings, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedged items. Interest expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, 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 were accounted for at predecessor carrying amounts. These transactions did 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. The chief operating decision-maker 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 Domestic reportable segment.

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:** Greater China, East Asia, Middle East and Africa
- **Domestics:** France Domestic, Italy Domestic, UK Domestic, Brazil, Chile, Australia and New Zealand
- **Unallocated:** Other Networks, Central Networks, IT, GBS 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 value. 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 uncollectability 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 collectability risk, which is taken into account when assessing the overall risk of uncollectability. 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: 1,117 million (2013: 1,137)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%-35%	0%-35%	
Historical cost	1,908	443	100	2,451
Accumulated amortisation and impairments	(568)	(340)	(86)	(994)
Balance at 31 December 2012¹	1,340	103	14	1,457
Changes in 2013				
Additions		7	18	25
Disposals at historical cost		(6)	(2)	(8)
Disposals accumulated depreciation		6	2	8
Internal transfers/reclassifications at historical cost		14	(14)	0
Internal transfers/reclassifications accumulated depreciation				0
Amortisation		(38)	(1)	(39)
Impairments	(296)			(296)
Transfers (to)/from assets held for disposal historical cost	(232)	(14)	(59)	(305)
Transfers (to)/from assets held for disposal amortisation and impairments	232	11	59	302
Exchange rate differences at historical cost		(10)	(6)	(16)
Exchange rate differences accumulated depreciation	(5)	8	6	9
Total changes	(301)	(22)	3	(320)
Historical cost	1,676	434	37	2,147
Accumulated amortisation and impairments	(637)	(353)	(20)	(1,010)
Balance at 31 December 2013¹	1,039	81	17	1,137
Changes in 2014				
Additions		11	32	43
Disposals at historical cost		(11)	2	(9)
Disposals accumulated depreciation		10	(1)	9
Internal transfers/reclassifications at historical cost		17	(17)	0
Internal transfers/reclassifications accumulated depreciation				0
Amortisation		(36)	(1)	(37)
Impairments	(32)			(32)
Transfers (to)/from assets held for disposal historical cost	157	8	58	223
Transfers (to)/from assets held for disposal amortisation and impairments	(157)	(6)	(58)	(221)
Exchange rate differences at historical cost		14	5	19
Exchange rate differences accumulated depreciation		(11)	(4)	(15)
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

¹For comparative purposes 2012 and 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(in € millions)

Goodwill

Goodwill is allocated to TNT's CGUs and tested for impairment. The introduction of the revised management structure that was announced in February 2014 and was implemented in the fourth quarter, resulted in a revised operating segment and subsequently a revised structure of CGUs for the allocation of goodwill.

Previously, the CGUs carrying goodwill balances were Germany, France, Other Europe, Other South Americas, the Pacific and AMEA. Following the revised organisational structure, the CGUs for goodwill impairment testing purposes have changed into Germany, France Domestic, Nordics, Eastern Europe, South East Europe & Turkey, Spain, Portugal, Austria, Chile, the Pacific and AMEA. The relevant goodwill was re-allocated to the new CGUs based on the relative value of the CGUs which were part of the former CGUs, unless directly allocated to the specific CGU if it originated from a prior acquisition relating to the CGU.

Subsequent to the revised allocation of goodwill in 2014, the goodwill balances were tested for impairment. As a result of this test, it was concluded that an amount of €32 million of goodwill allocated to CGU Spain was impaired.

The total goodwill balance at 31 December 2014, which amounted to €1,007 million (2013: 1,039), was allocated to: Germany (€161 million), France Domestic (€125 million), Nordics (€53 million), Eastern Europe (€224 million), South East Europe & Turkey (€120 million), Portugal (€10 million), Austria (€21 million), Chile (€24 million), the Pacific (€20 million) and AMEA (€249 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 to sell and the value in use. Fair value less cost to sell 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 for 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 7.3% to 11.9% post-tax (8.7% to 13.6% 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 growth rate;
- level of capital expenditure in network related assets that may affect the further roll-out of the network;
- level of operating income largely impacted by revenue and cost development taking into account the nature of the underlying costs, potential economies of scale; and
- discount rate to be applied following the nature of the underlying cash flows and foreign currency and inflation-related risks.

Management has carried out an impairment test and concluded that the recoverable amount, based on value in use of the individual CGUs (with the exception of CGU Spain) is higher than the carrying amount. A sensitivity analysis has been applied for all CGUs (with the exception of CGU Spain). 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 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 has been recognised for an amount of €32 million.

In 2013, management concluded that the recoverable amount, based on value in use of the former CGUs Southern Europe & MEA, Northern Europe and Other Networks, was below the carrying amount for a total amount of €296 million.

- Goodwill allocated to the former CGU Southern Europe & MEA (€571 million) was impaired by €159 million, due to weaker performances in France and Italy, and the higher granularity of the new CGUs as a result of which compensating developments could no longer be taken into account.
- Goodwill allocated to the former CGU Northern Europe (€659 million) was impaired by €79 million, as a result of the worsened economic climate and the higher granularity of the new CGUs.
- Goodwill allocated to Other Networks (€58 million) was fully impaired, as a result of the discontinuation of an important fashion contract and the decline in the results of TNT Innight activities.

Software and other intangible assets

At 31 December 2014, the software balance of €77 million (2013: 81) included internally generated software with a book value of €57 million (2013: 66). The addition to software of €11 million is related to purchased software. An amount of €17 million was reclassified to software, related to finalised IT projects.

At 31 December 2014, the other intangible assets balance of €33 million (2013: 17) is related to customer relationships of €3 million (2013: 5) and software under construction of €30 million (2013: 12). The addition to other intangibles of €32 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: 2015: €30 million; 2016: €30 million; 2017: €24 million; 2018: €13 million; 2019: €11 million; and thereafter: €3 million. Besides software development, TNT does not conduct significant research and development and therefore does not incur research and development costs.

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

2 Property, plant and equipment: 938 million (2013: 888)

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	742	621	317	468	20	2,168
Accumulated depreciation and impairments	(261)	(416)	(277)	(382)		(1,336)
Balance at 31 December 2012¹	481	205	40	86	20	832
Changes in 2013						
Capital expenditure in cash	4	15	2	16	61	98
Capital expenditure in financial leases/other					7	7
Disposals		(1)		(1)		(2)
Exchange rate differences	(16)	(6)		(2)	(1)	(25)
Depreciation	(28)	(40)	(33)	(36)		(137)
Impairments			39	(1)		38
Transfers (to)/from assets held for disposal	(1)	(53)	134	(3)		77
Internal transfers/reclassifications	7	41		20	(68)	
Total changes	(34)	(44)	142	(7)	(1)	56
Historical cost	698	525	521	459	19	2,222
Accumulated depreciation and impairments	(251)	(364)	(339)	(380)		(1,334)
Balance at 31 December 2013¹	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

¹For comparative purposes 2012 and 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(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 (2013: 3) 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 €5 million (2013: 11) are pledged as security to third parties. Other property, plant and equipment mainly relate to furniture, fittings, IT equipment and other office equipment.

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

In 2013, of the €77 million transfers from assets held for disposal, €57 million is related to Brazil Domestic (transfer to assets held for disposal) and €134 million is related to the reclassification of the two Boeing 747 freighters (transfer from assets held for disposal). Refer to note 8 for more information.

Finance leases included in the property, plant and equipment balance at 31 December 2014 are:

Finance leases						
At 31 December	Land and buildings	Plant and equipment	Aircraft	Other	Total 2014	Total 2013
Total	5	8	130		143	163
International Europe	5				5	7
International AMEA					0	0
Domestics		3			3	7
Unallocated		5	130		135	149
(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 (2013: 8), comprising a historical cost of €15 million (2013: 26), with accumulated depreciation of €10 million (2013: 18).

Leasehold rights and ground rents expiring:

- within one year amount to €1 million (2013: 1);
- between one and five years amount to €3 million (2013: 5); and
- between five and 20 years amount to €1 million (2013: 2).

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 (2013: 6) and in France to €0 million (2013: 2).

There was no material temporarily idle property, plant and equipment at 31 December 2014 (2013: 0).

3 Financial fixed assets: 231 million (2013: 229)

Statement of changes						
	Investments in associates and joint ventures	Other loans receivable	Deferred tax assets	Other financial fixed assets		Total
				Financial fixed assets at fair value	Other prepayments and accrued income	
Balance at 31 December 2012 ¹	29	3	243	1	13	289
Changes in 2013						
Acquisitions/additions			29			29
Disposals/decreases	(9)		(74)			(83)
Result from investments in associates and joint ventures	5					5
Impairments and other value adjustments	(1)				(1)	(2)
Withdrawals/repayments					(1)	(1)
Dividend received	(8)					(8)
Total changes	(13)		(45)		(2)	(60)
Balance at 31 December 2013 ¹	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

¹For comparative purposes 2012 and 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(in € millions)

Investments in associates and joint ventures

At 31 December 2014, investments in associates and joint ventures are valued at €17 million (2013: 16) and relate mainly to TNT Swiss Post AG. The investments in associates and joint ventures balance does not include goodwill (2013: 0).

In 2013, TNT's investment fund Logispring sold its 14.3% equity interest in Apriso. The cash proceeds to TNT were €25 million. The book value amounted to €9 million. The profit of €16 million was recorded as a result from investments in associates and joint ventures. Logispring also sold its investment in Datatrac for an amount of €2 million. The book value amounted to nil. The profit of €2 million was recorded as a result from investments in associates and joint ventures.

Deferred tax assets

Deferred tax assets are further explained in note 23.

4 Inventory: 11 million (2013: 9)

Specification of inventory

At 31 December	2014	2013
Raw materials and supplies	10	9
Finished goods	1	0
Total	11	9
(in € millions)		

Total inventory of €11 million (2013: 9) was valued at historical cost for an amount of €15 million (2013: 13) and was stated net of provisions for obsolete items amounting to €4 million (2013: 4). There were no inventories pledged as security for liabilities at 31 December 2014 (2013: 0). In 2014 and 2013, no material write-offs relating to inventories occurred. The balance of inventories that were expected to be recovered after 12 months is nil (2013: 0).

Inventory of €0 million (2013: 1) is included in assets held for disposal.

5 (Trade) accounts receivable: 1,095 million (2013: 1,031)

Specification of (trade) accounts receivable

At 31 December	2014	2013
Trade accounts receivable - total	1,041	999
Allowance for doubtful debt	(73)	(69)
Trade accounts receivable	968	930
VAT receivable	19	13
Accounts receivable from associates	1	1
Other accounts receivable	107	87
Accounts receivable	127	101
(in € millions)		

At 31 December 2014, the total trade accounts receivable amounted to €1,041 million (2013: 999), of which €395 million (2013: 343) 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 €0 million (2013: 0). The standard payment term for customers of TNT is around seven days.

Ageing analyses of trade accounts receivable

At 31 December	2014	2013
Up to 1 month	262	251
1-3 months	83	57
3-6 months	32	18
Over 6 months	18	17
Total	395	343
(in € millions)		

The total allowance for doubtful debt amounted to €73 million (2013: 69) of which €38 million (2013: 37) 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

	2014	2013
Balance at 1 January	69	63
Transfers (to)/from assets held for disposal	4	(5)
Provided for during financial year	23	31
Receivables written off during year as uncollectible	(23)	(20)
Unused amounts reversed	0	0
Balance at 31 December	73	69
(in € millions)		

The fair value of accounts receivable approximates its carrying value. 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 €0 million (2013: 0). The maximum exposure to credit risk at the balance sheet date is the carrying value 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 5% of the outstanding trade receivables at 31 December 2014 (2013: 2%). The concentration of the trade accounts receivable portfolio over the different segments can be summarised as follows: International Europe: €411 million (2013: 396); International AMEA: €162 million (2013: 138); Domestic: €354 million (2013: 335) and Unallocated: €41 million (2013: 61). For the non-trade accounts receivables no allowance for doubtful debt was required.

Trade accounts receivable of €0 million (2013: 30) and accounts receivable of €0 million (2013: 12) are included in assets held for disposal.

6 Prepayments and accrued income: 182 million (2013: 120)

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 2014, total prepayments amounted to €82 million (2013: 60). The balance of prepayments and accrued income that is expected to be recovered after 12 months is €1 million (2013: 1).

Prepayments and accrued income include a balance of unbilled trade receivables of €48 million (2013: 51).

Prepayments and accrued income also include outstanding short-term foreign exchange forward contracts that amounted to €4 million (2013: 5) and short-term cross-currency swaps that amounted to €15 million (In 2013 the cross-currency swap was recorded as liability in long-term debt: 17). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2014. Refer to note 30 for the notional principal amount of the outstanding foreign exchange forward contracts and the outstanding cross-currency swaps.

Prepayments and accrued income of €0 million (2013: 5) are included in assets held for disposal.

7 Cash and cash equivalents: 652 million (2013: 696)

Cash and cash equivalents comprise of cash at bank and cash in hand of €99 million (2013: 74) and short-term bank deposits of €553 million (2013: 622). The effective interest rate during 2014 on short-term bank deposits was -0.01% (2013: 0.01%) and the average outstanding amount was €455 million (2013: 395). The individual deposits have an average maturity of 1.7 days (2013: 1.5). Included in cash and cash equivalents is €0 million (2013: 0) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

Cash and cash equivalents of €0 million (2013: 0) are included in assets held for disposal.

8 Assets held for disposal: 1 million (2013: 100) and Liabilities related to assets held for disposal: 0 million (2013: 61)

The assets classified as held for disposal amounted to €1 million (2013: 100), of which €0 million (2013: 100) is related to Brazil Domestic.

The liabilities related to assets classified as held for disposal amounted to €0 million (2013: 61), of which €0 million (2013: 61) is related to Brazil Domestic.

Brazil Domestic

In March 2013, as part of *Deliver!*, TNT announced the commencement of preparations for the sale of its domestic operations in Brazil. The company carried out a comprehensive process to secure the best outcome for shareholders, customers and employees.

On 30 January 2014, TNT announced it had terminated discussions with potential bidders. Interest in the business existed, but ultimately offers were determined by management to be unacceptable. As of 2014, Brazil Domestic was no longer reported as a discontinued operation and asset held for disposal. Consequently, amortisation and depreciation has been continued. The unrecognised depreciation and amortisation in 2013 amounted to €5 million and the unrecognised impairment (relating to vehicles held for disposal) in 2013 amounted to €4 million. This was recognised as a loss in Brazil Domestic in the first quarter of 2014.

9 Equity: 2,192 (2013: 2,420)

At 31 December 2014, equity consisted of equity attributable to equity holders of TNT Express N.V. of €2,180 million (2013: 2,413) and non-controlling interests of €12 million (2013: 7). Equity attributable to the equity holders of TNT Express N.V. consists of the following items:

Issued share capital

At 31 December 2014, issued share capital amounted to €44 million (2013: 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	2014	2013
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	544,957,426	543,272,474
Issued for stock dividend	3,250,800	1,684,952
Per 31 December of the reported year	548,208,226	544,957,426
Issued and outstanding per 31 December by class		
Ordinary shares	548,208,226	544,957,426

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.

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 2014, the number of TNT shares held by the foundation amounted to 534,690 with a nominal value of €0.08 per share.

Additional paid-in capital

Additional paid-in capital amounted to €2,500 million on 31 December 2014 as the total dividend for 2013 of €7 million was distributed in May 2014 and a 2014 interim dividend of €15 million was distributed in August 2014. In 2014, a stock dividend of nominal €260,000 was distributed relating to 2013 for an amount of €82,000 and relating to the 2014 interim dividend for an amount of €178,000. The amount of paid-in capital recognised for Dutch dividend withholding tax purposes was €768 million. In 2014, 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 2014 annual report. Consequently, retained earnings at 31 December 2013 of €122 million were compensated out of additional paid-in capital.

Legal reserve

Legal reserves include translation, hedge and other legal reserves. At 31 December 2014, the legal reserves amounted to €12 million (2013: -84).

At 31 December 2014, the translation reserve amounted to €-44 million (2013: -128). The translation reserves reflect the movement in exchange rate differences on converting foreign subsidiaries of TNT

Express N.V. into euros. These differences are charged or credited to the translation reserve, net of taxation.

At 31 December 2014, the hedge reserve amounted to €-20 million (2013: -25) and mainly contained the fair value timing difference of US\$184 million (2013: US\$199) of interest rate swaps and US\$412 million (2013: 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 taxation, amounted to €-5 million (2013: -7) of which €-5 million (2013: -7) 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 2014, an amount of €-2 million (2013: -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 2014, the other reserves amounted to €-181 million (2013: -69), a decrease of €112 million. This decrease is largely related to actuarial losses on pensions (net of tax) of €109 million; a reclassification of €7 million to the legal reserves, mainly following the amortisation of self-produced software; and share-based payments of €5 million.

Retained earnings

At 31 December 2014, retained earnings amounted to €-190 million, relating to the result for the period. Refer to additional paid-in capital.

10 Pension assets: 4 million (2013: 3) and provisions for pension liabilities: 222 million (2013: 93)

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 participate in one of two different defined benefit plans. The first pension plan, a career average plan, covers the employees who are subject to the collective labour agreement and employees with a personal labour agreement arranged as from 2007. The second pension plan covers employees with a personal labour agreement arranged before 2007. For both schemes the expected future adjustment level of the accrued entitlements to inflation have an ambition level of 80%. The plans are externally funded in 'Stichting Pensioenfondst TNT Express' and 'Stichting Ondernemingspensioenfondst TNT' respectively. PostNL N.V. is the co-sponsoring employer of 'Stichting Ondernemingspensioenfondst TNT'. Refer to note 28 for more information. As a result of revised fiscal regulations applying to Dutch pension plans as from 1 January 2014, the retirement age of the plan changed from 62.5 years to 67 years.

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 2014, 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 2014, TNT's expense for post-employment benefit plans was €16 million (2013: 29), and benefited from a past service cost gain of €12 million (2013: 3) due to the sobering of the Dutch pension plans. Total cash contribution for post employment benefit plans in 2014 amounted to €34 million (2013: 41), of which €0 million (2013: 1) is related to recovery payment for the defined benefit plan in the Netherlands. Total cash contribution for 2015 is estimated to be around €34 million.

Specification of changes in net pension asset/(liability)

	Balance at 31 December 2013	Employer pension expense	Contributions / Other	Net actuarial gains/losses	Balance at 31 December 2014
Provision for pension liabilities	(90)	(16)	34	(146)	(218)
of which pension and transitional plans in the Netherlands	(53)	(13)	28	(124)	(162)
of which other pension plans in Europe	(34)	(2)	6	(22)	(52)
of which pension plans outside Europe	(3)	(1)	0	0	(4)
Total post-employment benefit plans	(90)	(16)	34	(146)	(218)
<small>(in € millions)</small>					

The total net pension liability of €218 million at 31 December 2014 (net pension liability in 2013: 90) consisted of a pension asset of €4 million (2013: 3) and a pension liability of €222 million (2013: 93).

The funded status of TNT's post-employment benefit plans at 31 December 2014 and 2013 and the employer pension expense for 2014 and 2013 are presented in the following table:

Pension disclosures	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	(641)	(682)
Service costs	(26)	(28)
Interest costs	(24)	(26)
Past service cost	12	3
Other movements	18	0
Foreign currency effects	(2)	4
Actuarial (loss)/gain	(222)	70
Benefits paid	14	18
Curtailment	3	0
Benefit obligation at end of year	(868)	(641)
Change in plan assets		
Fair value of plan assets at beginning of year	551	559
Actual return on plan assets	97	(29)
Contributions	34	41
Other movement/administration cost	(1)	(1)
Other movements	(19)	2
Foreign currency effects	2	(3)
Benefits paid	(14)	(18)
Fair value of plan assets at end of year	650	551
Funded status at 31 December		
Funded status	(218)	(90)
Pension assets/liabilities	(218)	(90)
Net pension asset/(liability)	(218)	(90)
Components of employer pension expense		
Service costs	(26)	(28)
Interest costs	(24)	(26)
Expected return on plan assets	21	23
Past service cost	12	3
Curtailment	3	0
Other costs/administration cost	(2)	(1)
Employer pension expense	(16)	(29)
Other post employment benefit plan expenses	0	0
Total post employment benefit expense	(16)	(29)
Weighted average assumptions as at 31 December		
Discount rate	2.3%	3.9%
Expected return on plan assets	2.3%	3.9%
Rate of compensation increase	2.0%	2.1%
Rate of benefit increase	1.3%	1.6%

(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. Using the bond selection, regression analysis is used to find the best-fitting curve that states yield-to-maturity as a function of remaining time to maturity. The Nelson-Siegel model is applied to fit the curve towards TNT's 30-year duration. The resulting discount rate per 31 December 2014 was 2.3% (2013: 3.9%).

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 22 years (2013: 20). The equivalent life expectancy for women is 25 years (2013: 22).

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 €29 million (2013: 25).

Statement of financial position calculations		
At 31 December	2014	2013
Present value of funded benefit obligations	(796)	(576)
Fair value of plan assets	650	551
(Un)funded status	(146)	(25)
Present value of unfunded benefit obligations	(72)	(65)
Net pension asset/(liability)	(218)	(90)
of which included in pension assets	4	3
of which included in provisions for pension liabilities	(222)	(93)
(in € millions)		

The following table shows the sensitivity of the employer pension expense to deviations in assumptions:

Sensitivity of assumptions	% Change in assumptions	Change in employer pension expense
Employer pension expense 2014		(16)
Discount rate	+ 0.5%	(7)
Rate of compensation increase	+ 0.5%	(3)
Rate of benefit increase	+ 0.5%	1
Employer pension expense 2014		(16)
Discount rate	- 0.5%	2
Rate of compensation increase	- 0.5%	(3)
Rate of benefit increase	- 0.5%	(7)
(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	2014	2013
Funded and unfunded defined benefit obligation	(868)	(641)
Experience adjustment gain/(loss)	34.4%	9.2%
Fair value of plan assets	650	551
Experience adjustment gain/(loss)	13.4%	(8.4%)
(Un)funded status	(218)	(90)
(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
2015	12
2016	11
2017	11
2018	12
2019	13
(in € millions)	

11 Other provisions: 312 million (2013: 188)

Specification of other provisions

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2013	47	63	36	42	188
of which included in other provisions (non-current)	34	1	20	13	68
of which included in other provisions (current)	13	62	16	29	120
Changes in 2014					
Additions	10	131	60	21	222
Withdrawals	(7)	(69)	(14)	(14)	(104)
Exchange rate differences	2		1	1	4
Other/releases		(8)	(2)	(9)	(19)
Transfer to liabilities held for sale				21	21
Total changes	5	54	45	20	124
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

(in € millions)

At 31 December 2014, other employee benefit obligations consisted of provisions relating to jubilee payments of €16 million (2013: 18), long-service benefits of €8 million (2013: 11) and other employee benefits of €28 million (2013: 18). Short-term employee benefits, such as salaries, profit-sharing and bonuses are discussed in note 18.

At 31 December 2014, the restructuring provision amounted to €117 million (2013: 63), of which €46 million (2013: 46) is related to restructuring in International Europe, €0 million (2013: 0) is related to restructuring in International AMEA, €44 million (2013: 14) is related to restructuring in Domestics, and €27 million (2013: 3) is related to restructuring in Unallocated.

The total additions to restructuring provisions for 2014 amounted to €131 million (2013: 89), of which €46 million (2013: 51) is related to restructuring in International Europe, €0 million (2013: 2) is related to restructuring in International AMEA, €55 million (2013: 27) is related to restructuring in Domestics, and €30 million (2013: 8) is related to restructuring in Unallocated.

The withdrawals from the restructuring provision of €69 million (2013: 30) were related to settlement payments following restructuring programmes of which €46 million (2013: 6) is related to restructuring in International Europe, €0 million (2013: 2) is related to restructuring in International AMEA, €19 million (2013: 14) is related to restructuring in Domestics and €4 million (2013: 8) is related to restructuring in Unallocated.

In 2014, approximately 1,450 FTEs (2013: approximately 1,500) were made redundant as part of *Deliver!*.

On 16 July 2014, TNT announced that it had received a Statement of Objections (SO) from the French Competition Authorities (FCA) with respect to an investigation of alleged anti-competitive behaviour in the French parcels delivery sector. TNT has cooperated with the investigation since it started in 2010, and has subsequently entered into a settlement with the FCA. The settlement will include a reduction percentage to the fine, the absolute amount of which the authorities are not expected to determine before the end of 2015. As such, TNT has made a financial provision of €50 million in the third quarter included in the provision for claims and indemnities.

In addition, 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 2014, provision for claims and indemnities was €4 million (2013: 7) in International Europe, €0 million (2013: 0) in International AMEA, €25 million (2013: 25) in Domestics and €2 million (2013: 5) in Unallocated.

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 €220 million in 2015, €24 million in 2016, €10 million in 2017 and in 2018 and beyond €58 million.

12 Long-term debt: 166 million (2013: 175)

Specification of long-term debt

At 31 December	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	142	143	139	141
Other loans	12	12	2	2
Derivatives	12	12	34	34
Total long-term debt	166	167	175	177
(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:

	Finance leases	Other loans	Derivatives	Short-term bank debt	Total
2015	20	2		28	50
2016	76	3	5		84
2017	66	3	7		76
2018		3			3
2019		2			2
Thereafter		1			1
Total borrowings	162	14	12	28	216
of which included in long-term debt	142	12	12		166
of which included in other current liabilities	20	2		28	50
(in € millions)					

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

13 Other current liabilities: 290 million (2013: 292)

Specification of other current liabilities

At 31 December	2014	2013
Short-term bank debt	28	28
Other short-term debt	22	17
Total current borrowings	50	45
Taxes and social security contributions	110	112
Expenses to be paid	22	21
Other	108	114
Total	290	292
(in € millions)		

Total current borrowings

Other short-term debt includes short-term bank facilities of €2 million (2013: 1) and the current portion of outstanding finance lease liabilities of €20 million (2013: 16). There were no balances as of 31 December 2014 expected to be settled after 12 months (2013: 0).

Other includes outstanding short-term foreign exchange forward contracts amounting to €6 million (2013: 8), liabilities related to salaries and wages of €13 million (2013: 13), agent and supplier refundable deposits of €7 million (2013: 13), liability for import duties of €15 million (2013: 13), cash on delivery collections on behalf of customers of €10 million (2013:10), liabilities for employee redundancies of €1 million (2013: 8) and other miscellaneous items of €56 million (2013: 49).

The fair value of outstanding short-term foreign exchange forward contracts has been calculated at the relevant (forward) market rates at 31 December 2014. Refer to note 30 for the notional principal amount of outstanding foreign exchange forward contracts.

Other current liabilities of €0 million (2013: 9) were included in liabilities related to assets held for disposal.

14 Accrued current liabilities: 558 million (2013: 470)

Specification of accrued liabilities		
At 31 December	2014	2013
Amounts received in advance	16	14
Expenses to be paid	363	316
Vacation days/vacation payments	77	71
Other accrued current liabilities	102	69
Total	558	470
(in € millions)		

Of the total, an amount of €6 million is expected to be settled after 12 months (2013: 5).

Accrued current liabilities of €0 million (2013: 10) were included in liabilities related to assets held for disposal.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15 Net sales: 6,472 million (2013: 6,713)

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: 208 million (2013: 191)

Other operating revenue is related to the tendering of services not related to TNT's core trading activities, and includes the sale of unutilised air cargo space to third parties of €105 million (2013: 109), operation of aircraft for third parties (including charters and wet leases) of €74 million (2013: 58) and other services including customs clearance, maintenance and ground handling of €29 million (2013: 24).

17 Other income/(loss): 17 million (2013: 208)

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.

TNT announced on 11 March 2014 its intention to sell TNT Fashion, its specialist fashion supply chain business in the Netherlands, as part of its strategy to focus on core express delivery services, and completed the sale on 16 May 2014, to a consortium of Belspeed and Netlog Group. Until completion date, the year-to-date revenue for TNT Fashion was €40 million and operating income was €1 million as included in the income statement. The net cash proceeds of €39 million were received in full in the second quarter.

In 2013, other income included the receipt of the UPS termination fee of €200 million, an amount of €4 million relating to the settlement of a claim, the reversal of the 2012 fair value adjustment of the two Boeing 747 freighters of €17 million and miscellaneous items of €2 million, partly offset by a fair value adjustment of €-15 million relating to China Domestic.

18 Salaries and social security contributions: 2,126 million (2013: 2,259)

Specification of salaries and social security contributions

Year ended at 31 December	2014	2013
Salaries	1,771	1,851
Share-based compensation	5	2
Pension charges:		
Defined benefit plans	16	29
Defined contribution plans	34	41
Social security charges	300	336
Total	2,126	2,259
(in € millions)		

Refer to note 10 for additional information on the defined benefit plans expense of €16 million.

Labour force	2014	2013
Employees¹		
International Europe	15,205	15,296
International AMEA	9,260	9,528
Domestics	27,864	29,377
Unallocated ²	5,963	5,842
Total at year-end	58,292	60,043
External agency staff at year-end	5,688	12,731
Average full-time equivalents (FTEs)¹		
International Europe	13,708	14,312
International AMEA	9,514	10,170
Domestics	28,649	30,622
Unallocated ²	5,614	5,280
Total year average	57,485	60,384

¹Including temporary employees on TNT payroll.

²Including employees and FTEs in Head Office and Global IT Support Centre.

The average number of FTEs working in TNT during 2014 was 57,485, which decreased by 2,899 compared to 2013, year-to-date. This was mainly due to the impact of the *Deliver!* improvement programme in a number of countries and the sale of TNT Fashion B.V.

The 2013 figures have been restated for comparative purposes. The presented figures exclude joint ventures.

The average number of FTEs at joint ventures was 652 (2013: 892), while the number of employees was 757 (2013: 994).

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

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 related costs recognised in the income statement for 2014 amounted to €4.8 million (2013: 1.9).

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

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 cannot be more than the net proceeds of the bonus. After a three-year holding period, these shares will be matched on a one-to-one basis and settled in shares.

The company sees the bonus/matching plan as part of the remuneration package for the members of its senior management, and it is particularly aimed at further aligning the objectives of senior management with the interests of shareholders and long-term value creation.

Grants are made in accordance with the bonus/matching plan, which was approved by the Supervisory Board. For the 2014 grant, the matching rights comprise shares. In 2011, the matching rights comprised phantom shares, so that after three years, in 2014, the rights under this plan were settled in cash.

The significant aspects of the bonus/matching plans are:

- Bonus shares are purchased from the participant's net proceeds. For the 2014 grant, using 25% or 50% of the gross bonus amount; and for the 2011 grant, using 25% of the gross bonus amount. The matching right is granted upon the purchase of the bonus shares.
- From the net proceeds, the bonus shares are purchased on Euronext Amsterdam (3 June 2014: average purchase price of €6.44/share; 6 June 2011: average purchase price of €9.47/share).
- The rights to (phantom) shares are granted for zero costs and the number of (phantom) shares is equal to the number of bonus shares (matching on a one-to-one basis).
- After a holding period of three years after the grant, the shares are delivered. For the 2011 grant the value at vesting of the phantom shares is delivered in cash.
- For each bonus share that is sold within three years, the associated right to one matching (phantom) share lapses. If more than 50% of the bonus shares is sold within three years, the entire right to matching (phantom) shares lapses with immediate effect.
- When a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death) the matching right will vest immediately and he/she receives shares/cash on a pro rata basis.
- A participant loses the matching right with immediate effect in case he/she leaves the company for reasons other than those mentioned above.

In 2012, due to the intended merger with UPS, there was no grant of bonus/matching shares. In 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 31 December 2013	Granted during 2014	Vested or forfeited during 2014
Senior management		183,173	12,865
Total		183,173	12,865

The costs incurred for the plan in 2014 amount in total to €222,001, and are based on the fair value per share and the assumption that the holding period criterion will be fully met, taking into account the relevant period lapsed (7 months) from the total three-year vesting period.

The fair value per share of €6.30 is derived from the share price on Euronext Amsterdam at the grant date (3 June 2014: €6.40), corrected for a dividend yield for the three-year vesting period.

The table below shows the number of phantom shares comprising the matching rights of the 2011 bonus/matching plan:

2011 Bonus/matching plan

	Bonus/matching plan: Number of matching rights to phantom shares		
	Outstanding 31 December 2013	Granted during 2014	Vested or forfeited during 2014
Senior management	64,215		64,215
Total	64,215		64,215

The costs incurred in 2014 for the 2011 bonus/matching plan amount to €32,788.

One-off investment/matching plan

In 2011, prior to the demerger of the express activities, in order to align the objectives of members of the Executive Board and (senior) management with long-term value creation and the interests of shareholders, the Supervisory Board of TNT decided to apply a voluntary one-off investment/matching plan in which the cash proceeds from the unwinding of the TNT bonus/matching plan, performance share plan and option plan could - post demerger - be invested in TNT shares. The participants in these plans could elect to invest from their net proceeds an amount equal to 25% or 50% of their total gross unwinding-related sum (but not more than the net proceeds thereof) in TNT shares. On the same date these shares (in the plan called: investment shares) were purchased, the participant received, free of charge, a matching right on phantom shares, representing the value in cash of half of the number of investment shares (matching on a 1: 0.5 basis). This matching right will vest and the cash value of the phantom shares comprising the matching right will be paid after three years, provided that the participant has remained an employee throughout and still owns at least 50% of his/her investment shares. If prior to vesting the participant sold more than half of his/her investment shares, the matching right will forfeit in full, and, if the participant sold 50% or fewer of his/her investment shares, the number of phantom shares comprising the matching right will be reduced proportionally.

From the cash sum invested, the shares are purchased on Euronext Amsterdam (2 August 2011: average purchase price of €7.68/share).

The following table shows the number of phantom shares granted to senior management.

One-off investment/matching plan

	Investment/matching plan: Number of matching rights to phantom shares		
	Outstanding 31 December 2013 ¹	Vested or forfeited during 2014	Outstanding 31 December 2014
Senior management	55,686	55,686	0
Total	55,686	55,686	0

¹As of 2014, Mr Seyger is part of senior management. For comparative purposes, his 2,275 matching rights are included in the 2013 figures.

The total costs incurred for the plan in 2014 were €16,673.

Performance share plan

2014 Grant

On 29 April 2014, the annual grant under the TNT performance share plan occurred for a selected group of senior managers. 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 performance shares vest after a three-year period, upon continued employment. 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 a peer group of 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.

The actual number of 2014 performance shares that will vest at the vesting date will be determined by the TSR performance over the period 2014 to 2017 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 total costs incurred in 2014 for the 2014 grant, amount in total to €2,855,440 and are based on a fair value of €4.81 per share as the average of the fair value of €3.25 per share for the TSR and €6.37 per share for the non-financial elements. These total costs are based on the assumption of a 97% average probability of meeting the non-financial targets.

The fair value of the 50% TSR portion has been measured using the Monte Carlo fair value measurement method. The fair value of the 50% non-financial portion is derived from the share price on Euronext Amsterdam at the grant date (29 April 2014: €6.51), corrected for the dividend yield for the three-year vesting period. Significant assumptions used in the calculations are as follows:

Assumptions	2014
Share price (in €)	6.51
Volatility (%)	22.33
Vesting period (in years)	3
Risk free rate (%)	0.62
Dividend yield (%)	0.73

2013 Grant

The actual number of 2013 performance 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 a peer group of companies (full AEX); and
- 50% non-financial targets: (customer, employees and sustainability) measured on an annual basis.

The total costs incurred in 2014 for the 2013 grant, amount in total to €1,030,581 and are based on a fair value of €4.49 per share as the average of the fair value of €3.23 per share for the TSR and €5.75 per share for the non-financial elements. These total costs are based on the assumption of a 32% average probability of meeting the non-financial targets.

2012 Compensation grant

Due to the intended merger with UPS, the 2012 grant of performance shares did not take place. In 2013, the Supervisory Board decided to provide for a limited 2012 compensation grant by excluding the 50% grant value, related to the TSR performance of the company. As a result, the grant value of this compensation grant is only based on the value (50%) that in the regular grant is related to the performance of the company on the non-financial targets.

For the 2012 compensation grant the following specific rules apply:

- the regular three-year vesting period is shortened to two years;
- the actual number of awarded compensation shares is adjusted for the 2012 achievement of the non-financial targets, being 66.67%; and
- the vesting of the awarded compensation shares is contingent on continued employment at the vesting date.

The total costs incurred in 2014 for the 2012 compensation grant amount in total to €610,640 and are 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 2014 and 2013 grant and to the 2012 compensation grant for senior management:

Rights to performance shares	Year	Number of rights to performance shares				Remaining years in contractual life ²
		Outstanding 31 December 2013 ¹	Granted during 2014	Vested during 2014	Forfeited during 2014	Outstanding 31 December 2014
Senior management	2014		2,284,864	533	169,997	2,114,334
	2013 ³	1,816,336		68,587	312,180	1,435,569
Total		1,816,336	2,284,864	69,120	482,177	3,549,903

¹As of 2014, Mr Seyger is part of senior management. For comparative purposes, his 32,052 performance shares are included in the 2013 figures.

²This column shows the remaining years per grant. For the 2013 grant 1.3 years remain, for the 2012 compensation grant 0.3 years remain.

³The 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 2014, the company held no shares for the purpose of covering any obligations under the existing plans (2013: 0 shares).

19 Remuneration of members of the Supervisory Board and Executive Board

Remuneration of members of the Supervisory Board

For the year 2014, the remuneration of the members of the Supervisory Board amounted to €452,000.

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 2014	Total remuneration 2013
Mr Burgmans ⁴	60,000	5,000	15,000	80,000	82,500
Mr Gunning ⁵					15,780
Ms Harris	45,000	3,000	35,000	83,000	82,000
Mr King	45,000	3,000	26,000	74,000	78,000
Mr Levy	45,000	3,000	31,000	79,000	84,500
Ms Scheltema	45,000	1,500	20,000	66,500	67,500
Mr Vollebregt ⁶	45,000	1,500	23,000	69,500	41,610
Total	285,000	17,000	150,000	452,000	451,890

¹Base fees include payments for membership of the Supervisory Board.

²Payments relating to attended Supervisory Board meetings over and above the usual business calendar.

³Payments relating to the number of attended committee meetings, including travel allowance for foreign members.

⁴Other payments for Mr Burgmans include the fee for his attendance at a remuneration committee meeting in 2013.

⁵Mr Gunning resigned from the Supervisory Board on 25 February 2013 in view of his potential nomination as CEO.

⁶Mr Vollebregt was appointed member of the Supervisory Board as of 10 April 2013.

(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 2014, the total remuneration of the Executive Board consisted of:

- base compensation;
- other periodic paid compensation;
- pension; and
- variable compensation (accrued short-term and long-term incentive).

In the paragraphs below, the 2014 values of each of these remuneration elements are reported per member of the Executive Board.

Total remuneration

Effective 1 July 2014, Mr De Vries joined the company in the position of CFO, and as of 30 June 2014, Mr Bot resigned from the company.

For the members of the Executive Board in charge per ultimo 2014, the total remuneration, including base compensation, other periodic paid costs, long-term incentive and pension costs amounted to €1,441,533. The total remuneration costs in 2013 for members of the Executive Board in charge per ultimo 2013, being Mr Gunning and Mr Bot, amounted to €1,634,142 (including a one-off employer tax for Mr Gunning and Mr Bot of €65,593 and €89,045 respectively).

The 2014 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.

Remuneration of the Executive Board

	Base compensation	Other periodic paid compensation	Pension costs	Accrued for short-term incentive	Accrued for long-term incentive	Termination benefits ¹	Total 2014	Total 2013 ²
Tex Gunning ³	750,000	45,529	187,500		100,147		1,083,176	632,567
Maarten de Vries ⁴	250,000	11,103	62,500		34,754		358,357	
Total current members	1,000,000	56,632	250,000		134,901		1,441,533	632,567
Bernard Bot ⁵	250,000	40,986	75,374	6,141	21,293	1,524,000	1,917,794	1,001,575
Jeroen Seyger ⁶								308,507
Total former members	250,000	40,986	75,374	6,141	21,293	1,524,000	1,917,794	1,310,082

¹The termination benefits for Mr Bot include: severance payment of one year's base compensation, compensation for the 6 months notice period and the estimate for additional wage tax of €96,000 subject to article 32bb Dutch Wage Tax Act 1964.

²The total 2013 remuneration costs include a one-off employer tax according to Dutch tax law.

³As of 1 June 2013, Mr Gunning was assigned as CEO.

⁴As of 1 July 2014, Mr De Vries was assigned as CFO.

⁵As of 30 June 2014, Mr Bot resigned from the company. For Mr Bot, the accrued costs for short-term incentive consist of costs taken in 2014 for awards in the period 2011-2013.

⁶In 2013, Mr Seyger was CFO ad interim from 1 January through 31 May. The reported amounts relate to his income as CFO ad interim.

(in €)

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

Base compensation

The total base fee paid to Mr Gunning and Mr De Vries, amounted to €750,000 and €250,000, respectively. The total base salary paid to Mr Bot amounted to €250,000.

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 as a contribution to their individual pension provision.

The pension costs for Mr Bot consist of the service costs in a career average defined benefit scheme.

Variable compensation

The following table shows the total accrued variable compensation in 2014 for the members of the Executive Board:

Total variable compensation

	Accrued for short-term incentive	Accrued for long-term incentive	Total variable compensation 2014
Tex Gunning		100,147	100,147
Maarten de Vries		34,754	34,754
Total current members		134,901	134,901
Bernard Bot	6,141	21,293	27,434
Total former member	6,141	21,293	27,434

(in €)

Accrued short-term incentive

The accrued short-term incentive consists of: the accrued bonuses for the performance of the year reported, paid in cash in the next year; the 2014 costs relating to the bonus/matching plan; and the costs of the one-off investment/matching plan, launched after the demerger of TNT N.V.

The 2014 accrued short-term incentive amounts for the Executive Board are as set out in the following table:

Total short-term incentive				
	Accrued for 2014 bonus	Accrued for bonus matching shares	Accrued for investment matching shares	Accrued for short-term incentive 2014
Bernard Bot		5,408	733	6,141
Total former member		5,408	733	6,141

(in €)

For the current members of the Executive Board, due to the performance on the short-term incentive targets, there is no entitlement to a 2014 short-term incentive payment.

Bonus/matching share plan

Members of the Executive Board 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 cannot be more than the net proceeds of the bonus. Under the 2014 remuneration policy, these shares will be matched on a one-to-one basis and settled in shares, after a three-year holding period,

Additionally, the following applies for the bonus/matching shares granted in 2013. In the event that the company results' target is met every year during the three-year holding period, a maximum additional match will be made on a one-to-two basis, resulting in a total award of three matching shares. If the performance is below the company results' target, there is no delivery of additional matching shares for that specific year.

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

Mr Gunning and Mr Bot decided to fully waive any of their 2013 short-term incentive entitlements, and as a result there was no grant of bonus/matching shares in 2014.

The following table summarises the number of outstanding bonus/matching shares per member of the Executive Board:

	Bonus/matching plan: Number of matching rights to shares			
	Outstanding 31 December 2013	Granted during 2014	Vested or forfeited during 2014	Outstanding 31 December 2014
Bernard Bot	24,420		24,420	0
Total former member	24,420		24,420	0

The accrued costs for bonus/matching shares consist of the costs for the bonus/matching shares granted in 2013 to Mr Bot only. The costs incurred for the plan in 2014 amount in total to €5,408 (2013: €33,906) and are based on the costs accrued until the termination of Mr Bot's contract and on the fair value per share of €5.78.

One-off investment/matching plan

In 2011, before the demerger of the express activities, the Supervisory Board of TNT N.V. decided to apply a voluntary one-off investment/matching plan in which the cash proceeds from the unwinding of the TNT N.V. bonus/matching plan, performance share plan and option plan could – post-demerger – be invested in TNT shares in order to align the objectives of members of the Executive Board and (senior) management with long-term value creation and the interests of shareholders. Refer to note 18 for details of the one-off investment/matching plan.

The following table shows the number of phantom shares, comprising the matching rights, granted to the members of the Executive Board under the one-off investment/matching plan:

One-off investment/matching plan

	Investment/matching plan: Number of matching rights to phantom shares		
	Outstanding 31 December 2013	Vested or forfeited during 2014	Outstanding 31 December 2014
Bernard Bot	4,656	4,656	0
Total former member	4,656	4,656	0

The total costs incurred for the plan in 2014 are €733 (2013: €10,299). Refer to note 18 for details of the calculation of the costs of the one-off investment/matching plan.

Accrued long-term incentive

Costs of the long-term incentive

2014 grant

On 29 April 2014, the grant under the TNT performance share plan occurred. Refer to note 18 for details of the performance share plan including assumptions used for valuation.

The 2014 grant of performance shares for the members of the Executive Board was based on a value of 50% of their annual base compensation. The actual 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.

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 years vesting period (29 April 2014 - 1 May 2017). This grant took place on 28 October 2014. The fair value per share amounts to €2.53 and is derived from the share price on Euronext Amsterdam at the grant date (28 October 2014: €4.49), corrected for a dividend yield for the vesting period.

2012 Compensation grant

Due to the intended merger with UPS, the 2012 grant of performance shares did not take place. In 2013, the Supervisory Board decided to provide for a limited 2012 compensation grant by excluding the grant value related to the TSR performance of the company (50% weighting). The grant value of this compensation grant was therefore only based on the value that related to the performance of the company on non-financial targets (50% weighting). For the 2012 compensation grant specific rules apply, refer to note 18 for more details. This resulted in a grant of 10% of the annual base compensation for each of the members of the Executive Board (30% annual base compensation x 50% grant value related to non-financial targets x 2012 performance score on non-financial targets of 66.67%). The actual number of rights to shares granted is determined by dividing the available amount (10% of the annual base compensation) by the fair value of the right to a share according to IFRS.

Both Mr Gunning and Mr De Vries were not eligible for this compensation award since they joined the company after 2012.

The following table summarises the status of the rights awarded in 2014 and 2013 under the performance share plan and the 2012 compensation grant to the members of the Executive Board:

Rights to performance shares	Number of rights to performance shares					Remaining years in contractual life ¹
	Outstanding 31 December 2013	Granted during 2014	Vested during 2014	Forfeited during 2014	Outstanding 31 December 2014	
Tex Gunning		77,946			77,946	2.3
Maarten de Vries		49,024			49,024	2.3
Total current members		126,970			126,970	2.3
Bernard Bot	42,073		9,414	32,659	0	
Total former member	42,073		9,414	32,659	0	

¹This column shows the remaining years of the 2014 grant.

The following table shows the costs of the rights on performance shares related to the 2014 and 2013 grant and to the 2012 compensation grant for Mr Bot.

Performance share plan costs

	Costs in 2014 from performance shares granted in 2014	Costs in 2014 from performance shares granted in 2013	Costs in 2014 from 2012 compensation grant, granted in 2013	Accrued for long-term incentive
Tex Gunning	100,147			100,147
Maarten de Vries	34,754			34,754
Total current members	134,901			134,901
Bernard Bot		12,959	8,334	21,293
Total former member		12,959	8,334	21,293

(in €)

The costs incurred in 2014 for the 2014 grant amount in total to €134,901.

The costs incurred in 2014 for the 2013 grant amount in total to €12,959 (2013: €51,158).

The costs incurred in 2014 for the 2012 compensation grant amount in total to €8,334 (2013: €19,577). Refer to note 18 for details of the calculation of the costs of the 2014 grant, 2013 grant and the 2012 compensation grant under the performance share plan.

Vesting of the long-term incentive

Based on the interim TSR percentage available and the realised performance on the non-financial target, both applicable for the 2014 performance share grant, the following table shows the pro forma vesting of the unvested performance shares, as if the performance period ended at 31 December 2014.

Performance share plan

	Year	Performance shares	
		Vesting % of grant	Vesting as if per 31 December 2014
Tex Gunning	2014	16.67	12,994
Maarten de Vries	2014	16.67	8,173
Total current members			21,167

(in €)

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

20 Depreciation, amortisation and impairments: 210 million (2013: 434)

Specification of depreciation, amortisation and impairments

Year ended at 31 December	2014	2013
Amortisation of intangible assets	35	39
Depreciation of property, plant and equipment	137	137
Impairment of intangible assets	34	296
Impairment of property, plant and equipment	4	1
Reversal of impairment on aircraft		(39)
Total	210	434

(in € millions)

The amortisation of intangible assets of €35 million (2013: 39) was related to software for €34 million (2013: 38) and other intangibles for €1 million (2013: 1).

The impairment of intangible assets in 2014 was related to goodwill impairment of €32 million and software impairments of €2 million. Refer to note 1.

21 Other operating expenses: 417 million (2013: 242)

The other operating expenses consisted of government legal fees, marketing, consulting and shared services cost and auditors fees.

In 2014, 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	2014	2013
Audit fees	4	4
Tax advisory fees	0	0
Other fees	0	0
Total	4	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 €2 million.

22 Net financial (expense)/income: -24 million (2013: -22)

Specification of net financial (expense)/income		
Year ended at 31 December	2014	2013
Interest and similar income	12	13
Changes in fair value hedges	0	1
Total interest and similar income	12	14
Interest and similar expenses	(30)	(33)
Fair value change cash flow hedge recycled to profit and loss	(1)	(1)
Changes in fair value hedges	0	0
Net foreign exchange losses	(5)	(2)
Total interest and similar expenses	(36)	(36)
Net financial expenses	(24)	(22)
(in € millions)		

Total interest and similar income: 12 million (2013: 14)

The external interest and similar income of €12 million (2013: 13) is mainly related to interest income on banks, loans and deposits of €6 million (2013: 5) (of which €6 million (2013: 4) is related to interest on notional cash pools), interest on taxes of €0 million (2013: 0) and interest on foreign currency hedges of €3 million (2013: 5).

Total interest and similar expenses: 36 million (2013: 36)

The external interest and similar expense of €30 million (2013: 33) is mainly related to interest expense on bank overdrafts and bank loans of €5 million (2013: 5) (of which €3 million (2013: 3) is related to interest on notional cash pools), interest expense on long-term borrowings of €9 million (2013: 10), interest on foreign currency hedges of €12 million (2013: 14), interest on taxes of €1 million (2013: 1) and interest on provisions of €-1 million (2013: -1). The decrease in interest on foreign currency hedges was caused by lower interest rate differentials between currencies in foreign exchange forward contracts.

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 (2013: 3) interest expense nets off against the €6 million (2013: 4) 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 €3 million of interest income on hedges and €0 million change in fair value hedges (2013: 5 interest income and 1 change in fair value hedges) partly offsets the €12 million interest expense on hedges and €1 million fair value changes of cash flow hedges (2013: 14 interest expense and 1 change in fair value hedges).

23 Income taxes: 87 million (2013: 131)

In 2014, the tax expense amounted to €87 million (2013: 131) on income before taxes of €-103 million (2013: 9), resulting in an effective tax rate of -84.5% (2013: 1,455.6%).

Income tax expense consisted of the following:

Specification of income tax expense

Year ended at 31 December	2014	2013
Current tax expense/(income)	50	126
Deferred tax expense/(income)	37	5
Total income taxes	87	131
(in € millions)		

In 2014, the current tax expense amounted to €50 million (2013: 126). 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	2014	2013
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	18.0	(1.5)
Permanent differences:		
Non and partly deductible costs	(8.3)	106.9
Non and partly deductible impairments	(7.8)	923.0
Other	(111.4)	402.2
Effective income tax rate	(84.5)	1,455.6
(in percentages)		

The mix of income from countries in which TNT operates resulted in a weighted average statutory tax rate of 43.0%. Several non-deductible costs adversely affected the effective tax rate by -8.3 percentage points. The non-deductible impairment charges affected the effective tax rate by -7.8 percentage points.

The line 'other' shows an impact of -111.4 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: -73.5 percentage points;
- the financial provision anticipating a settlement with the French Competition Authorities currently considered as non-deductible for tax purposes: -12.1 percentage points; and
- the remaining 'other' of -25.8 percentage points consists of several other items and includes local taxes and accounting estimates relating to tax balances.

At 31 December 2014, the income tax receivable amounted to €46 million (2013: 28) and the income tax payable amounted to €52 million (2013: 94). In 2014, TNT paid taxes of €109 million (2013: 79 million). The following table shows the movements in deferred tax assets in 2014:

Movements in deferred tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2012	81	6	109	47	243
Changes via other comprehensive income	(6)	0	0	(4)	(10)
Changes via income statement	(12)	1	9	(18)	(20)
(De)consolidation/foreign exchange effects	(4)	(1)	(10)	0	(15)
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
(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 €27 million (2013: 25) an amount of €9 million (2013: 10) 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 2014 amounted to €1,341 million (2013: 1,225). With these losses carried forward, future tax benefits of €401 million could be recognised (2013: 367). 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 €325 million (2013: 249) of the potential future tax benefits and has recorded deferred tax assets of €76 million at the end of 2014 (2013: 118). Of the total recognised deferred tax assets for loss carry forward an amount of €9 million (2013: 10) was offset against deferred tax liabilities.

The expiration of total accumulated losses is presented in the following table:

Expiration of total accumulated losses	
2015	17
2016	13
2017	34
2018	41
2019 and thereafter	201
Indefinite	1,035
Total	1,341
(in € millions)	

The following table shows the movements in deferred tax liabilities in 2014:

Movement in deferred tax liabilities				
	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2012	16	17	(2)	31
Changes via income statement	(16)	(3)	4	(15)
(De)consolidation/foreign exchange effects		(1)		(1)
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	0	9	1	10
(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, 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 operating activities: 106 million (2013: 360)

In 2014, the net cash from operating activities decreased by €254 million from €360 million in 2013 to €106 million.

Cash generated from operations

The cash generated from operations decreased from €474 million in 2013 to €246 million in 2014. Profit before income taxes contributed €-103 million or €114 million (2013: 9), after adjusting for the non-cash impact of depreciation, amortisation, impairments and share-based payments.

The change in net pension liabilities of €-10 million in 2014 (2013: -7) reflects the total TNT non-cash employer pension expense for the post-employment defined benefit plans of €16 million (2013: 29), compared to the total TNT cash contributions to various post-employment defined benefit plans for a total amount of €34 million (2013: 36).

In 2014, there was a net cash inflow presented of €89 million in other provisions compared to a net cash inflow of €58 million in 2013. This was mainly due to the addition to the other provisions of €222 million (mainly restructuring and claims), offset by utilisation of the restructuring and other provisions and the transfer of the provisions related to Brazil Domestic from liabilities related to assets held for disposal.

In 2014, the net cash inflow related to working capital amounted to €50 million, which is a movement of €72 million compared to 2013 (2013: -22).

Interest paid

The total cash outflow for interest paid in 2014 is €31 million (2013: 35). In 2014, interest paid includes interest on TNT's financial leases of €9 million (2013: 10). In addition, interest payments of €5 million (2013: 4) are included for short-term debt (of which €3 million (2013: 3) is due to cash pools that are offset against the interest received) and for interest on foreign currency hedges of €11 million (2013: 16) and interest paid on taxes of €1 million (2013: 1). The decrease in interest on foreign currency hedges was mainly caused by lower 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 (2013: 3) interest paid fully nets off against the €6 million (2013: 4) 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 €3 million of interest received (2013: 5) is offset against the €11 million (2013: 16) of interest paid on hedges.

Income taxes paid

In 2014, TNT paid taxes of €109 million (2013: 79 million).

25 Net cash used in investing activities: -117 million (2013: -26)

Interest received

In 2014, interest received amounted to €12 million (2013: 14) and mainly includes interest relating to short-term bank balances and deposits of €6 million (2013: 5) (of which €6 million (2013: 4) is due to cash pools that are offset against the interest paid), realised interest on foreign currency hedges of €3 million (2013: 5) and interest received on taxes of €1 million (2013: 0).

Capital expenditure on other intangible assets and property, plant and equipment

In 2014, capital expenditure on property, plant and equipment amounted to €147 million (2013: 108), and was mainly related to construction-related activities at a number of depots, and investments in vehicles, IT equipment and depot equipment. The capital expenditure on intangible assets of €43 million (2013: 25), is primarily related to purchased software, and software development projects. In 2014, capital expenditures were funded primarily by cash generated from operations.

Proceeds from disposal of Group companies

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 disposal of Group companies in 2013 amounted to €61 million, which was related to the sale of China Domestic previously classified as held for disposal.

Proceeds from disposal of associated companies

Proceeds from disposal of associated companies in 2013 amounted to €27 million, which was related to the sale of Logispring's investments in Apriso and Datatrac.

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2014 amounted to €14 million (2013: 12), which is mainly related to the sale of vehicles and other depot equipments.

Cash from financial instruments/derivatives

In 2014, cash from financial instruments/derivatives amounted to €19 million (2013: -15), related to the settlement of foreign currency hedges. Financial instruments are further explained in note 30.

26 Net cash used in financing activities: -33 million (2013: -30)

Share-based payments

In 2014 and 2013, no share-based payments occurred.

Proceeds from and Repayments of long-term borrowings

In 2014, the total proceeds from long-term borrowings were related to net proceeds from local bank debt for a total amount of €12 million (2013: net repayment of 2).

Proceeds from and Repayments of short-term borrowings

The total net repayments of short-term borrowings largely pertained to the net of increases and decreases on local bank overdrafts of €4 million (2013: net proceeds of 5).

Repayments to finance leases

The repayments of finance leases are related to redemptions on the two Boeing 747 freighters of €12 million (2013: 11) and to redemptions on other finance lease contracts of €8 million (2013: 4).

Dividends paid

A payment was made in 2014, relating to the dividend for 2013, for an amount of €7 million. In 2014, an interim cash dividend was paid of €14 million.

A payment was made in 2013, relating to the dividend for 2012, for an amount of €11 million. In 2013, an interim dividend was paid of €7 million.

27 Reconciliation to cash and cash equivalents

The following table presents reconciliation between the consolidated cash flow statements and the cash and cash equivalents as presented in the consolidated statement of financial position:

Reconciliation to cash and cash equivalents

Year ended at 31 December	2014	2013
Cash at the beginning of the year	696	397
Exchange rate differences		(5)
Total change in cash (as in consolidated cash flow statements)	(44)	304
Cash at the end of the year	652	696

(in € millions)

ADDITIONAL NOTES

28 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2014	2013
Rent and operating lease	1,164	1,018
Capital expenditure	49	6
Purchase commitments	682	59

(in € millions)

Of the total commitments indicated above, €425 million are of a short-term nature (2013: 294).

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 2014, 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 (2013: 0) 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. The essence of the mutual guarantees described above was not affected by this split.

Rent and operating lease contracts

In 2014, operational lease expenses (including rental) amounted to €372 million (2013: 396). Rent and operating lease contracts relate mainly to aircraft, depots, hubs, vehicles and other depot equipments. Of the total rent and operating lease commitment, €356 million (2013: 349) 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	2014	2013
Less than 1 year	269	248
Between 1 and 2 years	181	162
Between 2 and 3 years	143	118
Between 3 and 4 years	113	91
Between 4 and 5 years	95	78
Thereafter	363	321
Total	1,164	1,018
of which guaranteed by a third party/customers	1	14
(in € millions)		

Capital expenditure

Commitments in connection with capital expenditure amounted to €49 million (2013: 6) and are primarily related to the commercial vehicle replacement programme.

Purchase commitments

At 31 December 2014, TNT had unconditional purchase commitments of €682 million (2013: 59), 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 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 2014, total contingent tax liabilities for uncertainties are assessed to amount to between €70 million and €80 million (2013: between €60 million and €70 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 received a Statement of Objections from the French Competition Authority (FCA) 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 entered into a settlement with the FCA, which settlement includes a reduction percentage to the fine. The absolute amount of the fine - as to be determined by the FCA - is not expected before the end of 2015. TNT made a financial provision of €50 million in the third quarter.

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 cooperated 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 2014, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €216 million (2013: 220), of which €164 million (2013: 161) 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 2014, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant, the profit before income tax would have been €6 million higher (2013: 7), and equity would be impacted by €8 million (2013: 10), due to the outstanding interest rate swap(s) with a nominal value of US\$184 million. Refer to note 30.

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 2014 exchange rates to the euro are shown in the following table:

Principal exchange rates

	Year-end closing ¹	Annual average ²
US dollar	1.21410	1.32200
British pound	0.77890	0.80329

¹Source: European Central Bank, reference rate on the last day of the year.

²The 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 2014, 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 (2013: 0). The net income sensitivity to movements in EUR/USD exchange rates compared to 2013 has not changed. Impact on equity would have been 0 (2013: 0).

At 31 December 2014, 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 (2013: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2013 has not changed. Impact on equity would have been 0 (2013: 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 5% of the outstanding trade receivables at 31 December 2014.

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	2014	2013
Multi-currency revolving credit facilities	600	570
(in € millions)		

In November 2014, TNT successfully entered into a €600 million multi-currency revolving credit facility. This facility has replaced the former €570 million multi-currency revolving credit facility, which was originally due for re-financing in 2016. The new facility secures access to committed future financing capacity for a period of five years plus two one-year extension options at reduced financing costs and updated terms and conditions. The facility can be used for general funding purposes and includes a €300 million liquidity backup 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 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
Outgoing flows based on the financial liabilities 2013					
Other loans	1	1	1		3
Finance leases	16	85	59		155
Interest rate and cross-currency swaps (outgoing)	29	350	58		34
Foreign exchange contracts (outgoing)	1,058				8
Short-term bank debt	28				28
Trade accounts payable	430				430
Other current liabilities	106				106
Mitigation incoming flows based on the financial liabilities 2013					
Interest rate and cross-currency swaps (incoming)	22	323	57		
Foreign exchange contracts (incoming)	1,058				
Total liquidity risk	588	113	61	0	764

(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 to €500 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 2014 are BBB+ (Stable) by S&P and Baa2 (Negative) 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		Net amount
				Financial instruments	Cash and bank balances	
Derivative financial assets	4		4	3		1
Cash and cash equivalents	652		652		7	645
Total financial assets	656		656	3	7	646
Derivative financial liabilities	6		6	3		3
Bank overdrafts	28		28		7	21
Total financial liabilities	34		34	3	7	24

(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		Loan and receivables	Financial assets at fair value through profit and loss	Total
At 31 December	Notes			
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
Assets as per balance sheet 2013				
Other loans receivable	(3)	3		3
Other financial fixed assets	(3)	11	1	12
Accounts receivable	(5)	1,031		1,031
Prepayments and accrued income	(6)	115	5	120
Cash and cash equivalents	(7)	696		696
Total		1,856	6	1,862

(in € millions)

(in € millions)

Liabilities		Financial liabilities measured at amortised costs	Derivatives used for hedging	Total
At 31 December	Notes			
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
Liabilities as per balance sheet 2013				
Long-term debt	(12)	141	34	175
Trade accounts payable		430		430
Other current liabilities	(13)	151	8	159
Total		722	42	764
(in € millions)				

(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 derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives 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	151	floating	Yes	151	152
Other leases	11	floating/fixed	No	11	11
Total outstanding finance leases 2014	162			162	163
Boeing 747 freighters	144	floating	Yes	144	146
Other leases	11	floating/fixed	No	11	11
Total outstanding finance leases 2013	155			155	157
(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\$184 million (2013: US\$199) 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 long-term 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 2014, 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 (2013: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounted to €0 million (2013: 0).

Cross-currency swaps

TNT entered into a €250 million (2013: 250) cross-currency swap for which at maturity it pays €250 million and will receive US\$321.5 million. These cross-currency swaps act as a hedge on foreign exchange risk for TNT USA on an intercompany loan receivable.

The fair value of outstanding short-term cross-currency swaps is recorded as a current asset in prepayments and accrued income. In 2013 it was recorded as a liability in long-term debt. 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 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	
Interest rate swaps 2013								
97	No	USD	Yes	fixed	floating	cash flow	(8)	
102	No	USD	Yes	fixed	floating	cash flow	(9)	
Cross-currency swaps 2013								
250	No	EUR/USD	Yes	floating	floating	fair value	(17)	
(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 2014						
Asset	(6)	4	4	476	fair value/ cash flow	0
Liability	(12)/(13)	6	6	442	fair value	N/A
Foreign exchange contracts 2013						
Asset	(6)	5	5	445	fair value	N/A
Liability	(12)/(13)	8	8	613	fair value/ cash flow	0
(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 2014 amount to €0 million (2013: 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 (2013: 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 (2013: 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 546,396,949 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	2014	2013
Number of issued and outstanding ordinary shares	548,208,226	544,957,426
Average number of ordinary shares per year	546,396,949	544,171,809
Average number of ordinary shares per year on fully diluted basis in the year	546,396,949	544,171,809

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	2014	2013
Associates		1
Joint ventures	17	15
Total	17	16
(in € millions)		

The amounts recognised in the income statement are as follows:

Amounts recognised in the income statement

Year ended at 31 December	2014	2013
Associates	1	17
Joint ventures	6	5
Total	7	22
(in € millions)		

Investment in joint ventures

Investment in joint ventures

	2014	2013
Balance at 1 January	15	19
Share of profit	6	5
Dividend received	(5)	(8)
Other comprehensive income/other	1	(1)
Balance at 31 December	17	15
(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	2014	2013
Non-current		
Total non-current assets	3	2
Financial liabilities	0	0
Other liabilities	2	2
Total non-current liabilities	2	2
Current		
Cash and cash equivalents	0	0
Other current assets (excluding cash)	56	52
Total current assets	56	52
Trade accounts payable	19	16
Other current liabilities (excluding trade accounts payables)	19	19
Total current liabilities	38	35
Net amount	19	17
(in € millions)		

Summarised statement of comprehensive income		
At 31 December	2014	2013
Revenue	128	123
Depreciation and amortisation	1	1
Interest income	0	0
Interest expense	0	0
Pre-tax profit from continuing operations	12	10
Income tax expense	(2)	(2)
Post-tax profit from continuing operations	10	8
Other comprehensive income	0	0
Total comprehensive income	10	8
Dividends received from joint ventures	4	7
(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		
	2014	2013
Opening net assets at 1 January	31	38
Profit/(loss) for the period	13	10
Dividend received	(10)	(16)
Other comprehensive income	0	(1)
Closing net assets at 31 December	34	31
Interest in joint ventures @50%	17	15
Carrying value	17	15
(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 2014, purchases of TNT from joint ventures amounted to €25 million (2013: 25). Sales made by TNT companies to its joint ventures were €30 million (2013: 29). The net amounts due to joint venture entities amounted to €27 million (2013: 25). At 31 December 2014, net amounts due to associated companies amounted to €0 million (2013: 1).

Key management

In 2014, key management consisted of the Executive Board and the Management Board. The remuneration costs for key management are disclosed in the following table:

Remuneration costs key management

	Salaries & short-term employee benefits	Post- employment benefits	Share- based benefits	Termination benefits	Total remuneration 2014	Total ¹ remuneration 2013
Key management	4,972,408	591,769	552,129	2,368,785	8,485,090	5,838,020
Total	4,972,408	591,769	552,129	2,368,785	8,485,090	5,838,020

¹The total 2013 remuneration costs include a one-off employer tax of € 274,043 according to Dutch tax law.
(in €)

PostNL companies

At 31 December 2014, TNT is owned by PostNL N.V. ("PostNL") for approximately 14.8%, as per the AFM register, of TNT's outstanding share capital. 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	2014	2013
Direct operational services to PostNL companies	10	9
Direct operational services from PostNL companies ¹	(3)	(1)

¹Amounts 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
- Domestic
- Unallocated

Segmentation – results

Segment information relating to the income statement

Year ended at 31 December 2014	International Europe	International AMEA	Domestic	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					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)					

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 chief operating decision-makers.

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

Operating income included significant non-cash items related to depreciation, amortisation and impairment of €210 million, of which €32 million is related to goodwill impairment in International Europe.

Segment information relating to the income statement

Year ended at 31 December 2013	International Europe	International AMEA	Domestics	Unallocated	Total
Net sales	2,709	1,054	2,560	390	6,713
Intercompany sales	5		5	(10)	0
Other operating revenues	8	7	1	175	191
Total operating revenues	2,722	1,061	2,566	555	6,904
Other income/(loss)	5	2	1	200	208
Depreciation/impairment of property, plant and equipment	25	13	46	15	99
Amortisation/impairment of intangibles	5	2	244	84	335
Total operating income	60	54	(212)	107	9
Net financial income/(expense)					(22)
Results from investments in associates					22
Income tax					(131)
Profit/(loss) for the period					(122)
Attributable to:					
Non-controlling interests					0
Equity holders of the parent					(122)
Number of employees (headcount)	15,296	9,528	29,377	5,842	60,043
(in € millions)					

In 2013, other income included the receipt of the UPS termination fee of €200 million in Unallocated, an amount of €4 million in International Europe relating to the settlement of a claim, the reversal in International AMEA of the 2012 fair value adjustment of the two Boeing 747 freighters of €17 million, partly offset by a fair value adjustment in International AMEA of €15 million.

In 2013, operating income included significant non-cash items related to depreciation, amortisation and impairment of €434 million, of which €58 million is related to goodwill impairment in Unallocated, €236 million in Domestics and €-39 million was related to reversal of the Boeing 747 freighters impairment charges in International AMEA.

Unallocated operating income

Year ended at 31 December	2014	2013
Goodwill impairments		(58)
Software impairments	(2)	
Restructuring-related	(37)	(9)
Implementation cost	(50)	
UPS termination fee		200
UPS offer-related cost		(5)
Profit on the sale of TNT Fashion Group B.V.	7	
Provision related to the French competition case	(50)	
Other	(26)	(21)
Total Unallocated operating income	(158)	107
(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 two Dutch pension funds, 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 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)

The statement of financial position information at 31 December 2013 is as follows:

Segment information relating to the statement of financial position					
At 31 December 2013	International Europe	International AMEA	Domestics	Unallocated	Total
Intangible assets	628	257	184	68	1,137
Property, plant and equipment	204	28	328	328	888
Trade accounts receivable	396	138	335	61	930
Other current assets	66	101	81	806	1,054
Total assets	1,386	538	1,021	1,296	4,241
Trade accounts payable	131	36	179	84	430
Other current liabilities	262	109	315	351	1,037
Total liabilities	435	161	559	666	1,821
Cash out for capital expenditures	27	17	52	37	133

(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	2014	2013
Europe		
The Netherlands	375	458
United Kingdom	902	873
Italy	543	577
Germany	744	748
France	736	734
Belgium	193	190
Rest of Europe	1,006	996
Other Americas		
United States and Canada	77	71
South & Middle America	393	369
Africa & the Middle East	176	166
Australia & Pacific	609	637
Asia		
China and Taiwan	328	505
India	47	42
Rest of Asia	343	347
Total net sales	6,472	6,713

(in € millions)

Employees

Year ended at 31 December	International Europe	International AMEA	Domestics	Unallocated	2014	2013
Europe						
The Netherlands	1,220		7	871	2,098	2,919
United Kingdom	784		7,988	768	9,540	10,036
Italy	192		2,444		2,636	2,774
Germany	3,697		0	1,025	4,722	4,972
France	455	11	3,942	35	4,443	4,642
Belgium	626			1,874	2,500	2,574
Rest of Europe	7,200			568	7,768	7,574
Other Americas						
United States and Canada	850				850	827
South & Middle America	14		9,170		9,184	9,118
Africa & the Middle East	167	1,834		652	2,653	2,635
Australia & Pacific			4,313		4,313	4,338
Asia						
China and Taiwan		3,051			3,051	3,015
India		749			749	729
Rest of Asia		3,615		170	3,785	3,890
Total	15,205	9,260	27,864	5,963	58,292	60,043

Certain comparative figures have been reclassified to conform to the current year's segment presentation.

35 Subsequent events

(No corresponding financial statement number)

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.

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 2014	variance %	31 December 2013
Assets				
Non-current assets				
Investments in Group companies		2,661		2,733
Deferred tax assets		33		5
Total financial fixed assets	(37)	2,694	(1.6)	2,738
Pension asset	(39)	0		0
Total non-current assets		2,694	(1.6)	2,738
Current assets				
Accounts receivable from Group companies		3		1
Other accounts receivable		71		7
Total current assets		74		8
Total assets		2,768	0.8	2,746
Liabilities and equity				
Equity				
	(9)(38)			
Issued share capital		44		44
Additional paid-in capital		2,500		2,647
Legal reserves		12		(84)
Other reserves		(181)		(69)
Retained earnings		(195)		(125)
Total shareholders' equity		2,180	(9.7)	2,413
Non-current liabilities				
Deferred tax liabilities	(23)	0		0
Provisions for pension liabilities	(39)	132		22
Total non-current liabilities		132	500.0	22
Current liabilities				
Accounts payable to Group companies		401		308
Short term provision		50		0
Other current liabilities		4		0
Accrued current liabilities		1		3
Total current liabilities		456		311
Total liabilities and equity		2,768	0.8	2,746

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(in € millions, except percentages)

TNT Express N.V. Corporate income statement

Year ended at 31 December	2014	2013
Results from investments in Group companies/associates after taxes	(149)	(245)
Other income and expenses after taxes	(46)	123
Profit/(loss) attributable to the shareholders	(195)	(122)

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(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 2014 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 Total financial fixed assets: 2,661 million (2013: 2,733)

Statement of changes	
	Investments in Group companies
Balance at 31 December 2012	2,901
Changes in 2013	
Results	(245)
Additions to capital	150
Other changes	(73)
Total changes	(168)
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

(in € millions)

At 31 December 2014, total investment in Group companies amounted to €2,661 million (2013: 2,731). No dividend was received in 2014 (2013: 0). Exchange rate differences/other changes of €79 million (2013: -75) consisted of cumulative translation adjustments and movement caused by actuarial gain and loss, cash flow hedges and share-based payments.

38 Equity: 2,180 million (2013: 2,413)

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 2012	43	2,749	(4)	(92)	(86)	2,610
Profit/(loss) for the period					(122)	(122)
Other comprehensive income/(loss)			(72)	13		(59)
Total comprehensive income/(loss)			(72)	13	(122)	(181)
Final dividend previous year		(11)				(11)
Interim dividend		(7)				(7)
Compensation retained earnings		(83)			83	
Legal reserves reclassifications			(8)	8		
Share-based payments				2		2
Stock dividend	1	(1)				
Total direct changes in equity	1	(102)	(8)	10	83	(16)
Balance at 31 December 2013¹	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)				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

¹For comparative purposes 2013 numbers have been restated to reflect the impact of changes in accounting policies.

(in € millions)

Refer to note 9 for additional details on equity.

39 Provision for pension liabilities: 132 million (2013: 22)

TNT Express N.V. is the co-sponsoring employer for two Dutch pension plans along with PostNL, which are externally funded in two separate pension funds and cover 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

	2014	2013
Change in benefit obligation		
Benefit obligation at beginning of year	473	508
Service costs	20	23
Interest costs	19	21
Past service cost	(12)	(2)
Actuarial (loss)/gain	200	(72)
Benefits paid	(7)	(5)
Benefit obligation at end of year	693	473
Change in plan assets		
Fair value of plan assets at beginning of year	451	463
Actual return on plan assets	93	(33)
Other movement/administration cost	(1)	(1)
Contributions	25	27
Benefits paid	(7)	(5)
Fair value of plan assets at end of year	561	451
Funded status at 31 December		
Funded status	(132)	(22)
Net pension asset/(liability)	(132)	(22)
Components of employer pension expense		
Service costs	(20)	(23)
Interest costs	(19)	(21)
Expected return on plan assets	16	19
Past service cost	12	2
Other cost/administration cost	(1)	(1)
Total post employment benefit income/(expenses)	(12)	(24)
Weighted average assumptions as at 31 December		
Discount rate	2.3%	3.9%
Expected return on plan assets	2.3%	3.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.3%	1.5%

(in € millions, except percentages)

40 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.

41 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

At 31 December 2014, 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.

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 (2013: 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 €120 million (2013: 112) 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.

42 Subsidiaries and associated companies at 31 December 2014

(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, 17 February 2015

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 the Supervisory Board of TNT Express N.V.

Report on the 2014 financial statements

Our opinion

In our opinion:

- the consolidated financial statements as set out on pages 68 to 133 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2014 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the corporate financial statements as set out on pages 134 to 138 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2014 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 2014 as set out on pages 68 to 138 of TNT Express N.V., Hoofddorp ('the Company' or collectively with its subsidiaries '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 2014;
- the following statements for 2014: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; 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 2014;
- 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.

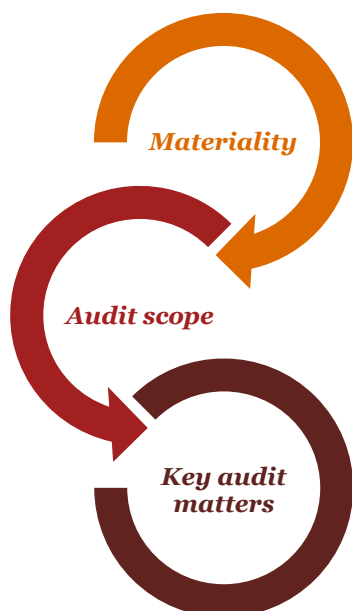
Our audit approach

Overview

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 judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

Our engagement consists of certain specified procedures on the second quarter interim financial statements, pre year-end closing procedures in the fourth quarter 2014 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 2015.



Materiality

- Overall materiality: €10 million which represents 5% of adjusted profit before tax.

Audit scope

- We conducted audit work on 32 locations. 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 represented higher risk. As part of our unpredictability procedures we selected 4 smaller reporting entities on a rotational basis, which are subject to audit procedures by the Company's internal audit department.
- During the calendar year site visits were conducted by senior members of the group audit team to 8 countries where the Company has operations – Australia, Brazil, France, Italy, Poland, Spain, the United Kingdom and the United States of America.

Key audit matters

- Restructuring provision and organisational changes
- Disclosure of new segmentation in international and domestic activities
- Reallocation of goodwill and related sensitivity to the 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. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations 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	€10 million (2013: 10).
How we determined it	5% of adjusted profit before tax. This adjustment consists of specific non-recurring items and finance lease expenses, which are audited in more detail. Non-recurring items include for example restructuring charges and impairment charges.
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.

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 €0.5 million (2013: 0.5) 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 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 be able to rely on it;
- The majority of the IT environment of the Group is centralised in the IT service centre. We test these systems and procedures centrally and provide assurance 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 apply the findings and gain comfort from this report;
- 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

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 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.

The group audit is aligned with the divisional structure and strategy of TNT Express N.V. In the 'Domestics' division, all countries with the exception of Chile have been identified as significant components, being - Australia, Brazil, France, Italy, and the United Kingdom. In addition, significant 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, Eurohub and TNT Airways.

We issued specific 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 visits a number of the component teams annually. In the current year senior members of the group team visited: Australia, Brazil, France, Italy, Poland, Spain, the UK and the USA. 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 Restructuring provision').

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 litigations, pension accounting, disposal of group companies, follow up on whistleblower allegations, ethics and compliance with laws and regulations. We have also issued specified procedure instructions to obtain comfort over taxation issues in the German, French and Belgian 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.

Key audit matter	How our audit addressed the matter
<p>Restructuring provision and organisational changes</p> <p>Since 2013, the Company has been engaged in a number of strategic organisational changes, most notably the <i>Deliver!</i> and <i>Outlook</i> programmes.</p> <ul style="list-style-type: none"> During 2013 and 2014 several restructuring plans have been implemented as part of the <i>Deliver!</i> and <i>Outlook</i> programmes. As at 31 December 2014 €117 million is provided on the balance sheet. We refer to Note 11 of the financial statements. The restructuring provisions are material to the financial statements and the recognition criteria and measurement are detailed and depends upon local circumstances. We refer to Chapter 4 to the Risk Management paragraph of 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 audit findings, amongst others, where it was deemed necessary. We refer to the Risk Management paragraph in Chapter 4 to of the Annual Report. 	<p>In our audit we addressed the appropriateness and timely recognition of costs and provisions in accordance with IAS 37 – <i>Provisions, Contingent Liabilities and Contingent Assets</i>. These recognition criteria are detailed and depend upon local communication and country specific labour circumstances. Recognition criteria can be an agreement with the unions, a personal notification or a settlement agreement. The component audit teams have performed detailed audit procedures on the recognition and measurement of these restructuring provisions. The group audit team has identified the completeness and accuracy of the restructuring provisions as a significant risk in the audit. Subsequently we have reviewed the reports of the component audit teams and discussed the recognition criteria. Where required we followed up centrally for supporting documentation. The restructuring provisions at head office were audited by the group audit team. We concur with management's position as set out in the financial statements.</p> <p>During our engagement we monitored the control environment risk on a corporate and local level - specifically with respect to the quality of local and central closing procedures. This was done during our half-year procedures, hardclose 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, 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.</p>

Key audit matter	How our audit addressed the matter
<p>Disclosure of new segmentation in international and domestic activities</p> <p>As part of the <i>Outlook</i> programme the Company changed its reporting structure in order to separate the main domestic activities from the integrated international express activities in Europe and Asia, Middle East & Africa. As per 1 October 2014 the reporting structure of the group changed to the new structure as disclosed in note 34. IFRS 8 - <i>Operating Segments</i> requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ('CODM') which is the TNT Management Board. This assessment process has been disclosed in TNT's accounting policies. The segment information is an important disclosure in the financial statements and we have therefore performed additional procedures on this key audit matter.</p>	<p>Management assessed the requirements of IFRS 8 and how these have been addressed in the new segmentation. We have audited management's analysis and have compared these to our observations of the organisation and internal reporting process. We involved our financial reporting specialists during the review of the technical analysis.</p> <p>We performed detailed testing on the aggregation of legal entities and on the separation and re-allocation of the International and domestic activities within France, the United Kingdom and Italy. Some of these procedures were performed at a local level where we issued specified procedure instructions to component auditors on this carve out. We concur with the steps taken by management and the disclosure note in the financial statements.</p>
<p>Reallocation of goodwill and related sensitivity to the valuation of goodwill</p> <p>The implementation of the organisational structure as part of the <i>Outlook</i> programme resulted in a change of the composition of the goodwill allocated to the (groups of) Cash Generating Units ('CGUs'). Consequently, the goodwill amounting to €1,039 million has been re-allocated to the new TNT Express' (groups of) CGUs based on the relative fair value which were part of these former (groups of) CGUs. In addition, goodwill originating from previous acquisitions related to specific CGUs was allocated to the relevant CGU. The Company simultaneously performed the annual goodwill impairment test during the fourth quarter 2014. This led to an impairment charge of €32 million for the CGU TNT Spain. The assumptions and sensitivities in the four quarter 2014 impairment test are disclosed in note 1 to the financial statements. These sensitivity analysis are significant to our audit because the assessment process is complex and requires management judgement, and is based on assumptions that are affected by expected future market conditions.</p>	<p>Our audit procedures included detailed assessment and challenging of the calculations performed by management. We tested the allocation of goodwill to the new CGU and for specific goodwill we ensured that this related appropriately to these new CGUs.</p> <p>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.</p>
<p>Uncertain tax positions and valuation of deferred tax assets in various jurisdictions</p> <p>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.</p> <p>The Company has recorded deferred tax assets in the financial statements resulting from deductible temporary differences and losses carried forward of €198 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 in the fourth quarter 2014, which impacted income tax expense. The realisation probability is impacted by a 3 to 5 year period for realisation of the full benefits of the <i>Outlook</i> investment and restructuring programmes, timing of these benefits, uncertainties regarding the realisation of such benefits, including the expiration date of losses and future taxable income.</p>	<p>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.</p> <p>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 analysis and particularly address allocation to the respective tax territories. We also assessed the past performance against business plans used by the Company to determine the future taxable income per country. We determined that the underlying plans provide sufficient ('convincing') evidence for recognition under IFRS.</p>

Key audit matter	How our audit addressed the matter
<p>Claims and litigations</p> <p>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. Most notably, 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 announced its settlement with the FCA in September 2014. As disclosed in note 11 a financial provision of €50 million is recorded and the exposure is also disclosed as a contingent liability in note 28 of the financial statements.</p> <p>Claims and litigation including any provisions are significant to our audit because management judgement is required, the assessment process is complex and is based on (potential) future developments.</p> <p>Management override of controls</p> <p>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 comprehensive governance structure as detailed in Chapter 4 of the Annual Report.</p>	<p>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.</p> <p>In respect of the French anti-competition case we reconciled and reviewed documentation of the legal proceedings and the settlement letter. Management performed a legal and financial assessment which we assessed. We challenged the ranges and assumptions included in management's calculation of the potential fine. We discussed these management judgements with the various central and local functions in the Group including Corporate Legal, the Executive Board and the Audit Committee. We reviewed the legal letters received from the Dutch and French external lawyers. We assessed the objectivity and competence of these experts. During these procedures we liaised with the French component audit team to combine and assess the local and central observations in this case. We conclude that management's accounting for claims and litigations is in accordance with the requirements of IFRS.</p> <p>In our audit, we performed audit procedures which allow us to rely, to the extent possible, on management's governance structure. We also perform 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 analysis, consideration of bonus schemes, assessment of internal control deficiencies, follow-up on whistle-blower allegations, business ethics, compliance 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 and cost cut off procedures, as well as examination of manual 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 declarations of the Executive Board and made specific enquiries at different levels in the organisation to establish consistency.</p>

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 4 to 21, pages 41 to 53 and pages 60 to 66 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 has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the report of the Executive Board and 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 the 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, 17 February 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE 2014 FINANCIAL STATEMENTS 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 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 of, amongst others:

- 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 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 entity's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and or conditions that may cast significant doubt on the entity'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 ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the Supervisory Board regarding, amongst 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 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 PROPOSAL

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro forma dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.031 per share. The €0.049 per share interim dividend together with the proposed final dividend, (€0.08 per share in total), represents a payout of 40% of normalised net income ('profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items) over the full year 2014, in line with the dividend guidelines. The final dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash. The election period is from 10 April 2015 to 6 May 2015, inclusive.

To the extent that the final dividend is paid in shares, it will be paid free of withholding tax and it will be sourced from the additional paid-in capital that is recognised for Dutch dividend withholding tax purposes. The cash dividend will be paid out of the remaining additional paid-in capital. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 6 May 2015, after the close of trading on Euronext Amsterdam, based on the volume-weighted average price ('VWAP') of all TNT Express shares traded on Euronext Amsterdam over a three trading day period from 30 April 2015 to 6 May 2015, inclusive. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 3% above the cash dividend. There will be no trading in the stock dividend rights.

The ex-dividend date will be 10 April 2015, the record date is 14 April 2015 and the dividend will be payable as of 13 May 2015.

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 €195 million to the loss 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	
	2014
Profit/(loss) attributable to the shareholders	(195)
Appropriation in accordance with the Articles of Association:	
Reserves adopted by the Executive Board and approved by the Supervisory Board (article 30, par.2)	195
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.

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Consolidated statement of international standards

Year ended at 31 December	Notes	2014	variance %	2013
OHSAS 18001 (% of total FTE)	(1)	81%	(3.6)	84%
Investors in People (% of total headcount)	(2)	79%	(2.5)	81%
ISO 14001 (% of total FTE)	(3)	82%	(2.4)	84%
ISO 9001 (% of total FTE)	(4)	84%	(3.4)	87%

Consolidated statement of health and safety data

Year ended at 31 December	Notes	2014	variance %	2013
Workplace fatal accidents	(5) ♦	0		0
Road traffic blameworthy fatal accidents (own)	(5) ♦	1	0.0	1
Road traffic non-blameworthy fatal accidents (own)	(5) ♦	4	300.0	1
Subcontractor road traffic fatal accidents	(5)	18	38.5	13
Lost-time accidents	(6) ♦	1,539	(5.1)	1,622
Lost-time accidents per 100 FTE	(6) ♦	2.69	(0.7)	2.71
Absenteeism (% of total standard working hours)	(7) ♦	3.6	5.9	3.4
Blameworthy road traffic incidents/collisions per 100,000 kilometres	(8)	0.73	(6.4)	0.78

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

Consolidated statement of environmental data

Year ended at 31 December	Notes	2014	variance %	2013
CO ₂ e emissions absolute of own operations (Scope 1 and 2) (ktonnes)	(9) ♦	1,315	2.4	1,284
CO ₂ e emissions absolute of subcontracted operations (Scope 3) (ktonnes)	(9)	1,600	2.5	1,561
Own drivers trained in eco-driving (% of total drivers)	(10) ♦	26%		nd ¹
Own vehicles in the European Union > Euro 4 standard (% of total own vehicles)	(11) ♦	85%	2.4	83%
Own vehicles applied with telematics (% of total own PUD/linehaul vehicles)	(12) ♦	12%		nd ¹
Own linehaul vehicles/trailers equipped with aerodynamics	(13) ♦	59%		nd ¹
CO ₂ e efficiency network flights (European Air Network + domestic) (g CO ₂ e/tonnes.km)	(14) ♦	1,828	(5.9)	1,943
CO ₂ e efficiency long haul air (g CO ₂ e/tonnes.km)	(14) ♦	512	1.4	505
CO ₂ e efficiency PUD vehicles (g CO ₂ e/km)	(15) ♦	549	(1.4)	557
CO ₂ e efficiency linehaul vehicles (g CO ₂ e/km)	(15) ♦	943	(0.6)	949
CO ₂ e efficiency buildings (kg CO ₂ e/m ²)	(16) ♦	22.8	(7.7)	24.7
Energy efficiency buildings (MJoules/m ²)	(16) ♦	379	(6.9)	407
Sustainable electricity (% of total electricity)	(16)	48%	(4.0)	50%

¹This is a new metric established in 2014, as such no 2013 data is available.

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

Consolidated statement of other data (social and engagement)

Year ended at 31 December	Notes	2014	variance %	2013
Employee engagement	(17)	nd ¹		67%
Gender profile (% of females of total headcount)	(18)	29%	0.0	29%
Gender profile of management (% of females of total management)	(18)	28%	(6.7)	30%
Voluntary turnover (% of total headcount)	(19)	10%	11.1	9%
Internal promotion (% of total management vacancies)	(20)	56%	(21.1)	71%
Training hours per FTE	(21)	17	(5.6)	18
Orange Experience Score	(22)	40	8.1	37

¹A survey was not conducted in 2014, as such no data is available.

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)		2014	2013
International Europe	98%		98%
International AMEA	99%		97%
Domestics	70%		71%
Unallocated	61%		97%
Total	81%		84%

TNT's operations in Slovenia and Egypt obtained OHSAS 18001 certification in 2014, while TNT Israel, TNT Innight Germany, TNT Head Office and TNT Airways 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. The IiP standard requires identifying and communicating clear business objectives to all employees and providing performance feedback, development plans and adequate training. Living up to the IiP standard ensures TNT's employees receive the necessary development opportunities they need to be successful and thus create value for the business. Each year, progress evaluations are held with all employees, with a focus on their performance, behaviour and personal development. TNT aims to achieve and maintain IiP certification for all operations.

Investors in People certification		GRI indicators: G4-LA9	
(in percentage of total headcount working at certified sites)		2014	2013
International Europe	100%		100%
International AMEA	92%		95%
Domestics	74%		76%
Unallocated	34%		34%
Total	79%		81%

In 2014, TNT Egypt, TNT New Zealand and TNT Innight Netherlands, lost 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)		2014	2013
International Europe	97%		98%
International AMEA	99%		97%
Domestics	70%		71%
Unallocated	77%		90%
Total	82%		84%

In 2014, TNT's operations in Egypt obtained ISO 14001 certification, while the TNT Head Office and the operations in Israel 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 for all operations.

ISO 9001 certification

(in percentage of total FTE working at certified sites)

	2014	2013
International Europe	97%	98%
International AMEA	99%	99%
Domestics	74%	78%
Unallocated	79%	90%
Total	84%	87%

In 2014, TNT's Asia Regional Office obtained ISO 9001 certification, while the TNT Head Office and the operations in Israel lost their certification.

NOTES TO THE HEALTH AND SAFETY PERFORMANCE

5 Fatal accidents

Fatal accidents are divided into workplace fatal accidents, road traffic fatal accidents (blameworthy and non-blameworthy) involving a TNT employee and road traffic fatal accidents involving a subcontractor. A fatal accident can lead to multiple fatalities.

No workplace fatal accident occurred in both 2014 and 2013.

Road traffic blameworthy fatal accidents (own)		GRI indicators: G4-LA6	
(in numbers)		2014	2013
International Europe	♦		
International AMEA	♦		
Domestics	♦	1	1
Unallocated	♦		
Total	♦	1	1

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

In 2014, one road traffic blameworthy fatal accident occurred in Brazil.

Road traffic non-blameworthy fatal accidents (own)		GRI indicators: G4-LA6	
(in numbers)		2014	2013
International Europe	♦		
International AMEA	♦	1	
Domestics	♦	3	1
Unallocated	♦		
Total	♦	4	1

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

In 2014, four road traffic non-blameworthy fatal accidents occurred. Two occurred in Brazil, one in the United Kingdom and one in Vietnam.

Subcontractor road traffic fatal accidents		GRI indicators: G4-LA6	
(in numbers)		2014	2013
International Europe		4	2
International AMEA			
Domestics		11	10
Unallocated		3	1
Total		18	13

For subcontractor road traffic fatal accident information, TNT relies on subcontractors to report fatal accidents involving their drivers and (other) third parties. Blameworthiness in those instances cannot currently be established by TNT. TNT monitors, reviews and discusses subcontractor performance to ensure that contractual obligations with regard to safety are appropriately implemented and maintained.

The majority of subcontractor fatal accidents occurred in Brazil and France.

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)		2014	2013
International Europe	♦	281	315
International AMEA	♦	39	44
Domestics	♦	1,030	1,056
Unallocated	♦	189	207
Total	♦	1,539	1,622

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

Lost-time accidents ratio		GRI indicators: G4-LA6	
(in lost-time accidents per 100 FTE)		2014	2013
International Europe	♦	2.09	2.20
International AMEA	♦	0.41	0.43
Domestics	♦	3.59	3.48
Unallocated	♦	3.34	4.18
Total	♦	2.69	2.71

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 managing safety risks and improving safety systems and processes at a local level. Improvements are visible in the United Kingdom, Chile and the Liège-based hub.

Average number of days lost due to a lost-time accident		GRI indicators: G4-LA6	
(in days)		2014	2013
International Europe		24.9	22.1
International AMEA		23.2	18.0
Domestics		18.7	19.0
Unallocated		32.5	33.1
Total		21.6	21.4

The average number of days lost due to a lost-time accident provides an indication of the severity of the accident.

7 Absenteeism

TNT's approach to manage an employee's long-term absence 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 as an open discussion. This provides an open forum where management can provide support to the employee and attempt to improve the situation, where applicable. The employee's return to work is also closely managed by a registered medical practitioner if required.

Absenteeism		GRI indicators: G4-LA6	
(in percentage of standard working hours)		2014	2013
International Europe	♦	3.9%	3.8%
International AMEA	♦	1.2%	1.1%
Domestics	♦	3.8%	3.6%
Unallocated	♦	5.5%	6.1%
Total	♦	3.6%	3.4%

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

Absenteeism deteriorated from 3.4% to 3.6% in 2014.

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 are subdivided into blameworthy and non-blameworthy road traffic incidents. In 2014, 68% of all operational vehicle road traffic incidents were classified as blameworthy (2013: 68%).

Blameworthy road traffic incident ratio		GRI indicators: G4-LA6
(in number of blameworthy road traffic incidents/collisions per 100,000 kilometres)	2014	2013
International Europe	0.67	0.66
International AMEA	0.27	0.20
Domestics	0.91	1.02
Unallocated	0.08	0.04
Total	0.73	0.78

The blameworthy road safety incident ratio improved by 6.4% to 0.73 incidents per 100,000 kilometres in 2014. 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 CO₂e emissions absolute

For sector comparison purposes, the CO₂e footprint, according to the Greenhouse Gas 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 ₂ e emissions according to the Greenhouse Gas Protocol		GRI indicators: G4-EN15, G4-EN16 & G4-EN17	
Emission source (in ktonnes)	2014	2013	
Scope 1			
PUD vehicles	115	119	
Linehaul vehicles	118	107	
Other operational vehicles	11	11	
Total operational vehicles	244	237	
European Air Network and domestic flights	347	352	
Long haul flights	624	609	
Other flights	39	20	
Total aviation	1,010	981	
Gas	11	15	
Heating fuel	1	1	
Total heating	12	16	
Total Scope 1	♦ 1,266	1,234	
Scope 2			
District heating	1	2	
Electricity	48	48	
Total Scope 2	♦ 49	50	
Scope 3			
Subcontractors	1,600	1,561	
Total Scope 3	1,600	1,561	
Total own CO₂e footprint (Scope 1 and 2)	♦ 1,315	1,284	
Total CO₂e footprint (Scope 1, 2 and 3)	2,915	2,845	

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

In 2014, the CO₂e emissions of TNT's own and subcontractor operations (Scope 1, 2 and 3) increased by 2.5% to 2,915 ktonnes.

CO ₂ e emissions of own operations		GRI indicators: G4-EN15	
(in ktonnes)	2014	2013	
International Europe	30	33	
International AMEA	45	47	
Domestics	209	202	
Unallocated	1,031	1,002	
Total	♦ 1,315	1,284	

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

TNT's own CO₂e emissions (Scope 1 and 2) increased by 2.4% compared to 2013, mainly due to the increased CO₂e emissions of aircraft (Unallocated and Domestics).

CO₂e emissions of subcontractor operations

GRI indicators: G4-EN17

(in ktonnes)	2014	2013
International Europe	326	306
International AMEA	50	53
Domestics	466	439
Unallocated	758	764
Total	1,600	1,561

TNT's subcontractor CO₂e emissions (Scope 3) increased by 2.5% to 1,600 ktonnes, which was mainly caused by the increase of subcontractor activities within Domestics and International Europe. The subcontractor CO₂e emission is calculated based on secondary indicators such as kilometres driven and costs, because of the unavailability of primary data (fuel consumption) of subcontractor activities.

CO₂e 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	2014	244	1,044	19%	81%
	2013	237	974	20%	80%
Air transport	2014	1,010	556	64%	36%
	2013	981	587	63%	37%
Buildings	2014	61	0	100%	0%
	2013	66	0	100%	0%
Total	2014	1,315	1,600	45%	55%
	2013	1,284	1,561	45%	55%

In 2014, 44% of the total CO₂e emissions (own and subcontractors) was related to road transport, 54% to air transport and 2% to buildings. TNT relies on subcontractors for a substantial part of its business activities. In 2014, 55% of TNT's CO₂e footprint could be attributed to subcontractors (2013: 55%).

10 Own drivers trained in eco-driving

Drivers training is normally a combination of safe driving and eco-driving. Eco-driving training is specifically focused on improving driver skills to reduce CO₂e emissions.

Own drivers trained in eco-driving

(% of total own drivers)	2014	2013
International Europe	♦ 7%	nd ¹
International AMEA	♦ 21%	nd ¹
Domestics	♦ 30%	nd ¹
Unallocated	♦ 31%	nd ¹
Total	♦ 26%	nd¹

¹This is a new metric established in 2014, as such no 2013 data is available.

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

The reported percentage of own drivers trained in eco-driving is only based on the number of drivers that were trained in 2014. Drivers are trained regularly, however not 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)

		2014	2013
Vehicles complying with Euro 6	♦	1%	0%
Vehicles complying with Euro 5	♦	73%	70%
Vehicles complying with Euro 4	♦	15%	14%
Vehicles younger than 5 years (excluding Euro 4, 5 and 6)	♦	3%	7%
Vehicles older than 5 years	♦	8%	9%

European emission standards for linehaul vehicles

(in percentage of linehaul vehicles in European Union countries)

		2014	2013
Vehicles complying with Euro 6	♦	5%	1%
Vehicles complying with Euro 5	♦	65%	70%
Vehicles complying with Euro 4	♦	4%	10%
Vehicles younger than 5 years (excluding Euro 4, 5 and 6)	♦	16%	3%
Vehicles older than 5 years	♦	10%	16%

In 2014, the composition of TNT's fleet of PUD vehicles in European Union countries changed to include more Euro 5 compliant vehicles and therefore cleaner vehicles. The composition of the linehaul fleet in European Union countries changed to more Euro 6 vehicles, though the number of vehicles not complying to at least Euro 4 increased.

12 Own vehicles applied with telematics

Telematics help drivers to improve fuel-efficient driving and therefore reduce CO₂e 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)

		2014	2013
International Europe	♦	50%	nd ¹
International AMEA	♦	21%	nd ¹
Domestics	♦	3%	nd ¹
Unallocated	♦	55%	nd ¹
Total	♦	12%	nd¹

¹This is a new metric established in 2014, as such no 2013 data is available.

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

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. As of December 2014, this target has been met by International Europe and Unallocated.

13 Own linehaul vehicles/trailers equipped with aerodynamics

Aerodynamics like spoilers and side-skirts installed on linehaul vehicles and trailers improve fuel efficiency and therefore reduce CO₂e emissions.

Own linehaul vehicles/trailers equipped with aerodynamics

(in percentage of total number of linehaul vehicles/trailers)

		2014	2013
International Europe	♦	8%	nd ¹
International AMEA	♦	1%	nd ¹
Domestics	♦	66%	nd ¹
Unallocated	♦	16%	nd ¹
Total	♦	59%	nd¹

¹This is a new metric established in 2014, as such no 2013 data is available.

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

Linehaul vehicles/trailers equipped with aerodynamics are most common in Domestics.

14 CO₂e efficiency air transport

CO ₂ e efficiency air transport		GRI indicators: G4-EN15	
(in g CO ₂ e / tonnes.km)		2014	2013
Network flights (European Air Network + domestic)	♦	1,828	1,943
Long haul flights	♦	512	505

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

The CO₂e 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.

At the end of 2014, TNT operated 54 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. Based on this intra-EU scope, the CO₂ emission of TNT's flights subject to EU ETS were 268 ktonnes in 2014 (2013: 269).

15 CO₂e efficiency road transport

The efficiency indicator, CO₂e per kilometre for vehicles, does not reflect all improvement efforts, such as improved network optimisation and positive changes in capacity load factors. TNT has recognised this and developed a new CO₂e efficiency indicator that will be disclosed in the 2015 annual report.

CO₂e efficiency - PUD vehicles

The number of PUD vehicles decreased from 6,688 in 2013 to 6,595 in 2014, mainly due to International Europe reducing its own fleet. In total, 2.1% of TNT's PUD vehicles are powered by alternative fuels.

CO ₂ e efficiency of PUD vehicles		GRI indicators: G4-EN15	
(in g CO ₂ e / km)		2014	2013
International Europe	♦	418	436
International AMEA	♦	423	406
Domestics	♦	632	654
Unallocated	♦	313	296
Total	♦	549	557

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

The overall CO₂e efficiency improvement of PUD vehicles is visible in International Europe and Domestics.

CO₂e efficiency - Linehaul vehicles

The number of linehaul vehicles increased from 1,041 in 2013 to 1,179 in 2014, mainly due to Domestics increasing its own fleet. In total, 0.1% of TNT's linehaul vehicles are powered by alternative fuels.

CO ₂ e efficiency of linehaul vehicles		GRI indicators: G4-EN15	
(in g CO ₂ e / km)		2014	2013
International Europe	♦	684	762
International AMEA	♦	733	708
Domestics	♦	985	990
Unallocated	♦	835	853
Total	♦	943	949

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

The CO₂e efficiency improvement of linehaul vehicles is visible in International Europe, Domestics and Unallocated. Within the European Road Network, there was continued focus on driver behaviour, which resulted in an improvement in the Unallocated segment.

16 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 m² of buildings. The CO₂e 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 2014, the total energy use of TNT's buildings was 208.5 million

kWh of electricity, 5.6 million m³ of gas, 0.5 million litres of heating fuel and 0.07 million GJoules of district heating.

CO ₂ e efficiency of buildings		GRI indicators: G4-EN15 & G4-EN16	
(in kg CO ₂ e / m ²)		2014	2013
International Europe	♦	21.7	24.9
International AMEA	♦	66.4	70.1
Domestics	♦	16.1	16.2
Unallocated	♦	21.6	23.3
Total	♦	22.8	24.7

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

TNT's CO₂e efficiency of building shows an improvement in all segments.

Energy efficiency of buildings		GRI indicators: G4-EN15 & G4-EN16	
(in MJoules / m ²)		2014	2013
International Europe	♦	466	497
International AMEA	♦	377	399
Domestics	♦	301	323
Unallocated	♦	536	622
Total	♦	379	407

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

Sustainable electricity		GRI indicators: G4-EN3	
(in percentage of total electricity)		2014	2013
International Europe		54%	55%
International AMEA		0%	0%
Domestics		50%	53%
Unallocated		73%	77%
Total		48%	50%

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

In 2014, 48% of electricity used was generated by sustainable sources, which resulted in 37 ktonnes of avoided net CO₂e emissions (2013: 40). The decline in sustainable electricity used can primarily be attributed to the changes in the business portfolio.

ADDITIONAL NOTES

NOTES TO THE SOCIAL AND ENGAGEMENT PERFORMANCE

17 Employee engagement

In 2014, with the roll out of *Outlook* and its strategic priorities, the global engagement survey, *VOICE* was not conducted. A revised survey that is closely aligned to *The People Network* will be conducted in 2015.

18 Diversity

Gender profile	GRI indicators: G4-10			
	Male		Female	
(in percentage of headcount)	2014	2013	2014	2013
International Europe	63%	61%	37%	39%
International AMEA	67%	68%	33%	32%
Domestics	77%	76%	23%	24%
Unallocated	71%	75%	29%	25%
Total	71%	71%	29%	29%

Gender profile of management	GRI indicators: G4-10			
	Male		Female	
(in percentage of headcount of total management)	2014	2013	2014	2013
International Europe	69%	68%	31%	32%
International AMEA	66%	65%	34%	35%
Domestics	75%	71%	25%	29%
Unallocated	80%	77%	20%	23%
Total	72%	70%	28%	30%

The percentage of women employed at TNT in 2014 remained stable overall, while the percentage of female managers decreased.

TNT supports various in-house networks aimed at increasing awareness of diversity, including TNT Pride (dedicated to gay, lesbian, bisexual and transgender employees) and TNT Linc (a network dedicated to the professional development of women in TNT).

Labour contracts 2014	GRI indicators: G4-10							
	Total	Permanent contract				Temporary contract		
		Full-time (85%)		Part-time (15%)		Total	Male	Female
		Male	Female	Male	Female			
International Europe	92%	64%	36%	54%	46%	8%	63%	37%
International AMEA	75%	70%	30%	38%	62%	25%	58%	42%
Domestics	97%	79%	21%	64%	36%	3%	71%	29%
Unallocated	95%	70%	30%	76%	24%	5%	70%	30%
Total	92%	73%	27%	63%	37%	8%	63%	37%

The breakdown of workforce per contract type has been included in the monitoring and reporting tool in 2014, to ensure the collection of accurate and complete data.

19 Voluntary turnover

Voluntary turnover		GRI indicators: G4-LA1	
(in percentage of headcount)	2014	2013	
International Europe	8%	7%	
International AMEA	16%	16%	
Domestics	9%	9%	
Unallocated	8%	5%	
Total	10%	9%	

20 Internal promotion

Internal promotion		GRI indicators: G4-LA1	
(in percentage of total management vacancies)	2014	2013	
International Europe	57%	80%	
International AMEA	57%	77%	
Domestics	56%	73%	
Unallocated	54%	35%	
Total	56%	71%	

In 2014, 56% of management vacancies were filled by internal resources (2013: 71%).

21 Learning and development

The TNT Learning department coordinates all corporate training development activities utilising dedicated development resources. Training delivery is coordinated at a local level, with both own employees or external suppliers involved. The department provides global development sessions in both functional and behavioural training. Training hours per FTE in 2014 were 17 (2013: 18).

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 2014, TNT received well over 47,000 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 89.2 in 2013 to 89.5 in 2014.

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 37 in 2013 to 40 in 2014.

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.

The 2014 annual report does not include the CR data of joint ventures to be in line with the ICFR requirements. This is a new approach compared to previous years. 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 CO₂e emissions (estimated).

The 2014 CR data are based on the same scope as the 2013 CR data. TNT Fashion Group BV is excluded from the reported figures as TNT Fashion Group BV was divested on 16 May 2014.

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 CO₂e 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 2014 annual report is accurate.

Labour force CR reporting scope			GRI indicators: G4-10	
(in number of FTE and headcount)	2014		2013	
	FTE	Headcount	FTE	Headcount
International Europe	♦ 13,464	14,952	14,298	15,274
International AMEA	♦ 9,514	9,260	10,148	9,500
Domestics	♦ 28,656	27,871	30,347	28,954
Unallocated	♦ 5,655	6,209	4,951	5,611
Total in CR reporting scope	♦ 57,289	58,292	59,744	59,339
Out of CR scope ¹	196	0	640	704
Total TNT	57,485	58,292	60,384	60,043

¹Mainly excluding TNT Fashion Group B.V.

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 2014 CR metrics (refer to the 2014 assurance report) and limited assurance on all other 2014 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. Review work provides only limited assurance because exhaustive gathering of evidence is not required. Refer to PwC's assurance report on page 165.

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.

As part of the external assurance engagement, PricewaterhouseCoopers Accountants N.V. also makes use of the capacity of the Compliance function of TNT. PricewaterhouseCoopers Accountants N.V. reviews the findings of internal audit reports and meets regularly with management of Compliance to discuss any findings.

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. ('the Company' or 'TNT') engaged us to provide assurance on the content of chapter 3, section II of chapter 5 and the annexes of the 2014 Annual Report of TNT (referred to as: 'CR chapters').

Our engagement consisted of a combination of reasonable assurance (leading to an 'opinion') and limited assurance (leading to a 'conclusion'):

- Reasonable assurance on data (and tables) included in the CR chapters are marked with a rhombus (♦).
- Limited assurance on all other elements included in the CR chapters.

We believe these procedures fulfil the rational objective of TNT.

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 CR chapters of the 2014 Annual Report 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 in the CR chapters for the year ended 31 December 2014 has not been prepared, in all material respects, in accordance with the TNT reporting criteria.

This opinion and conclusion are to be read in the context of what we say in the remainder of our report.

The basis for our opinion and conclusion

What we are assuring

We have examined the CR chapters included in the Annual Report for the year 2014 (hereafter: 'the Report') of TNT Express N.V., Amsterdam. This Report comprises a representation of the policy, the activities, and performance of the Company relating to corporate responsibility during the reporting year 2014. The disclosures made by management with respect of the scope of the Report are included on page 163 'Corporate Responsibility reporting scope'.

Limited assurance procedures are substantially less in scope than reasonable assurance procedures in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Limitations in our scope

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

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

The Company developed its corporate responsibility reporting criteria on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed on pages 173-176, together with detailed information on the reporting scope on page 163. We consider the 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

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgment, we determined specific materiality levels for each element of the corporate responsibility data.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the CR chapters.

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 business/division/local) level responsible for the corporate responsibility strategy and policies;
- interviewing relevant staff responsible for providing the information in the Report, carrying out internal control procedures on the data and the consolidation of the data in the Report;
- evaluating the work performed by Internal Audit on selected corporate responsibility information including their visits to the entities in Brazil, China, Indonesia and South Africa. 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 Report is adequately substantiated;
- performing analytical review of the data and trend explanations submitted for consolidation at group level; and
- assessing whether the CR chapters have 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 CR 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a 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 the Company in accordance with the “Verordening inzake de onafhankelijkheid van accountants by assurance-opdrachten” (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA) and other relevant regulations.

Responsibilities

The Executive Board's responsibilities

The Executive Board of TNT is responsible for the preparation of the CR chapters 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 Report, 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 CR chapters and marked with a rhombus (♦)
- express a conclusion on all other information in the CR chapters

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 Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the Report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 Report.

Amsterdam, 17 February 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

CHAPTER 6 INVESTOR RELATIONS AND SHARE PRICE PERFORMANCE

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I. INTERACTING WITH THE CAPITAL MARKETS

Contact with the investment community is dealt with by the members of the Executive Board, TNT's investor relations professionals and, much less frequently, by the chairman of the Supervisory Board and TNT employees specifically mandated by the Executive Board. The CFO has the principal responsibility for investor relations. The Investor Relations department ensures timely, consistent and accurate disclosure of information to the financial community, and arranges the contacts between the Executive Board and the investment community.

The Executive Board provides explanations on quarterly results either via group meetings or teleconferences, accessible by telephone and the internet. Meetings with institutional investors are also held to ensure that the investment community receives a balanced and complete view of TNT's performance and the issues and opportunities the business is facing. In addition, TNT communicates with the financial community through press releases, the annual report, general meetings and its corporate website (www.tnt.com/corporate).

TNT's policy is to provide the financial community with equal and simultaneous information about matters that may be price sensitive. TNT does not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected, other than to highlight factual mistakes. TNT does not pay any fees to parties conducting research for analysts' reports, or for the production or publication of analysts' reports, with the exception of credit rating agencies.

In 2014, TNT maintained a close dialogue with the capital markets through:

- Quarterly results presentations and teleconferences
- Day-to-day contacts via the Investor Relations department
- Road show meetings after results releases
- Ad hoc meetings with individual investors and at conferences in Europe, the United States and Asia
- The Annual General Meeting of Shareholders
- The investor relations page on TNT's corporate website (www.tnt.com/corporate)

II. OUTSTANDING SHARES

As per 31 December 2014, TNT had 548,208,226 ordinary shares outstanding. The ordinary unregistered shares of TNT Express N.V. are listed on Euronext Amsterdam (ticker symbol: TNTE; ISIN common share: NL0009739424) and included in the AEX index. The AEX index consists of a maximum of 25 of the top companies in the Netherlands, ranked on the basis of turnover and free-float-adjusted market capitalisation.

TNT Express N.V. also sponsors a level 1 American Depositary Receipts (ADR) programme (ticker symbol: TNTEY; CUSIP 87262N109).

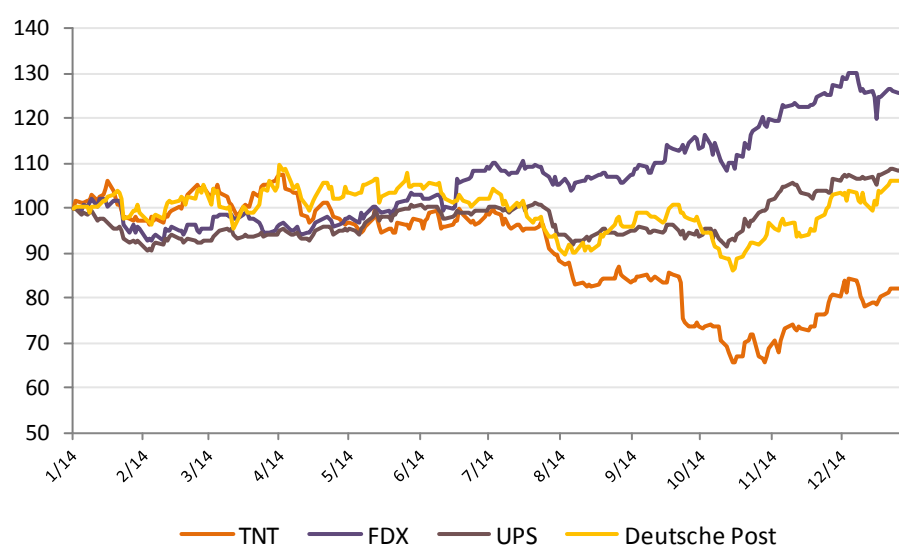
III. SHARE PRICE PERFORMANCE

Share price performance (ticker symbol: TNTE)

Share price (€)		
	High	€ 7.24
	Low	€ 4.41
	Close	€ 6.08
Average number of shares in issue in 2014		548,208,226

TNT's share price decreased by 17.89% over 2014.

TNT's share price performance 2014 (rebased to 100)⁵



IV. DIVIDEND

POLICY

TNT aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividend distribution. TNT intends to pay dividends of around 40% of normalised net income in cash and/or stock. Also, on an incidental basis, TNT may make tax-exempt share repurchases or other returns of excess cash. Refer to the investor relations page on TNT's corporate website (www.tnt.com/corporate) for more information.

DIVIDEND PAYMENTS

A pro forma 2014 interim dividend of €0.049 per ordinary share was paid in August, which combined with the 2013 final dividend payment of €0.024 per ordinary share paid in May 2014, adds up to €23 million of dividend paid in 2014.

FINAL 2014 DIVIDEND PAYMENT (PROPOSED)

The Executive Board of TNT has decided, with the approval of the Supervisory Board to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro forma dividend out of the distributable part of the shareholders' equity, of €0.031 per share relating to the full year 2014. The proposed dividend represents a payout of 40% of normalised net income (€0.08 per share in total) and is payable at the shareholder's election, either wholly in ordinary shares or wholly in cash.

V. MAJOR SHAREHOLDERS

Pursuant to the Dutch Financial Markets Supervision Act ('*Wet op het financieel toezicht*'), shareholders must disclose substantial percentage holdings in capital and/or voting rights in the company when such holdings reach, exceed or fall below: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Authority for the Financial Markets ('AFM') without delay. The company is notified by the AFM.

The register of AFM disclosed that as per 31 December 2014: Blackrock Inc.; UBS Group AG; Artisan Investments GP LLC; Tweedy, Browne Company LLC; Franklin Templeton Investment Funds; Investec Asset Management Limited; MacKenzie Financial Corporation; First Eagle Global Fund; PostNL N.V.; Arnhold and S. Bleichroeder Holdings, Inc.; B. Rosenstein, and Her Majesty the Queen in right of Alberta have a substantial percentage holding in TNT Express N.V. exceeding 3%.

⁵Source: Thomson Reuters

VI. CREDIT RATING

Management seeks to optimise the cost of capital while preserving the company's financial stability and flexibility. TNT's targeted credit ratings are BBB+ by S&P and Baa1 by Moody's. Per January 2015 the credit ratings assigned to TNT were BBB+ (Stable) by S&P and Baa2 (Negative) by Moody's.

Financial calendar for 2015

17 February	Publication of 4Q14 and full-year results
08 April	Annual General Meeting of Shareholders
10 April	Ex-dividend
28 April	Publication of 1Q15 results
27 July	Publication of 2Q15 and half-year results
26 October	Publication of 3Q15 results

ANNEXES

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ANNEX 1 GLOBAL COMPACT AND GRI G4 INDEX

GLOBAL COMPACT

Mr Gunning, CEO of TNT, confirms continued support to the Global Compact, and as a signatory, TNT is committed to all of the 10 principles regarding human rights, labour, environment and anti-corruption.

Human Rights

- 1 Businesses should support and respect the protection of internationally proclaimed Human Rights.
- 2 Businesses should make sure that they are not complicit in Human Rights abuses.

Labour

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.
- 5 Businesses should uphold the effective abolition of child labour.
- 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

- 7 Businesses should support a precautionary approach to environmental challenges.
- 8 Businesses should undertake initiatives to promote greater environmental responsibility.
- 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10 Businesses should work against corruption in all its forms.

GRI G4 INDEX

This GRI Index table is based on the G4 guidelines of the Global Reporting Initiative (GRI). This index is in accordance with the Core criteria of GRI G4.

G4	General standard disclosure	Page number/response	External assurance
Strategy and analysis			
G4-1	CEO statement	Letter to stakeholders, p.2 Chapter 1, p. 10; Executive Board compliance statement Chapter 4, p. 33; Message from the chairman	No
Organisational profile			
G4-3	Name of the reporting organisation	p. 0; Introduction	Yes
G4-4	Products and services	Chapter 2, p. 15; General market and business profile	No
G4-5	Location headquarters	Chapter 2, p. 15; General market and business profile	Yes
G4-6	Countries of operation	Chapter 2, p. 15-21; Business performance Chapter 5, p. 163-164 ; CR reporting and assurance scope	Yes
G4-7	Legal form of organisation	p. 0; Introduction	Yes
G4-8	Markets served	Chapter 2, p. 15-21; Business performance	No
G4-9	Scale of organisation	Chapter 2, p. 15-21; Business Performance Chapter 5, p. 163; Labour force CR reporting scope	Yes
G4-10	Workforce breakdown	Chapter 5, p. 104; Labour force Chapter 5, p. 161; Labour contracts 2014 Chapter 5, p. 163; Labour force CR reporting scope	Yes
G4-11	Collective bargaining agreements	In 2014, 65% of the employees is covered by collective bargaining agreements.	Yes
G4-12	Organisation's supply chain	Chapter 2, p. 15; General market and business profile	No

G4	General standard disclosure	Page number/response	External assurance
G4-13	Significant changes in size, structure, ownership or supply chain	Chapter 2, p. 15-21; Business performance Chapter 6, p. 168-171; Investor relations and share price performance	Partially
G4-14	Precautionary approach	Chapter 4, p. 60-66; Risk management	No
G4-15	External charters, principles or initiatives	Chapter 3, p. 28-29; Supply chain and innovation platforms Annex 1, p. 173-176; Global Compact and GRI G4	Yes
G4-16	Memberships of associations	Chapter 3, p. 28-29; Supply chain and innovation platforms Annex 1, p. 173-176; Global Compact and GRI G4	Yes
Identified material aspects and boundaries			
G4-17	Reporting scope	Chapter 5, p. 163-164; CR reporting scope Chapter 5, p. 74-75; Changes in accounting policies and disclosures	Yes
G4-18	Content defining process of the annual report	Chapter 3, p. 23-24; Materiality assessment Previous annual reports, the CR multi-stakeholder survey, feedback from benchmarks and management insights are the basis of defining the 2014 annual report content. Materiality and impact of the aspects are taken into account for the final selection.	Yes
G4-19	Identified material aspects	Chapter 3, p. 23-24; Materiality assessment	Yes
G4-20	Aspect boundary per material aspect within the organisation	Chapter 3, p. 23-24; Materiality assessment Health and safety and environment are given priority on TNT's strategic agenda. The health and safety aspect is material within the organisation to ensure a safe working environment for the employees, agency workers and subcontractors. In addition the labour aspect is also important as TNT exists by the commitment of its people.	Yes
G4-21	Aspect boundary per material aspect outside the organisation	Chapter 3, p. 23-24; Materiality assessment Health, safety and environment are given priority on TNT's strategic agenda. The health and safety aspect is material outside the organisation due to the emissions (PM10, NOx and CO, as included in euro norms) of transport activities that have impact on the health of people. The activities on the road can also have a safety impact on third parties in case of road traffic accidents (see Chapter 5, p. 153-155; note 5-8). The environmental aspect (emissions) is material outside the organisation due to the impact of the transport activities with respect to CO ₂ e emissions and the related climate change. Human rights is material in relation to subcontractors. The aspects training, labour, and customer satisfaction are material within the boundaries of the organisation because these aspects mainly have an impact on TNT's employees and the economic performance of the organisation.	Yes
G4-22	Restatements	Chapter 5, p. 163-164; CR reporting and assurance scope	Yes
G4-23	Significant changes in scope and aspect boundaries	Chapter 5, p. 163-164; CR reporting and assurance scope	Yes
Stakeholder engagement			
G4-24	Stakeholder groups	Chapter 3, p. 23-24; Materiality assessment	Yes

G4	General standard disclosure	Page number/response	External assurance
G4-25	Basis for identification of stakeholder groups	Chapter 3, p. 23-24; Materiality assessment The identified stakeholder groups are annually evaluated and it is concluded that these groups are most relevant with the highest impact to TNT.	Yes
G4-26	Approach to stakeholder engagement	Chapter 3, p. 23-24; Materiality assessment	Yes
G4-27	Key topics and concerns raised by stakeholders	Chapter 3, p. 23-24; Materiality assessment	Yes
Report profile			
G4-28	Reporting period	p. 0; Introduction	Yes
G4-29	Date of previous report	p. 0; Introduction	Yes
G4-30	Reporting cycle	p. 0; Introduction	Yes
G4-31	Contact point for questions regarding the report	p. 0; Introduction	Yes
G4-32	The 'in accordance' option	Chapter 3, p. 23-24; Materiality assessment	Yes
G4-33	External assurance	Chapter 5, p. 139-146 and 165-167	Partially
Governance			
G4-34	Governance structure	Chapter 4, p. 41-53; Governance structure	Yes
Ethics and integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour	Chapter 4, p. 50; Business ethics	Partially

G4	Specific standard disclosure	Page number/response	External assurance
Economic			
Disclosure on Management Approach		Chapter 1, p. 4-9; Report of the Executive Board	
G4-EC1	Direct economic value	Chapter 1, p. 4; Financial highlights Chapter 5, p. 67-138; Consolidated financial statements	Yes
G4-EC2	Financial implications, risks and opportunities due to climate change	Chapter 4, p. 60-66; Risk management	No
G4-EC7	Indirect economic impacts	Chapter 5, p. 153-155 and 156-160; Notes to the health and safety performance; Notes to the environmental performance	Yes
Environmental			
Disclosure on Management Approach		Chapter 3, p.27-29; Environment	
G4-EN3	Energy consumption within the organisation	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN4	Energy consumption outside the organisation	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN5	Energy intensity	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN15	Direct GHG emissions (Scope 1)	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN16	Energy indirect GHG emissions (Scope 2)	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN17	Other indirect GHG emissions (Scope 3)	Chapter 5, p. 156-160; Notes to the environmental performance	Yes
G4-EN18	GHG emissions intensity	Chapter 5, p. 156-160; Notes to the environmental performance	Yes

G4	Specific standard disclosure	Page number/response	External assurance
Social			
	Disclosure on Management Approach	Chapter 3, p. 25-26; Health and safety Chapter 5, p. 161-162; Notes to the social and engagement performance	
G4-LA1	Employee turnover	Chapter 5, p. 162; note 19 The breakdown in age is not included in this annual report because it is not centrally available yet.	Yes
G4-LA6	Accidents and absenteeism	Chapter 5, p. 153-155; Notes to the health and safety performance	Yes
G4-LA9	Training	Chapter 5, p. 162; note 21 Chapter 5, p. 157; note 10; Own drivers trained in eco-training	Yes
G4-SO8	Compliance	Chapter 1, p. 4-9; Report of the Executive Board Chapter 2, p. 15-21; Business Performance	Yes
G4-PR5	Customer satisfaction	Chapter 5, p. 162; note 22	Yes

ANNEX 2 GLOSSARY

Adjusted operating income

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

Aerodynamics

Aerodynamics stand for technology which enables tractor-trailer truck to improve fuel efficiency through a drag reduction, with a seamless impact on either the operational utility of the trailers or the maintenance procedures.

Air cargo sales

An airport-to-airport air cargo transportation service.

Absenteeism

Total hours absent versus standard working hours.

ADRs

TNT has a sponsored level 1 American Depositary Receipts (ADR) programme. The ADRs trade in the over-the-counter marketplace (ticker symbol: TNTEY; CUSIP US87262N1090). An ADR is a negotiable certificate issued by a U.S. bank representing a specified number of shares (or one share) in a foreign stock that is traded on a U.S. exchange.

All training hours

All training hours are the number of hours spent on training by the total of employees on payroll during the reporting period (both on-and off-job and both internal and external programmes).

Alternative fuels

Vehicles that are powered by alternative fuels are: biofuel vehicles, CNG (compressed natural gas vehicles, hybrid vehicles and electric vehicles.

Biofuels

Biofuel (also called agrofuel) can be broadly defined as solid, liquid, or gas fuel consisting of or derived from biomass. Biofuel consists of CO₂ that has recently been extracted from the atmosphere as a result of growing of plants and trees and therefore does not influence the CO₂ concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO₂ levels in the atmosphere.

Blameworthy road traffic incident

A road traffic incident is defined by TNT as a crash or collision involving a TNT vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered blameworthy if a TNT driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Blameworthy road traffic fatal accident

A blameworthy road traffic fatal accident is where a TNT employee or third party is fatally injured, which means that the employee or third party died because of the accident of any person driving a TNT company-owned or operated vehicle. This indicator does not include blameworthy road traffic fatal accidents caused by subcontractors. Accidents that occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered blameworthy when the TNT driver is at fault.

Carbon Disclosure Project

The Carbon Disclosure Project is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. Refer to www.cdproject.net for more information.

Carbon dioxide emissions

Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO₂) is referred to as a greenhouse gas.

Civil society

As part of the stakeholder dialogue, the civil society cluster includes academic and research institutes, financial and investment service organisations, government agencies, industry associations and international organisations, NGOs and trade unions.

Climate change risks

Risks (and opportunities) posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure for the organisation. Changes in the climate system and weather patterns resulting in more frequent and intense storms, changes in sea level, temperature and water availability, but also impact on workforce due to health effects or the need to relocate operations.

CO₂ efficiency

CO₂ efficiency expresses the efficiency of TNT's business in terms of CO₂ emissions, i.e. the CO₂ emitted per service provided, per letter or parcel delivered.

CO₂e (Carbon dioxide equivalent)

The radiation effect of all greenhouse gases (carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC₅), perfluorocarbons (PFC₅) and sulphur hexafluoride (SF₆)) expressed as a concentration of carbon dioxide.

CO₂-neutral

Carbon-neutral is where the net CO₂ equivalent emissions from activities are zero.

Code-share agreement

An agreement in aviation, whereby two or more airlines share the same flight. A transport service can be purchased on one airline but is actually operated by a cooperating airline under a different flight number or code.

Corporate governance

The OECD (refer to reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure through which company objectives are set, the means of attaining those objectives and monitoring performance.

Corporate responsibility

Corporate responsibility is the umbrella term for the obligation a company has in considering the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Materiality Matrix

The Corporate Responsibility (CR) Materiality Matrix reflects the importance and materiality of CR areas to stakeholders and to TNT. These areas are categorized in three dimensions: social, environmental and economic.

Customer privacy

Substantiated complaints regarding breaches of customer privacy and losses of customer data.

Customer satisfaction score

An annual worldwide customer satisfaction survey is conducted by TNT to measure customer satisfaction with all customers across all customer segments. TNT measures customer satisfaction as the percentage of customers that rate TNT's performance as 'meeting or exceeding expectations'.

Depot

This is the location where transport vehicles load and unload goods, either from collections or for deliveries. In addition to serving as operational platforms, TNT's depots also include Sales, Marketing, Finance & Accounting, Customer Service and IT departments.

Eco-drive training

In-house or externally provided training to improve fuel efficiency performance of drivers (for example: cruise-control driving, accelerating, breaking and other activities, such as maintaining good tire pressure).

Enhanced liability option

In a number of countries, TNT offers enhanced carrier liability on all express and economy express non-document consignments up to a maximum value of €25,000 or the declared invoice value of your goods, whichever is the lower.

Employee engagement

Employee engagement relates to the number of employees (employed by TNT for 3 months or more) who stated in the employee engagement survey that they were engaged or more than engaged by TNT as an employer.

Employment

As defined by GRI this reflects employee diversity with respect to gender, age group, employee turnover, new employee hires, full time and part time employees including benefit differences, parental leave, etc.

EU ETS

The EU emissions trading system (EU ETS) is the cornerstone of the European Union's policy to combat climate change and aims at reducing greenhouse gas emissions by putting a price on carbon. TNT complies with EU ETS through a monitoring plan on TNT's emissions and tonnes.kilometre data which is verified by an independent and accredited verifier.

European Economic Area (EEA)

The EEA includes all 28 European Union member states including Iceland, Norway and Liechtenstein.

European emission standards

Euro 4, Euro 5 and Euro 6 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like particular matters (PM), nitrogen oxides (NO_x) and carbon monoxide (CO).

European Air Network

The European Air Network are all the destinations served by short haul aircraft, including onward connecting feeder flights.

European Road Network

TNT's European Road Network manages the international road linehaul connections of TNT. The headquarters is in Duiven (The Netherlands), where the international road hub is situated.

European Union

The European Union consists of the following countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

EVCA

European Private Equity and Venture Capital Association. Refer to www.evca.eu for more information.

Extra Mile

Extra Mile is an employee recognition programme showcasing the outstanding things colleagues do every day to contribute to achieving TNT's strategic goals.

Full time equivalents (FTEs)

FTEs are the total number of hours worked by the headcount divided by the local number of contract hours (for example: 40 p/w or 196 p/m).

Gateway

A gateway is a specific dedicated hub that forms the link between TNT's air and road operations. Its activities include consolidating or separating shipments, but it does not have a full sorting activity. The gateway is often the international entry and exit point for a country.

Global Business Services (GBS)

GBS is a dedicated and centralised unit of TNT, that identifies, develops and implements shared-service centre (SSC) solutions, to reduce costs by consolidating and standardising administrative and transactional processes (Finance, HR, Procurement, Data Management and Commercial/Operational Back Office) into one or more shared-service centres.

Global Network Operations (GNO)

The GNO is responsible for the planning and execution of the TNT worldwide international Network, and is functionally responsible for all operations.

Global Strategic Accounts Organisation (GSO)

The GSO centrally manages and coordinates all TNT's global accounts to ensure that TNT provides those customers with service of the highest quality.

Global Reporting Initiative (GRI)

The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. Starting in 1997, the GRI gained independence in 2002, is an official collaborating centre of the United Nations Environment Programme, and works with the United Nations Global Compact. Refer to www.globalreporting.org for more information.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol Initiative (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Headcount

Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Hub

A hub is a nodal point in a network, connecting multiple locations together to ensure optimum connectivity. TNT's hubs include: central hubs (Liège and Duiven), road transit hubs, air hubs, global transit hubs, country hubs and gateways. Many hubs are characterised by their sorting activity, which handles shipments from many inbound sectors to a number of outbound sectors.

Internal promotion

The number of TNT employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

International Organization for Standardization (ISO)

The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. Refer to www.iso.org for further information.

Investors in People (IiP)

Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. Refer to www.investorsinpeople.co.uk for further information.

ISO 9001 (quality management)

The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)

The ISO 14001 standard is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPIs)

KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Less than Truck Load (LTL)

LTL carriers collect and consolidate freight from various senders onto enclosed trailers for linehaul to the delivering depot or to a hub/gateway.

Linehaul

In the transport industry, linehaul refers to the road transport movements between hubs.

Lost-time accident (LTA)

For the purpose of CR reporting, LTAs are defined as the number of employees that are absent from work as a result of a work related accident for at least one day in the reporting period, excluding the day that the accident occurred.

Management positions by gender

Management positions are defined as the number of females/males employed in management positions or above (i.e. with responsibilities for other employees (including subcontractors) or with budget responsibility).

Market presence

As defined by GRI, this is the contribution of an organisation to the economic well-being of employees. This includes the social licence to operate (e.g. the competitiveness of wages, hiring senior management from local community and diversity).

Network

In the transport industry, a network is the sum of facilities on which consignments are moved. TNT's network, which is composed of its depots and hubs, supports the company's standard solutions (core product and services).

Non-blameworthy road traffic incident

A road traffic incident is defined by TNT as a crash or collision involving a TNT vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered non-blameworthy if a TNT driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Non-OECD countries

Refer below for the definition of OECD. Non-OECD countries in which TNT has operations include Argentina, Bahrain, Brazil, Bulgaria, Cambodia, China, Cyprus, Egypt, Fiji, Hong Kong, India, Indonesia, Jordan, Kenya, Kuwait, Latvia, Lithuania, Malaysia, Namibia, Philippines, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, United Arab Emirates and Vietnam.

NO_x

NO_x (NO and NO₂) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperature.

Orange Experience Score (OES)

OES is a way to measure customer satisfaction and is calculated by subtracting the percentage of customers who feel TNT performed below expectations from the percentage of customers who feel TNT exceeded their expectations. The score can be a value between -100 and +100.

Organisation for Economic Co-Operation and Development (OECD)

The OECD comprises 34 member countries that share a commitment to democratic government and the market economy. Member countries – sometimes referred to as OECD countries – represent the world's most developed countries. Refer to www.oecd.org for more information.

On-time delivery

Delivery of a consignment within the timeframe set for the service in question.

OHSAS 18001 (occupational health and safety management)

OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. Refer to www.ohsas-18001-occupational-health-and-safety.com for more information.

Particulate Matter

Particulates, alternatively known as particulate matter (PM), including fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometers or less.

Perfect Depot

The Perfect Depot programme is part of the *Outlook* strategy, and aims to build a high quality, efficient and agile depot network across TNT.

Perfect Transaction

Perfect Transaction is a company-wide and cross-functional initiative to improve the order to invoice process. Perfect Transaction is not an isolated project. It is a means to achieve a transformation in the TNT culture and way of working.

Pick-up and Delivery (PUD)

The process that involves all movements from the sender to the collecting depot and from the delivering depot to the receiver.

Road traffic fatal accident

A road traffic fatal accident is one where a TNT employee or third-party is fatally injured such that the employee or third-party died because of the accident and where any person driving a company-owned or company-operated vehicle is involved. Road traffic fatal accidents which occur in company owned or leased vehicles during weekends, non-working days or on the way to and from the office are also included. Road traffic fatal accidents with TNT employees involved that are still under investigation are reported as non-blameworthy fatal road traffic accidents until proof is provided to the contrary.

SME

Small and medium-sized enterprises.

Subcontractor road traffic fatal accidents

A subcontractor road traffic fatal accident occurs when a subcontractor or other third-party is fatally injured by a person driving a subcontractor-owned or hired vehicle, which is operated on behalf of TNT.

Sustainable energy

Sustainable energy is energy from 'green' or 'renewable' sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear energy.

Telematics

Telematics refers to vehicle-based systems that integrate GPS sensors with wireless communication and computer capabilities. These systems can provide fleet owners and operators with extensive information and intelligence on vehicle location and performance, driver behaviour/efficiency and a wide range of other parameters.

TSR

Total shareholder return.

Voluntary turnover

Voluntary turnover is the number of TNT employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours

The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

Workplace fatal accident

The death of a TNT employee due to a work-related accident or the death of a third-party, while working at a TNT facility.

'Zero-emission' supply chain solutions

The smart, stackable 'zero-emission' supply chain solutions, designed and piloted through TNT City Logistics initiative, contribute to cleaner, less congested city centres. The solutions work by eliminating sources of inefficiency from the supply chain (including that of the suppliers and customers) in several ways, such as integrating networks and infrastructure, bundling multiple parcel deliveries or shifting to off peak period. They also reduce CO₂ and pollution by replacing conventional vehicles with 'zero-emission' transport, with the aim of securing crucial access to city centres.

'Zero-emission' last-mile solutions

The 'zero-emission' last-mile solutions such as tricycles or electric small vans contribute to reduce city centre congestion, noise and pollution. Combined with optimised networks and infrastructure, they help to mitigate TNT's environmental footprint and improve operational efficiency at city level.

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