Building on Strengths

Annual Report 2011

TNT express

sure we can

INTRODUCTION AND FINANCIAL AND CORPORATE RESPONSIBILITY HIGHLIGHTS

This is the annual report of TNT Express for the financial year ended 31 December 2011, prepared in accordance with Dutch regulations.

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

TNT Express 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 Express has adopted the euro as its reporting currency. In this annual report the euro is also referred to as '€'.

As required by EU regulation, as of 2005 the consolidated financial statements of TNT Express N.V. 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 Express.

TNT Express has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on certain metrics and limited assurance on other metrics of CR. This assurance work is performed in accordance with the Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch Accountants (Royal 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. For a full description of the scope of the reported CR data and the assurance obtained please refer to chapter 5.

AT A GLANCE

Financial

Revenue	
2010	7,053
2011	7,246
Operating income	
2010	180
2011	(105)
Adjusted operating income (non-GAAP)	
2010	323
2011	225
Profit/(loss) for the period	
2010	69
2011	(272)
Net cash from operating activities	
2010	241
2011	191
Capital expenditures	
2010	(171)
2011	(189)
Net debt	
01 January 2011	(7)
31 December 2011	7

(in € millions)

Corporate responsibility

Fatal accidents	
2010	13
2011	11
Lost time accidents per 100 FTEs	
2010	2.90
2011	2.71
CO_2 efficiency index	
2010	92.8
2011	92.2
CO_2 emissions (own operations: scope 1 and 2) (ktonnes)	
2010	1,119
2011	1,191
Employees	
01 January 2011	78,507
31 December 2011	77,478
Absenteeism	
2010	3.1%
2011	3.0%
Customer satisfaction score	
2010	92%
2011	92%

Note: refer to chapter 3 for measurement descriptions and to chapter 5 for assurance scope

Segment information

	Europe & MEA	Asia Pacific	Americas	Other Networks
Revenue				
2010	4,453	1,656	502	448
2011	4,525	1,797	467	463
Adjusted operating income (non-GAAP)				
2010	384	14	(39)	19
2011	380	(31)	(123)	20
Employees				
01 January 2011	36,184	27,195	11,081	2,435
31 December 2011	37,330	24,825	11,255	2,534

(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 Express' 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 Express operates and TNT Express 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 Express 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.

CHAPTER 1 OVERVIEW 2011 AND STRATEGY

I. MESSAGE FROM THE CEO

HIGHLIGHTS 2011

In May, following the demerger from TNT N.V., TNT Express started as an independent listed company. TNT Express is now a focused express delivery company, with a fully engaged workforce committed to delivering the highest customer satisfaction.

Our service quality has achieved an all time high with a 96% on-time delivery performance for the one million daily deliveries that our customers entrust us with. This has resulted in 92% of our customers having their expectations met or exceeded, which is an impressive level in our industry. Our high quality service has enabled us to retain and develop our business with these customers, in addition to winning new ones.

Our focus on service has led to a resilient performance in our home market, Europe and Middle East and Africa (Europe & MEA) where we offer a best-in-class product portfolio of delivery services and possess leading market positions.

Outside of Europe & MEA, we have responded to the rapidly changing market conditions in Asia, where we reduced our intercontinental air capacity on China to Europe routes. We responded quickly and while this did not fully counter the significant decline in demand, it helped reduce the negative impact on profitability in the second half of the year.

Our China domestic platform saw excellent growth of our day-definite deliveries, which now account for nearly 30% of our revenues and place the business on track to deliver the breakeven target set for 2013.

Our domestic activities in Brazil suffered from customer losses at the beginning of the year. As the year progressed, we re-established service quality and gained new volumes from local and multinational customers, laying a solid basis for the company’s turnaround.

Our objective is to provide the best possible working conditions for our employees and to act responsibly towards the environment. In 2011, we continued to invest in health and safety, environment and sustainability partnership initiatives.

All these achievements have been made thanks to the dedication of our people and the trust of customers that work with us as their supply chain partner, delivering their business to their customers.

However, despite our efforts and against the backdrop of a weakening economic environment, our financial performance has suffered. This calls for a new strategy that builds on our strengths, optimises our operations and secures new business opportunities.

BUILDING ON STRENGTHS

Where we come from…

TNT Express has a tremendous franchise in Europe with a unique portfolio of services delivered through a best-in-class network unrivalled in the industry. With TNT Express, customers in any European country can send shipments within the country, within Europe and from Europe to the rest of the world.

Customers are able to choose between express (next-day delivery) and economy delivery (fastest by road day-certain). Shipments vary in weight from one kilogramme to one tonne. Customers value the ease of service and the one-stop-shopping experience TNT Express offers, which saves them time and transaction costs.

…and where we are going

With these strengths in mind, the Executive Board reflected on the future and carried out the first strategic review as an independent company.

Given our unique European footprint and in response to industry developments, we concluded that TNT Express has significant growth opportunities in its home market, Europe & MEA.

We envision further expansion opportunities with customers in the healthcare, automotive, high-tech and lifestyle sectors, among others. These customers increasingly require innovative and specialised delivery solutions. Growth will also come from deliveries of high value goods to residential addresses, as internet purchases are rapidly increasing and replacing traditional shop-based retail purchases. Our dense distribution networks, complemented by the highest quality customer services in all key European countries, are ideal to service these new customer needs.

Connecting Europe to the rest of the world is another key part of our proposition. We will therefore continue to provide integrated services on key trading lanes, in Asia for example, and in particular China. We will do so via a more asset light model, which reduces our exposure to fixed intercontinental capacity but enhances service to customers through cooperation with select airline operators.

For our domestic platforms in China and Brazil, which are on track to become high growth, profitable businesses over time, the immediate focus remains on our short-term targets. In parallel, we will also explore partnership opportunities to strengthen our value proposition to customers and employees while reducing our financial exposure.

LOOKING FORWARD

Our 2012 agenda will focus on the execution of our new strategy: ***Building on Strengths***.

In addition to the initiatives described above, we will reconfigure our networks and infrastructure and make them leaner and more flexible. Our European Air Network will be redesigned to adjust for an increasing demand from customers for Economy Express. This will lead to the deployment of fewer aircraft and a move towards a road-based network in the next three years. We will also initiate projects to achieve savings in administrative processes and within our ICS infrastructure. All these efforts will make the European infrastructure more agile and less costly and will allow us to continue to offer our customers the best service at competitive prices.

We are confident that this new strategy, which builds on our strengths, strong customer relationships and our highly engaged workforce, will significantly improve our long-term performance and create value for all stakeholders.

With my colleagues in the Executive and Management Boards, we are proud to be leading TNT Express. We would like to thank all our colleagues worldwide for their commitment and dedication to the success of TNT Express.

Marie-Christine Lombard
CEO and chairman of the Executive Board

II. OUR EXECUTIVE BOARD

The Executive Board is responsible for the management of TNT Express.

Marie-Christine Lombard
(1958, French) Chief Executive Officer
Appointment to Executive Board 2011
Term of office 2011 - 2015

Ms Lombard has been CEO and chairman of the Executive Board since 2 March 2011. Prior to that date, Ms Lombard was group managing director of TNT N.V.'s Express Division and a member of the board of management of TNT N.V. from January 2004 until its demerger in 2011. Ms Lombard joined Jet Services in France in 1993 as chief financial officer. After TNT N.V. acquired Jet Services in 1999, she became chairman and managing director of TNT Express France. Since January 2011, Ms Lombard has been an independent member of Groupe BPCE, a French banking group. She is also president of *Lyon Ville de l'Entrepreneuriat*, a commission that assists entrepreneurs in establishing their companies in greater Lyon, and she sits on the advisory board of Rotterdam School of Management. Previously, she served as a member of the supervisory board of Royal Wessanen N.V. until 22 April 2009 and as a member of the supervisory board of METRO AG until 28 March 2011.

Bernard Bot
(1966, Dutch) Chief Financial Officer
Appointment to Executive Board 2011
Term of office 2011 - 2015

Mr Bot has been CFO and member of the Executive Board since 2 March 2011. Prior to that date, Mr Bot was acting CFO of TNT N.V. from August 2010 until its demerger in 2011. Before joining TNT N.V. in 2005, he was employed at McKinsey & Company for 13 years, where he was a partner serving clients in the post, logistics and transportation sectors. At TNT N.V., he was appointed group director Business Control directly reporting to the CFO. His responsibilities included internal control, mergers and acquisitions and business control. Mr Bot is a member of the supervisory board of Avio-Diepen B.V.

III. REPORT OF THE EXECUTIVE BOARD

- Revenue growth: 2.7%
- Reported loss for the period attributable to the equity holders of the parent: €270 million
- Total dividend: €0.044 per share
- Net debt: €7 million
- Reported operating income: -€105 million; adjusted: €228 million
- Net cash from operating activities: €191 million

FINANCIAL HIGHLIGHTS

	Reported			Adjusted (non-GAAP)		
Year ended at 31 December	2011	variance %	2010	2011	variance %	2010
Total revenues	7,246	2.7	7,053	7,251	2.8	7,053
Other income	7	(41.7)	12			
Operating income	(105)		180	228	(29.4)	323
as % of total operating revenues	(1.4)		2.6	3.1		4.6
Net financial expense	(45)	(21.6)	(37)			
Income taxes	(100)	(75.4)	(57)			
Results from investments in associates	(22)	(29.4)	(17)			
Profit/(loss) for the period	(272)		69			
Attributable to:						
Non-controlling interests	(2)		3			
Equity holders of the parent	(270)		66			
Cash generated from operations	359	0.8	356			
Net cash from operating activities	191	(20.7)	241			
Net cash used in investing activities	(158)	(5.3)	(150)			
Net debt	7		(7)			

(in € millions, except percentages)

EUROPE RESILIENT, FOCUS ON RECOVERING PROFITABILITY IN AMERICAS AND ASIA PACIFIC

The year 2011 saw modest revenue growth with operating income significantly impacted by one-off and impairment charges. On an adjusted basis, operating income was lower than 2010, principally because of operating losses in Brazil and challenging Asia-Europe trading conditions. Europe, Middle East and Africa (Europe & MEA) continued its resilient performance, though there was increasing pressure on revenue and profits as the year progressed.

Management focused on the turnaround of the Brazilian operations, optimising capacity in Asia Pacific and countering unfavourable customer and product mix changes in Europe & MEA. Tight investment and working capital control ensured a positive cash flow before financing and dividends. At year-end net debt was €7 million. With available cash and cash equivalents of €250 million and an undrawn facility of €570 million, TNT Express' financial position is sound.

TNT Express has proposed to compensate the loss out of the distributable part of the shareholders' equity and to pay a final dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.004 per share, to be received in stock or in cash. The €0.04 per share interim dividend, together with the proposed final dividend represents a 2011 pay-out of 40% of normalised net income.

DEMERGER

In 2011, the shareholders of TNT N.V. approved the legal demerger of TNT Express N.V. from TNT N.V. Until the separation, TNT N.V. consisted of a separate Mail and Express business. Following the demerger TNT Express N.V. had its first admission to listing on the NYSE Euronext in Amsterdam (Euronext Amsterdam) on 26 May 2011. Pursuant to the demerger agreement, all of the express business transferred to TNT Express N.V., were upon consummation of the demerger, deemed to have been for the risk and account of the TNT Express N.V. as of 1 January 2011.

The consolidated financial statements of TNT Express have been prepared as if the express business had been part of TNT Express for all such periods, and as if TNT Express existed as a separate group for all periods presented.

REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Operating revenues grew by 2.7% in 2011. Reported operating income was -€105 million, absorbing €8 million demerger-related costs and €322 million business-related negative one-offs. Net cash from operating activities was €191 million and net cash used in investing activities was -€158 million.

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

Total operating revenues

In 2011, total operating revenues grew by €193 million to €7,246 million, mainly due to positive volume development in Europe and higher revenue-quality, supported by fuel surcharges. The net impact of foreign currency exchange differences was negligible.

Volumes (consignments, kilogrammes)

Average consignments per day

Year ended at 31 December	2011	variance %	2010
Europe & MEA	725	1.0	718
Asia Pacific	182	0.0	182
Americas	54	(11.5)	61

(in thousands, except percentages)

Average kilogrammes per day

Year ended at 31 December	2011	variance %	2010
Europe & MEA	14,661	2.6	14,288
Asia Pacific	13,391	(1.7)	13,625
Americas	3,289	(18.2)	4,023

(in thousands, except percentages)

In an economic environment that weakened during the year, average consignments per day increased only by 1.0% in Europe & MEA. Average kilogrammes per day grew by 2.6%, reflecting faster growth of higher-weight International Economy products. In Asia Pacific, average consignments per day were flat year-on-year reflecting weaker Asia-Europe express demand and lower volumes in Australia. Average kilogrammes per day declined by 1.7%, as a result of a decline in international volumes and targeted growth of lower-weight-per-consignment shipments in the domestic China day-definite service. In Americas, average consignments per day and average kilogrammes per day suffered from the loss of major customers in Brazil.

Other income

Other income decreased to €7 million (2010: 12) and consisted of miscellaneous income, the book profit from the sale of property, plant and equipment and a gain from the sale of the domestic road business in India. In 2010, other income mainly represented the book profit from the sale of real estate and aircraft.

Operating expenses

Total operating expenses increased by €473 million to €7,358 million (2010: 6,885).

Year ended at 31 December	2011	variance %	2010
Cost of materials	482	20.2	401
Work contracted out and other external expenses	3,809	4.4	3,650
Salaries and social security contributions	2,238	2.2	2,190
Other operating expenses	335	(23.0)	435
Operating expenses excluding depreciation, amortisation and impairments	6,864	2.8	6,676
Depreciation, amortisation and impairments	494		209
Total operating expenses	7,358	6.9	6,885

(in € millions, except percentages)

Cost of materials

Cost of materials increased by €81 million (20.2%) in 2011 compared to 2010 mainly due to higher fuel costs, which in turn was partly driven by the increase in fixed capacity.

Work contracted out and other external expenses

Work contracted out and other external expenses include fees paid for subcontractors, external temporary staff, rent and leases. These costs increased by €159 million (4.4%) compared to 2010 as a result of higher volumes and higher contracting, rental and leasing prices.

Salaries and social security contributions

Salaries and social security contributions increased by €48 million to €2,238 million (2.2%) in 2011 compared to 2010. The increase in salary costs was due to growth in staff (related to higher volumes), annual salary inflation and employee claims in Brazil. Included in salaries and social security contributions is €25 million relating to restructuring charges (2010: 16) and €39 million relating to pensions (2010: 69). The decrease in pension costs was partly due to a settlement gain of €16 million, and partly a result of the demerged Express entities from TNT N.V. that showed €25 million higher pension cost based on the contributions paid by its Dutch entities. However, following the demerger, TNT Express reports the defined benefit pension expenses for these entities in its income statement.

Other operating expenses

The other operating expenses consist of government legal fees, marketing, consulting and shared service costs and auditor fees. Other operating expenses decreased by €100 million (23.0%) in 2011 compared to 2010, due to on-going cost control on external spend and lower demerger-related advisory fees.

Total operating expenses, excluding depreciation, amortisation and impairments, increased by €188 million (2.8%) to €6,864 million (2010: 6,676).

Total depreciation, amortisation and impairment costs

Total depreciation, amortisation and impairments increased by €285 million compared to 2010 due solely to impairment charges. In 2011, impairments were taken on goodwill in South America (€209 million), customer relationships in South America (€15 million), aircraft (€45 million) primarily in Asia Pacific and on internally generated software (€16 million).

Adjusted operating income for the financial years ended 31 December 2011 and 2010

Total operating income was -€105 million in 2011. TNT Express calculates an adjusted operating income by adjusting for demerger-related costs and business one-offs. These are prepared by management to analyse the results excluding non-recurring items for a deeper 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 Express' operating results, including its consolidated income statements and consolidated statements of cash flow, as reported under IFRS.

The table below sets out the unaudited adjusted operating income per segment for the financial years ended 31 December 2011 and 2010.

Adjusted operating income

Year ended at 31 December	Reported 2011	Demerger related	Business one offs	Adjusted 2011	Foreign exchange	Adjusted 2011 (at constant rates)	Adjusted 2010	Business one offs	Demerger related	Reported 2010
Europe & MEA	356	9	15	380	-	380	384	4	9	371
Asia Pacific	(76)	2	43	(31)	(2)	(33)	14			14
Americas	(360)	1	236	(123)	(2)	(125)	(39)	28		(67)
Other Networks	20			20	-	20	19		1	18
Non-allocated	(45)	(4)	28	(21)	7	(14)	(55)		101	(156)
Operating income	(105)	8	322	225	3	228	323	32	111	180

(in € millions)

Significant factors in TNT Express' 2011 and 2010 performance include both business and demerger-related one-offs, which are discussed below.

Business one-offs included among others:
- In Europe & MEA, aircraft impairment of €6 million and restructuring related charges of €9 million.
- In Asia Pacific, aircraft impairment of €39 million and a €4 million restructuring related charge.
- In Americas, impairment of €224 million related to the Brazilian operations, predominantly related to goodwill and customer relationships as well as a restructuring related charge of €12 million.
- In Non-allocated, non-recurring restructuring related charges of €28 million related mostly to redundancy payments of €12 million and a software impairment of €16 million.

Demerger-related one-offs included among others:
- Share-based payment costs linked to the accelerated unwinding of TNT N.V. share schemes of €14 million.
- A one-off settlement gain of €16 million, as a result of the new separate execution agreements for the Dutch pension schemes.

In 2010, business one-offs included among others:
- Restructuring related charges of €16 million (€8 million Europe & MEA and €8 million Americas) mainly related to redundancy payments as a result of restructuring operations in 2010.
- €20 million of additional integration-related costs in Brazil due to claims and provisions.
- €2 million book gain on the sale of an aircraft and a €2 million impairment reversal on aircraft.

In 2010, demerger-related one-offs included among others:
- Demerger costs of €45 million.
- Pension costs of €25 million.
- Profit pooling arrangements of €41 million.

Net financial expense

Year ended at 31 December	2011	variance %	2010
Interest and similar income	21	(4.5)	22
Interest and similar expenses	(66)	(11.9)	(59)
Net financial expense	(45)	(21.6)	(37)

(in € millions, except percentages)

Interest and similar income in 2011 were €21 million (2010: 22), of which €5 million (2010: 11) was income from PostNL (see note 21). The remaining external interest income and similar income of €16 million (2010: 9) mainly relates to interest income on banks, loans and deposits, taxes and interest on foreign currency hedges.

Interest and similar expenses were €66 million (2010: 59), mainly relating to interest expense on external financing of €50 million (2010: 41) and €6 million (2010: 12) interest expense to PostNL.

Income taxes

Year ended at 31 December	2011	variance %	2010
Current tax expense/(income)	108	22.7	88
Deferred tax expense/(income)	(8)	74.2	(31)
Total income taxes	100	75.4	57

(in € millions, except percentages)

In 2011, the current tax expense amounted to €108 million. (2010: 88). The difference between the total income taxes in the combined income statements and the current tax expense is due to timing differences. These timing differences are recognised as deferred tax assets or tax liabilities.

Income taxes amounted to €100 million (2010: 57) or -58.1% (2010: 45.2%) of the negative income before taxes of €172 million (2010: 126 positive). The increase in total income tax expense is mainly as a result of accounting estimates relating to deferred tax balances in both 2010 and 2011. In 2011, the effective income tax rate differs significantly from the average statutory income tax rate of the countries in which TNT Express operates, mainly caused by non-deductible impairments and current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets.

Results from investments in associates

At 31 December 2011, investments in associates amounted to €20 million (2010: 42) and relates mainly to investments made by Logispring Investment Fund Holding B.V. (whose sole activity is to invest in start-up companies) and TNT Europe Finance B.V. The portfolio of start-up companies was allocated to TNT Express as part of the demerger of TNT N.V. The increased loss in results from investments in associates, of €5 million, was due to a fair value adjustment of €22 million following deteriorated prospects for one of the larger investments. No investments in new portfolio companies have been made since 2008.

Condensed consolidated cash flow statement

Year ended at 31 December	2011	variance %	2010
Cash generated from operations	359	0.8	356
Interest paid	(58)	(48.7)	(39)
Income taxes paid	(110)	(44.7)	(76)
Net cash from operating activities	191	(20.7)	241
Net cash used for other investing activities	21	31.3	16
Net cash used for acquisitions and disposals	3		(23)
Net cash used for capital investments and disposals	(182)	(27.3)	(143)
Net cash used in investing activities	(158)	(5.3)	(150)
Net cash used for dividends and other changes in equity	(23)		0
Net cash from debt financing activities	(566)		(121)
Net cash used in financing activities	(589)		(121)
Changes in cash and cash equivalents	(556)		(30)

(in € millions, except percentages)

Net cash from operating activities

In 2011, despite lower profit before tax, cash generated from operations remained stable at €359 million (2010: 356). Net cash from operating activities decreased by €50 million to €191 million. This was a result of higher taxes paid (related to current and prior years) and higher interest paid on foreign currency hedges.

Trade working capital, calculated as trade accounts receivable less trade accounts payable as a percentage of revenue remained stable at just below 10% of revenues.

Net cash used in investing activities

The increase in net cash used in investing activities amounted to €8 million mainly due to higher net cash used for capital investments. There were no acquisitions in 2011. €34 million of net cash used in investing activities was linked to one-off asset transfers of certain real estate from PostNL to TNT Express as part of the demerger agreements.

Capital expenditure on intangible assets and property, plant and equipment

Year ended at 31 December	2011	variance %	2010
Property, plant and equipment	151	24.8	121
Other intangible assets	38	(24.0)	50
Cash out	189	10.5	171
Proceeds from sale of property, plant and equipment	7	(73.1)	26
Disposals of other intangible assets	0	0.0	2
Cash in	7	(75.0)	28
Netted total	182	27.3	143

(in € millions, except percentages)

Year ended at 31 December	2011	variance %	2010
Europe & MEA	80	33.3	60
Asia Pacific	32	(13.5)	37
Americas	11	83.3	6
Other Networks	12		2
Non-allocated	47	23.7	38
Total net capex	182	27.3	143

(in € millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets totalled €189 million and included €34 million for the transfer of real estate assets from PostNL (2010: 171). Net capital expenditure amounted to 2.5% of reported revenues.

Capital expenditures on property, plant and equipment mainly relate to hub and depot buildings, vehicles, IT equipment and depot equipment. The capital expenditures on intangible assets mainly relate to software license and software development costs.

Proceeds from sale of property, plant and equipment

In 2011, proceeds from the sale of property, plant and equipment decreased by €19 million to €7 million (2010: 26), mainly due to a reduction in the sale of vehicles, aircraft and other depot equipment.

Net cash used in financing activities

In 2011, net cash used in financing activities was €589 million, most of which relates to the pre-demerger settlements of intercompany balances between PostNL and TNT Express of €526 million (2010: 41). This was partially offset by the increase in proceeds from short-term borrowings mainly related to a reduction of bank overdrafts.

Net debt

On 31 December 2011, net debt was €7 million. Tight investment and working capital control was an important contributor to this year-end position. The net debt position as per 1 January 2011 was €7 million positive.

Borrowings

On 16 March 2011, TNT Finance B.V., a fully-owned subsidiary of TNT Express, entered into a five-year €570 million syndicated revolving credit facility with its relationship banks. The facility includes a €285 million credit line that allows for instant financing of redemptions under a commercial paper programme. The facility bears interest at the applicable interbank rate plus a margin depending on TNT Express' 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 Express, entered into agreements with respect to the lease of two Boeing 747 freighters, which are guaranteed by TNT Express. The outstanding debts at 31 December 2011 under these finance leases with maturities of December 2016 and May 2017, respectively, were $110 million and $116 million, respectively. The annual amortisation included in the lease terms is in total around $14 million per year. The leases bear interest at the six-month interbank dollar-rate plus a credit charge that depends on TNT Express' 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 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 dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.004 per share. The €0.04 per share interim dividend together with the proposed final dividend represents a 2011 payout of 40% of normalised net income, in line with TNT Express' stated 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 13 April 2012 to 2 May 2012, inclusive.

To the extent that the 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 2 May 2012, 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 27 April 2012 to 2 May 2012, 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 13 April 2012, the record date 17 April 2012 and the dividend will be payable as from 7 May 2012.

IV. EXECUTIVE BOARD COMPLIANCE STATEMENT

The 2011 Annual Report of TNT Express N.V. has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for annual reports.

The Executive Board is responsible for the establishment and adequate functioning of internal controls at TNT Express. Consequently, the Executive Board has implemented a wide range of complementary processes and procedures designed to provide control over the company's operations. TNT Express 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. Built upon this framework are policies and key controls that direct business and reporting processes. 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, its Audit Committee, and other designated committees perform an oversight role. TNT Express' internal audit function and 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 Express' risk management, integrity and compliance systems and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2011. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT Express' external auditors.

The TNT Express' risk management, internal control, integrity and compliance framework is aimed at a reasonable level of assurance over the identification and management of those significant risks facing TNT Express and that the Executive Board meets their operational and financial objectives in compliance with applicable laws and regulations. For a detailed description of the risk management, internal control over finance reporting and other compliance processes reference is made to chapter 4.

The Executive Board believes to the best of its knowledge based on the outcome of the TNT Express-specific approach to risk management, internal control, integrity and compliance, that TNT Express' risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2011 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatement.

The above does not imply that TNT Express can provide certainty as to the realisation of business and financial strategic objectives, nor can TNT Express' 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 provision 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 2011 annual financial statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express and its consolidated companies.
- The additional management information disclosed in the 2011 annual report gives a true and fair view of TNT Express and its related companies as at 31 December 2011 and the state of affairs during the financial year to which the report relates.
- The 2011 annual report describes the principal risks facing TNT Express. This is described in detail in chapter 4.

Hoofddorp, 21 February 2012

Marie-Christine Lombard – Chief Executive Officer
Bernard Bot – Chief Financial Officer

V. STRATEGY: BUILDING ON STRENGTHS

CONTEXT

Thomas Nationwide Transport (TNT) was founded by Ken Thomas in Australia in the year 1946. Over the years, TNT grew into a global enterprise and was acquired 50 years later by the Dutch postal and telecommunications company KPN. In 1998, the postal, logistics and express businesses of KPN were spun-off from KPN under the name TNT Post Group N.V., which was rebranded TNT N.V. in 2005. The logistics activities of the group were sold in 2006. In 2011, TNT N.V. demerged its postal and express activities into two separate companies with separate stock listings on Euronext Amsterdam: Post NL and TNT Express.

The network and footprint of the express business evolved in line with changes in customers' supply chains. In Europe, TNT Express expanded by acquiring Jet Services S.A. (France) in 1998 and TG Plus Transcamer Gomez S.A.U. (Spain) in 2005. It also established a strong presence in Eastern Europe, mainly though organic growth. In emerging markets, TNT Express acquired domestic operations in Asia (Hoau) and South America (Expresso Mercúrio, Expresso Araçatuba and LIT Cargo) and developed regional and intercontinental networks to meet customers' global demands and tap the potential of these markets.

Following the demerger, a company-wide effort was undertaken to redefine TNT Express' mission and vision to create a common understanding of direction and purpose. TNT Express' mission is *'to connect businesses, markets and people in a sustainable way, through a global team of empowered people*' with a vision *'to be the most admired delivery company'.*

In the second half of 2011, the Executive and Supervisory Boards extensively reviewed TNT Express' strategy as a means to realise this vision and mission. The outcome of this review is a strategy that builds on the leading position and strengths of TNT Express in Europe.

NEW STRATEGIC AGENDA

TNT Express' new strategic agenda is to:

- focus on Europe;
- connect Europe with the rest of the world;
- explore partnerships in domestic activities in Brazil (TNT Mercúrio) and China (TNT Hoau);
- maximise free cash flow; and
- embed corporate responsibility in all activities.

Customers are and will remain at the heart of TNT Express' strategy. The company's services, networks and geographic footprint will continue to evolve with customer supply chain demands.

Realisation of TNT Express' strategy is not possible without engaged staff. Employees are the differentiators in our service to customers. TNT Express is therefore committed to develop and nurture talent to continue to deliver the unique 'TNT' customer experience.

Focus on Europe

Europe is the 'home' market and stronghold for TNT Express. Within the B2B (business-to-business) domestic and intra-European express market segment (estimated size €20 billion in 2010), TNT Express is the market leader with a stable market share of 17%[1].

TNT Express built its leadership position on a unique product and service offering and best-in-class networks and infrastructure. Differentiating elements include:
- A broad product portfolio ranging from time-critical/same-day deliveries through heavy freight shipments to various value-added services.
- A service-oriented organisation with knowledgeable and experienced employees that deliver excellent service and build long-term customer relationships.
- Two centrally coordinated and integrated linehaul networks: the road network (connecting 39 European countries through 20 international road hubs) and the air network (connecting 65 destinations through a fleet of 46 aircraft). These complimentary European networks enable customers to switch from air to road and vice versa.
- A dense depot infrastructure and related extensive last-mile-delivery capability, which enables truly next-day delivery throughout Europe.
- Unique outsourcing and subcontracting approach that makes it possible for TNT Express to lower costs and react quickly to changing circumstances.

To protect and strengthen this leadership position, TNT Express has developed a number of initiatives.

Grow in TNT Express' core B2B intra-Europe express segment by introducing distance-based pricing independent of country borders

Given its dense domestic and intraregional air and road networks, TNT Express can seamlessly operate across geographical borders to address Europe as one market. To leverage this unique position, TNT Express is increasing its focus on cross-border parcel flows. New competitive rate cards that are distance-based (rather than distinguishing between domestic and international flows) have been implemented and are supported by an increasing number of next-day-by-road cross-border connections. These linehauls currently connect 21 countries on a daily basis with 50 unique next-day border crossings, and are centrally managed, ensuring visibility on volume and service. Where possible, TNT Express will supplement these linehauls with customer-dedicated direct connections for large customers, thereby reducing handling and transport costs while improving transit times and reducing damages. The intended growth in cross-border volumes will enable TNT Express to increase its intra-European market share and subsequently allow the company to refocus its air network on longest-distance, highest-value shipments.

Complement traditional network-based express services with value added solutions for the high-tech, healthcare and lifestyle segments

TNT Express is well positioned to further develop its activities in segments that are complementary to its core B2B express business. TNT Express offers innovative value-added solutions to key customers in its core high-growth verticals. Currently, existing solutions such as Clinical Express, Direct Express and Service Logistics generate good margins and offer further growth potential.

New solutions such as City Logistics and PharmaSafe will be rolled-out in 2012. City Logistics aims to deliver zero-emission last-mile solutions for inner-cities in an innovative and collaborative effort of suppliers, customers, city authorities and TNT Express. PharmaSafe is a specialised temperature-controlled service for the reliable transport of large quantities of pharmaceutical products, for example, vaccines and insulin. As such PharmaSafe tackles lack of control and visibility that are currently the main challenges facing pharmaceutical supply chains. By using TNT Express' existing networks where possible, these value-added solutions will be cost efficient.

Combine TNT Express' existing dense depot and operating structure with innovative technology in high-end B2C deliveries

Increasing online sales continue to drive the high growth of B2C (business-to-consumers) parcels home deliveries, and TNT Express aims to continue its double-digit growth in this segment. The value of the European B2C market is estimated at €9 billion with anticipated annual growth of between 5% and 7% per year.

TNT Express has developed and piloted solutions for the high-end B2C market, offering consumers the option, among other features, to determine the place and time that goods are delivered. This capability has been well-received by leading e-commerce players and is now available throughout Europe.

[1] Based on TNT Express' Competitor Model, incorporating various external sources

Solutions for the high-end B2C segment will leverage TNT Express' existing dense depot and operating structure. Outsourced collection and delivery partners will ensure B2C services are delivered with minimal additional investments for TNT Express.

Complement service portfolio with high-end road freight
Although parcel delivery remains central to TNT Express' activities, there are attractive opportunities in the high-end, deferred, intra-regional freight segment. Accordingly, TNT Express has developed a pan-European high-end service for existing customers with scheduled, palletised and consolidated industrial freight. This service became operational in the second half of 2011 and enables TNT Express to manage the entire pan-European flow of customers' goods. Services are provided in an asset-light structure using existing (linehaul) capacity, capabilities and systems as well as subcontractors.

Optimise operating model and reduce Europe & MEA fixed costs by €150 million by the end of 2013
Identified opportunities include optimising and redesigning our European Air Network, out-sourcing non-core processes, streamlining indirect costs and overheads, and adapting our local country infrastructure. These initiatives are in addition to the €50 million indirect cost savings programme and on-going efficiency measures, and have related restructuring costs and write-offs of €150 million, of which approximately €125 million cash.

European Air Network optimisation and redesign: The increased focus on cross-border flows and shift to road-based alternatives by customers provides the opportunity to review TNT Express' air network configuration. All air connections are being reviewed with an eye to reduce exposure to fixed air capacity while ensuring current customer service levels. The reconfiguration of the air network is made possible by leveraging TNT Express' dense road network and high volumes on key cross-border lanes.

Non-core processes: TNT Express has identified a number of non-core and non-customer facing processes that can be offered in partnership with best-in-class external providers. These activities span operations, administration and ICS (Information Communication Services). Different options to optimise these activities will be pursued.

Indirect costs and overheads: Following the demerger, TNT Express launched an extensive programme to reduce its indirect costs at central, regional and operating unit levels. This programme targets an annualised cost reduction of €50 million. In 2011, head office costs and the costs of administrative and support activities in the rest of the company were reduced. In 2012, and in line with TNT Express' approach to focus on core service operations and partner with best-in-class suppliers, support activities will be further streamlined.

Local infrastructure: Opportunities have also been identified to optimise TNT Express' local networks, hub and depot infrastructure. Implementation will start in 2012, however, the full roll-out will extend beyond the next two years.

Connect Europe with the rest of the world

TNT Express intends to reduce its exposure to fixed intercontinental capacity by divesting, subleasing and/or capacity sharing. TNT Express plans to enhance its worldwide service to customers by entering into cooperation agreements with leading airline operators.

Explore partnerships for domestic activities in Brazil and China

Emerging markets are important in today's global supply chains and trade flows. In addition, the domestic customer and business demand in these economies is maturing, giving rise to the growth of higher quality day-definite services.

In China, demand for reliable intra-China deliveries is growing. TNT Express has a leadership position in the domestic day-definite segment with Hoau, which offers 'Less than Truck Load' (LTL) and day-definite road delivery services. Day-definite road delivery services grew significantly in 2011 and accounted for almost 30% of revenues by the end of the year. Continued growth of these activities supports the realisation of the target for domestic road activities to breakeven by 2013.

In Brazil, TNT Express is a market leader in express deliveries. The Brazilian business is undergoing a turnaround following integration-related issues and domestic customer losses caused by service quality issues, which together severely impacted the profitability. By the end of the year, service quality had significantly improved, as demonstrated by operational KPIs, such as on-time delivery and customer claim levels, and the customer pipeline was healthy. The turnaround target of the second half of 2012 is reiterated.

The immediate focus remains on securing the turnaround. In parallel, TNT Express also intends to explore partnership opportunities to further strengthen its value proposition to customers and employees while reducing the company's financial exposure.

Maximise free cash flow

TNT Express' approach to capital allocation and cash and risk management is in line with its overall strategy. In short, the principle underlying TNT Express' strategy is value creation. To create value, TNT Express' financial management focuses on:

- *Prioritising investments:* A rigorous review process is in place to maintain fixed asset expenditure at around 3% of total revenue, with incidental higher outlays linked to major strategic investments.
- *Controlling working capital:* Cash and liquidity are centrally managed (centralised funding and surplus cash concentration) and supported by working capital initiatives to ensure that trade working capital remains around 10% of total revenue.
- *Managing market and operational risks:* Exposure to market risks (interest, currency and commodity risks) is hedged through a combination of primary and derivative financial instruments (swaps, forward transactions, cross-currency swaps) and contractual terms (fuel surcharge). Operational risks are covered through a comprehensive insurance policy using a mix of self insurance, reinsurance and direct external insurance.
- *Optimising 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. TNT Express has set an investment grade target rating of BBB+/Baa1. Liquidity is ensured through the availability of at least €400 million to €500 million in undrawn committed facilities.

Value creation at TNT Express is supported by its risk management systems. The scope of the risk management systems includes:

- internal control and compliance;
- financial risk management and risk insurance structures; and
- an aligned legal and funding structure.

An essential outcome of TNT Express' strategy is to meet shareholders expectations. Accordingly, TNT Express aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividends and ad hoc, tax-exempt share repurchases or other returns of excess cash. TNT Express' intention is to pay a dividend that develops in line with the operational performance. TNT Express intends to pay a dividend of around 40% of normalised net income ('Profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items), and aims to pay interim and final dividends in cash or stock. Furthermore, cash and stock may be offered as part of an optional dividend.

Embed corporate responsibility in all activities

TNT Express continues to embed corporate responsibility (CR) in all its activities. To achieve optimal buy-in and involvement, responsibility for development and execution of the CR strategy has been delegated to each business and operating unit.

At a central level, TNT Express engages frequently with its stakeholders (employees, customers, subcontractors, suppliers, investors, and civil society) to better understand their perspectives and concerns regarding TNT Express' CR approach. The annual multi-stakeholder dialogue in 2011 highlighted a number of important areas to be addressed by TNT Express. These are customer satisfaction, carbon efficiency, health and safety and the selection of subcontractors and their CR performance. TNT Express' Moving the World programme (which includes TNT Express' World Food Programme initiatives) was given a lower priority by these stakeholders. The outcome of the dialogue is used in TNT Express' CR strategy and aids in setting priorities.

The company's CR strategy is structured around three main areas:

- protecting our people;
- maximising operational efficiency; and
- building win-win relationships.

Protecting our people: TNT Express aims to enhance the safety and well-being of its employees worldwide. Providing a safe and healthy environment for employees and others that may be affected by its operations is vital to its success. TNT Express' ambition is therefore to meet and exceed, where possible, all health and safety obligations. This is supported by workplace, road safety and general health and safety best practice processes and training programmes throughout the organisation.

Maximising operational efficiency: Initiatives in this area focus on reducing the consumption of energy and other natural resources. TNT Express recognises that climate change and other environmental issues shape the expectations of key stakeholders. TNT Express has set a target of a 40% improvement of the CO_2 efficiency index by 2020 (base year 2007). TNT Express works to achieve this target by continuously challenging the business and suppliers, on their use of natural resources, and by investing in clean technologies.

Building win-win relationships: TNT Express encourages its customers, subcontractors and suppliers to adopt TNT Express' approach to CR. The company does this by building win-win relationships with these stakeholders, particularly with regards to subcontractor health and safety performance.

With respect to customers, TNT Express provides most of its largest customers with detailed reports on TNT Express' CO_2 emissions related to the transport of their goods. Alternative supply chain solutions to reduce emissions are developed with these customers and are being rolled-out to an increasing number of customers.

TNT Express' CR performance is measured on a continuous basis according to internationally recognised standards including: workplace safety (OHSAS 18001), social responsibility (SA 8000), personal growth of employees (Investors in People), environmental management (ISO 14001) and operational excellence (ISO 9001).

Refer to chapter 3 for further information on TNT Express' CR programmes and performance.

MEDIUM-TERM AMBITIONS AND OUTLOOK FOR 2012

Medium-term ambitions

- Europe & MEA revenue to grow organically and through new initiatives in adjacent market segments, with an operating margin increasing to between 10% and 11%, assuming normal economic conditions.
- Positive contributions from operations outside of Europe & MEA.
- Capital expenditure and trade working capital of around 3% and 10% respectively, of total revenue.
- Effective tax rate trending between 31% and 33%.

Outlook for 2012

- Major uncertainty in the economic environment, with a risk of a European recession and slowdown in Asia.
- Two-year optimisation programme in Europe & MEA targeting €150 million fixed cost reduction with related restructuring costs and write-offs of €150 million (approximately €125 million cash), in addition to an indirect cost savings programme.
- Reduction of intercontinental fixed capacity.
- Capital expenditures and working capital targets in line with medium-term ambitions.

CHAPTER 2 BUSINESS PERFORMANCE

I. GENERAL MARKET AND BUSINESS CHARACTERISTICS

TNT Express operates in what is commonly referred to as the Courier, Express and Parcel (CEP) market. TNT Express picks up, transports and delivers documents, parcels and freight on a time-certain or day-definite basis. Its services are primarily classified by speed, distances to be covered, weights and sizes of consignments. Most shipments are between businesses (B2B). TNT Express however, also offers innovative solutions (including business-to-consumer services (B2C)) to select key customers.

TNT Express has a worldwide presence with domestic, regional and intercontinental delivery. The company has own operations in 62 countries and can deliver to more than 200 countries through own operations, subcontractors and agents. TNT Express' head office is located in Hoofddorp, the Netherlands.

TNT Express' customers are large companies and multinationals as well as small and medium enterprises. The main industries served by TNT Express are high-tech electronics, automotive, industrial, healthcare and lifestyle (fashion).

Services are delivered through a combination of physical infrastructures such as depots, aircraft and vehicles and electronic infrastructures such as track-and-trace systems. TNT Express operates interconnected international air and road networks. The air network consists of a central air hub in Liege, Belgium, and a fleet of 52 aircraft. The road networks are operated in Europe, the Middle East, Asia, Australia and South America.

The CEP market and more specifically, the express business, is cyclical and highly sensitive to fluctuations of trade flows. Due to the close relationship between trade flows and economic development, a strong correlation exists between the development of the industry and GDP development. The upward trend experienced in the global economy during 2010 slowed in the second half of 2011, with an estimated global real GDP[2] growth of around 2.5% compared to 4% in 2010.

Other key factors that affect TNT Express' performance are:
- Growth in demand for express ('time-certain, next-day') and economy ('fastest by road day-certain') services
- Customer mix
- Base price and surcharge development
- Wage and input-cost inflation
- Fuel prices
- Operational efficiency and productivity

[2] Real GDP information source: EIU (Economist Intelligence Unit)

II. OVERVIEW

Set out in the tables below are the unaudited adjusted revenue and adjusted operating income per segment for the financial years ended 31 December 2011 and 2010. Adjusted revenue and operating income are calculated as revenue and operating income after the adjustment of demerger-related one-offs and business one-offs, and are prepared by management to analyse the results excluding non-recurring items for a deeper understanding of the business performance. The presentation and disclosure of the adjusted revenue and adjusted operating income are not in conformity with IFRS and are unaudited.

Overall adjusted revenue growth of 2.8% in 2011 was the result of muted growth in Europe & MEA (2.1%), continuing growth in Asia Pacific (7.1%) and lower revenues in Americas (mostly Brazil, -5.6%).

Compared to 2010, total operating income decreased principally as a result of more challenging economic conditions in Europe & MEA in the second half of the year, pressure on Asia-Europe volumes and prices, and losses in Americas (Brazil). Non-allocated costs decreased compared to 2010 as a result of lower overhead and project-related costs.

REVENUE AND OPERATING INCOME BY SEGMENT, REPORTED AND ADJUSTED

	Reported						Adjusted (non-GAAP)		
Revenue	2011	variance %	2010	Foreign exchange	Demerger related	Business one-offs	2011	variance %	2010
Europe & MEA	4,525	1.6	4,453	22			4,547	2.1	4,453
Asia Pacific	1,797	8.5	1,656	(24)			1,773	7.1	1,656
Americas	467	(7.0)	502	7			474	(5.6)	502
Other networks	463	3.3	448	1			464	3.6	448
Non-allocated	(6)		(6)	(1)			(7)		(6)
Total	7,246	2.7	7,053	5			7,251	2.8	7,053
Operating income									
Europe & MEA[1]	356	(4.0)	371		9	15	380	(1.0)	384
Asia Pacific[2]	(76)		14	(2)	2	43	(33)		14
Americas[3]	(360)		(67)	(2)	1	236	(125)		(39)
Other networks	20	11.1	18				20	5.3	19
Non-allocated[4]	(45)		(156)	7	(4)	28	(14)		(55)
Total	(105)		180	3	8	322	228	(29.4)	323
Operating income margin (%)									
Europe & MEA	7.9		8.3				8.4		8.6
Asia Pacific	(4.2)		0.8				(1.9)		0.8
Americas	(77.1)		(13.3)				(26.4)		(7.8)
Other networks	4.3		4.0				4.3		4.2
Non-allocated	-		-				-		-
Total	(1.4)		2.6				3.1		4.6

Notes: non-GAAP adjustments

[1] 2011: 6 share-based payments, 3 pensions, 9 restructuring, 6 impairment aircraft

[2] 2011: 2 share-based payments, 39 impairment aircraft, 4 restructuring

[3] 2011: 1 share-based payments, 224 impairment Brazil (209 goodwill and 15 customer relationships), 12 restructuring related charges Brazil

[4] 2011: 5 share-based payments, 5 demerger costs, (14) pensions, 16 software impairment, 12 restructuring

(in € millions, except percentages)

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

III. EUROPE & MEA

GENERAL

TNT Express is the market leader in domestic and intra-European express with a stable market share of 17%[3]. TNT Express generates more than half of its revenues in Europe, of which the majority is in international services. This is complemented by a strong domestic footprint, especially in the United Kingdom, France and Italy.

[3] Based on TNT Express' Competitor Model, incorporating various external sources

In Europe, the company operates a unique combination of road and air networks that connects its strong domestic platforms. The road network connects 39 countries through 20 road hubs; the European Air Network connects 65 destinations through a fleet of 46 aircraft. TNT Express' infrastructure offers customers the widest range of services and best delivery performance, even in less dense regions of Europe.

In the Middle East, TNT Express operates a regional road network as well as air-based services. In Africa, the company has own operations in a number of countries and serves most of the rest of the continent through partnerships and agents. A new partnership with Getma, a subsidiary of the French transport and logistics group NCT Necotrans, is intended to improve network capabilities, service and market share in eight Sub-Saharan African countries.

2011 PERFORMANCE

Within Europe, 2011 real GDP growth was highest in Turkey and Germany and more subdued in France and the Netherlands. Year-on-year overall real GDP growth declined, especially in the latter part of the year. The United Kingdom, Italy, Spain and Portugal were particularly affected, with growth of 0.7%, 0.5%, 0.7% and -1.9% respectively.

Year ended at 31 December	2011	variance %	2010
Adjusted revenues	4,547	2.1	4,453
Adjusted operating income	380	(1.0)	384
Average consignments per day ('000)	725	1.0	718
Revenue per consignment (€)[1]	24.4	1.2	24.1
Average kilogrammes per day ('000)	14,661	2.6	14,288
Revenue per kilogramme (€)[1]	1.21	0.0	1.21

[1] based on reported revenues @avg10 rates
(in € millions, except percentages)

As mentioned earlier, adjusted revenue in Europe & MEA showed muted underlying growth (2.1%) in 2011.

In an increasingly weak economic environment, average consignments per day grew by 1.0% and average kilogrammes per day by 2.6%. International Economy volumes showed healthy growth, while International Express volumes declined. Domestic volumes also grew, albeit at a slower pace. This changing product mix was the primary reason for kilogrammes growing ahead of consignments. Volume growth was strongest in the United Kingdom, Eastern Europe, Turkey and the Middle East. In line with changes in product mix, volumes in the air network decreased and road network volumes grew.

Revenue per consignment (RPC) increased by 1.2%, supported by a higher fuel surcharge and a higher average weight per consignment. The second half of the year experienced more pressure on average prices, as a result of a weakening economic environment and continued negative customer and product mix changes. Various commercial initiatives, such as marketing campaigns and internal sales drives, were successfully undertaken to increase European parcel volumes. These initiatives generated approximately 60,000 new small and medium-sized trading customers. A differentiated pricing approach was also implemented to support product mix targets, with base price increases in International Economy and domestic products, and targeted price reductions in International Express. A new rate card was introduced to align with TNT Express' new cross-border service offering. Customer loyalty remained high.

Service quality (measured by on-time delivery) achieved an all-time high of 95% during the peak season and was 96% for the full year, despite the impact of heavy snowfall in January.

To counter cost inflation, the company implemented several efficiency and productivity initiatives. These initiatives target cost savings through subcontractor and linehaul productivity improvements and tariff optimisation, lower procurement costs and application of 'lean' methodology to operational processes.

The size of the European Air Network was adjusted to volumes on a quarterly basis, although the volatility in volumes led to lower capacity utilisation compared to 2010. As a result, two additional BAe146 were held for disposal. The European Road Network continued to perform strongly, in terms of both costs and service.

Despite tight cost control, operating income was negatively impacted by weak growth, especially in International Express volumes with its associated higher fixed cost base, and cost inflation. This was particularly apparent in the second half of the year.

IV. ASIA PACIFIC

GENERAL

TNT Express operates international express services between Pacific and Europe. TNT Express' dedicated intercontinental air fleet serves Chongqing, Hong Kong, Shanghai and Singapore. TNT Express also operates regional and domestic road networks in Asia. Its Asian Road Network connects more than 125 cities, thereby providing an attractive alternative to air and sea transportation. TNT Express has own subsidiaries in 17 countries, with its main operations in China and Australia.

In China, TNT Express operates one of the largest privately owned, domestic, road transportation networks, Hoau, which connects more than 1,500 hubs and depots across the country. Hoau offers LTL and a unique day-definite road delivery service.

TNT Express is also a leader in the Australian express market and offers service to national and international destinations with both time-definite and day-definite services.

In India, TNT Express operated domestic road operations. These activities were sold to India Equity Partners (IEP) logistics subsidiary at the end of the year, which became TNT Express' preferred partner for domestic road delivery in India. TNT Express continues to offer inbound and outbound services in India, via its globally interconnected networks. It also continues to provide customer-specific special services, in particular, to the healthcare and service logistics segments.

2011 PERFORMANCE

During 2011, real GDP growth within Asia Pacific was robust. Although China's real GDP slowed during the year, it nevertheless grew by 9.2% year-on-year. The United States and Europe are China's biggest markets and export growth to both regions has slowed.

Year ended at 31 December	2011	variance %	2010
Adjusted revenues	1,773	7.1	1,656
Adjusted operating income	(33)		14
Average consignments per day ('000)	182	0.0	182
Revenue per consignment (€)[1]	38.0	7.3	35.4
Average kilogrammes per day ('000)	13,391	(1.7)	13,625
Revenue per kilogramme (€)[1]	0.52	6.1	0.49

[1] based on reported revenues @avg10 rates
(in € millions, except percentages)

Higher prices and fuel surcharges drove Asia Pacific's 7.1% adjusted revenue growth. Growth in the average consignments per day was flat because of weak Asia-Europe express demand and lower (but higher quality) volumes in Australia. Average kilogrammes per day were lower, mainly as a result of the conversion of LTL into lower weight day-definite services by Hoau. Hoau's kilogrammes account for around 60% of all kilogrammes transported in Asia Pacific.

Revenue per consignment (RPC) and revenue per kilogramme (RPK) grew, despite price pressure on international products, as a result of higher revenue-quality in domestic China and Australia, and higher fuel surcharges in China International and Australia.

Costs were impacted by higher fuel costs for intercontinental services and high input-cost inflation in Asia. This was only partially offset by higher RPC and RPK.

Negative operating income was primarily the result of pressure on international volumes and prices and the related sub-optimal intercontinental capacity utilisation, losses in the domestic platforms in India and China, and high fuel costs.

TNT Express' international express activities in Greater China suffered a loss in 2011. China to Europe air volumes were lower at the start of the year, and while they recovered somewhat in subsequent months, demand remained volatile and weakened again in the latter part of 2011. The impact of weak demand was compounded by increases in capacity by other integrators and airline cargo providers. This led to sub-optimal capacity utilisation of TNT Express' own fleet of intercontinental aircraft. Profitability was also negatively affected by high fuel costs.

At the beginning of 2011, TNT Express operated four Boeing 747 freighters to and from Asia, serving Chongqing, Hong Kong, Shanghai and Singapore, two of which were on short-term leases. This capacity was reduced at mid-year in line with weaker demand. However, at the end of the year, TNT Express took delivery of three Boeing 777 freighters. Measures are being taken to limit exposure to volatile and weaker Asia demand. In 2012, TNT Express intends to further explore capacity reduction measures including sale of some operations, subleases and capacity sharing arrangements.

Domestic China successfully continued its targeted growth of day-definite product to reduce the proportion of LTL services. Day-definite grew by more than 100% year-on-year and represented at year-end almost 30% of revenues (2010: 15), well on track to realise the projected 40% of revenues in 2013.

Australia recovered strongly, after enduring flooding and strikes in the first quarter of 2011, due to a combination of successful yield management and cost control initiatives.

V. AMERICAS

GENERAL

In South America, TNT Express has key positions in the domestic express market in Brazil and Chile, realised through the acquisitions of Expresso Mercúrio and Expresso Araçatuba in Brazil and LIT Cargo in Chile. In Brazil, TNT Express' network covers 140 locations. Its service offering to customers is supported by fully automated hubs and the application of leading track-and-trace technology. The region is connected via the South American Road Network.

TNT Express' operations in North America provide full service capabilities to its customers both in North America and on other continents. TNT operates a dedicated service from Europe to New York, supplemented by commercial linehaul. TNT Express' four gateways (New York, Los Angeles, Chicago and Miami) feed a nationwide parcel distribution network that relies upon a combination of own operations, regional partners and commercial airlines. Through this configuration, TNT Express is able to provide next-day before 3:00 pm delivery service to many key metropolitan areas across the United States.

2011 PERFORMANCE

Year ended at 31 December	2011	variance %	2010
Adjusted revenues	474	(5.6)	502
Adjusted operating income	(125)		(39)
Average consignments per day ('000)	54	(11.5)	61
Revenue per consignment (€)[1]	34.3	7.5	31.9
Average kilogrammes per day ('000)	3,289	(18.2)	4,023
Revenue per kilogramme (€)[1]	0.56	14.3	0.49

[1] based on reported revenues @avg10 rates
(in € millions, except percentages)

In 2010, TNT Express pursued the integration of the two acquired Brazilian businesses, Expresso Mercúrio and Expresso Araçatuba. The complexity of the integration process was underestimated and resulted in process and systems failures in addition to the loss of critical employees, which in turn severely affected administrative and service quality. This culminated in the loss of major customers at the beginning of 2011.

Significant revenue losses and higher costs (inflation, service quality recovery and provisions) led to a significant negative operating income for the year.

In the spring of 2011, a full turnaround plan was initiated which included changes in the management team, organisational structure and key processes and controls. These actions restored service levels and ensured better controlled administrative processes. On-time delivery performance was above 95% in the last quarter of 2011. On the back of solid operational performance, sales initiatives were undertaken. These resulted in a significant reduction of the revenue gap in the last quarter of 2011. By the end of the year, with operations stabilised, the focus turned to controlling costs. The turnaround target of the second half of 2012 is reiterated.

VI. OTHER NETWORKS

GENERAL

Other networks include TNT Fashion and TNT Innight businesses. TNT Fashion provides supply chain solutions for the fashion industry and fashion retailers. These solutions comprise collection, warehousing and delivery of hanging and boxed clothing. TNT Innight provides overnight distribution services within Europe. Shipments are collected at the end of the working day and are delivered overnight before 7:00 am the next day. Customers span the automotive, healthcare, installation technology, electronics, telecom and medical technology sectors.

2011 PERFORMANCE

Year ended at 31 December	2011	variance %	2010
Operating revenues	463	3.3	448
Adjusted operating income	20	5.3	19
(in € millions, except percentages)			

Revenues increased by 3.3%, with TNT Fashion growing by 5.5% and TNT Innight by 2.1%. Both units performed according to expectations.

VII. NON-ALLOCATED

GENERAL

Non-allocated covers mainly the expenses of activities related to the TNT Express' head office and ICS. These costs are shown net of the recovery charges allocated to individual geographic and business segments. Non-allocated also comprises specific one-off corporate expenses such as demerger, restructuring and project costs. Included in the results of non-allocated is a one-off settlement gain as a result of the new separate execution agreements with the Dutch pension funds with regard to the allocated (former) express division employees as a consequence of the demerger.

2011 PERFORMANCE

Year ended at 31 December	2011	variance %	2010
Operating revenues	(6)	0.0	(6)
Operating income	(45)	71.2	(156)
Demerger costs	10	(77.8)	45
Restructuring related charges	28		
Profit pooling			41
Pensions	(14)		15
Adjusted operating income	(21)	61.8	(55)
(in € millions, except percentages)			

In 2011, adjusted non-allocated net costs amounted to €21 million in 2011 and exclude demerger-related costs (€10 million) and restructuring related charges and write-offs of €28 million. In 2011, TNT Express restructured its corporate head office as part of an overall programme targeting annualised €50 million in savings of indirect costs. Adjusted non-allocated costs were lower than in 2010 as a result of continuing cost control, the initial impact of the head office restructuring and lower project costs.

CHAPTER 3 CORPORATE RESPONSIBILITY PERFORMANCE

TNT Express' corporate responsibility (CR) strategy, actions and indicators are integrated into the 2011 annual report. This overview describes the corporate responsibility performance of TNT Express' businesses worldwide.

I. CORPORATE RESPONSIBILITY FRAMEWORK

TNT Express' CR strategy, described in more detail in chapter 1, complements the overall strategy and has three main elements:

- protecting our people;
- maximising operational efficiency; and
- building win-win relationships.

Feedback from stakeholders through dialogues as described in chapter 1 provides input for developing TNT Express' CR strategy.

Specific strategic targets in relation to the three elements of the CR strategy include:

- implementation of a five-year road safety action plan with an overarching goal of zero fatal accidents; and
- improvement of TNT Express' CO_2 efficiency index by 40% by 2020, compared to the 2007 baseline. The CO_2 efficiency index combines the operational performance in TNT Express' operational activities (road transport, air transport and buildings) into one indexed metric.

TNT Express also participates in external evaluations of its CR performance, some of which are described below.

- A global benchmark is provided by the Dow Jones Sustainability Indexes (DJSI), which tracks the financial performance of the world's leading companies in terms of corporate sustainability performance. TNT Express is included in the Dow Jones Sustainability World Index as well as the Dow Jones Sustainability Europe Index. TNT Express scored 93 points out of a possible 100, which is one point improvement over 2010. In 13 out of the 16 dimensions, TNT Express achieved the best-in-class score.

- Another benchmark is provided by the Carbon Disclosure Project (CDP), which works with investors globally to advance investment opportunities and reduce the risks posed by climate change by requesting almost 6,000 of the world's largest companies to report on their climate strategies, greenhouse gas emissions and energy use. TNT Express scored 78 points out of a possible 100, which is three points less than in 2010.

- Feedback is also provided by the Transparency Benchmark of the Dutch Ministry of Economic Affairs. This benchmark provides insight into the level of transparency in sustainability reporting of the 469 largest companies in the Netherlands. TNT Express maintained its position in the front runners group and achieved a shared fifth position compared to fourth position in 2010.

In support of its CR strategy, TNT Express has implemented a dedicated CR organisation structure. In 2011, CR responsibilities were more closely embedded in the business, with the responsibility for developing and implementing CR programmes delegated to regions and individual operating units. A CR steering committee was established that advises both the Executive Board and Management Board on CR strategy, oversees the development and implementation of programmes and monitors performance. The CR steering committee is chaired by the CEO and includes the CFO and representatives of the Human Resources, Operations, Risk Management & Internal Control, Communications and Legal departments.

Progress on CR initiatives is measured monthly, through a dedicated CR monitoring and reporting tool. CR performance targets are set and included in management reward structures. The principal monitoring and control processes for corporate responsibility are:

- A global reporting and consolidating system for CR data supported by a dedicated CR Reporting function under the responsibility of the CFO.
- Non-financial Letter of Representation - each year, senior management signs off on CR related questions, confirming the reliability of the provided data.
- Review of control processes based on the Internal Control framework for Corporate Responsibility (ICCR framework).
- Independent assurance reviews by internal and external auditors.

Performance against TNT Express' ambitions is described in the following sections.

II. PROTECTING OUR PEOPLE

Social performance KPIs

Year ended at 31 December (excluding Hoau)		2011	variance %	2010
Investors in people (% of total headcount)	♦	83%	3.8	80%
Employee engagement		ND[2]		69%
SA 8000 in non-OECD countries (% of total FTEs in non-OECD countries)	♦	52%	(1.9)	53%
OHSAS 18001 (% of total FTEs)	♦	83%	1.2	82%
Fatal accidents (involving TNT Express employees)[1]		11	(15.4)	13
Serious accidents	♦	34	25.9	27
Lost time accidents per 100 FTEs	♦	2.90	(6.1)	3.09

[1] Including Hoau
[2] No data
Figures with a (♦) fall within the reasonable assurance scope

INVESTORS IN PEOPLE/EMPLOYEE ENGAGEMENT

TNT Express' ambition is to be the employer of choice. TNT Express is, above all, a service organisation dependent on employees delivering the best possible service to customers. Having employees fully engaged in delivering TNT Express' vision is therefore critical.

In 2011, TNT Express rolled-out its Employment Value Proposition (EVP), which is a set of attributes that the labour market and internal employees perceive as the value they gain through employment in the organisation. Core to this proposition, TNT Express promises:

- to provide and listen to feedback;
- to differentiate, recognise and reward performance;
- to invest in employee development; and
- to build responsible win-win relationships.

Underpinning these and other employee initiatives is the Investor in People (IiP) programme. Discipline in performing according to these standards is monitored through regular certification. TNT Express is the recipient of a Global Investors in People certification, and was re-accredited in 2010 for a period of three years. All countries are assessed once every three years by an accredited independent external body. TNT Express aims to obtain IiP certification for all operations, and in 2011, 83% of all employees (excluding Hoau) were working in IiP certified sites (2010: 80%).

Employee engagement is measured biennially with the Global Engagement Survey – VOICE. A commitment was made in 2010 to follow up on the key priorities identified from the VOICE 2010 survey results and the feedback given by the employees. To measure improvement on these key areas a short pulse survey called VOICE Pulse was conducted in which employees throughout TNT Express were invited to participate. All entities took part in the survey, with the exception of Brazil and TNT Innight. The VOICE Pulse survey was not designed to measure engagement.

SUCCESSION AND TALENT MANAGEMENT

The Management Board is committed to the personal development of all employees. A particular focus is placed on identifying, recognising and developing employees who have the potential to become future leaders. These employees are calibrated into talent pools and developed to meet TNT Express' future needs in terms of leadership capabilities and succession planning. The talent groups consist of early career potentials, high potentials, executive potentials and executives.

Global talent development initiatives include development centres and talent development programmes. Development centres are designed to assess the competencies required of the employee at the next level and produce personal development plans to take them to that next level. Senior management is involved as observers to provide feedback to employees and as personal coaches to assist in development planning.

Talent development programmes are used to support the employees in deploying their personal development plans. The two key global programmes are 'The Leadership Challenge', which targets high potentials and the 'World Class Leadership Programme', developed with the IMD Business School, to support newly promoted executives and executive potentials.

To support the career advancement of all potential candidates a vacancy management process for all positions in job grades 'A' and above has been implemented. This ensures that talent pools are used to fill vacancies, and that the right people fill the right positions at the right time. Vacancies are advertised on the TNT Express careers website, and are open to all. In addition, short lists of potential candidates from the talent pools are submitted to recruiting managers.

OHSAS 18001

TNT Express has adopted OHSAS 18001 certification with regards to workplace health and safety. The objective is to obtain OHSAS 18001 certification for all operations. In 2011, 83% of all FTEs (excluding Hoau) are working in OHSAS 18001 certified sites (2010: 82%).

This certification is reinforced with focused accident reduction plans. The plans cover seven key areas: leadership, workplace safety, road safety, employee health and wellbeing, accident investigation and monitoring, competence and training, communications and engagement.

ACCIDENTS

TNT Express' management is committed to transparency on its social footprint and leads the industry with regard to reporting on all fatal accidents in both owned and subcontracted operations. TNT Express regrets to report 11 fatal accidents in own operations in 2011 (2010: 13). Eight were road traffic fatal accidents (2010: 12) and three were workplace fatal accidents (2010: 1). The majority of the fatal accidents (6 road traffic fatal accidents (2010: 9)) and all the workplace fatal accidents occurred in China. The 11 fatal accidents resulted in 12 fatalities (5 TNT Express employees and 7 third parties).

The absolute number of serious accidents (excluding Hoau) increased to 34 in 2011, compared to 27 in 2010. The analysis of this increase has not revealed a common or consistent underlying cause. The lost time accidents per 100 FTEs (excluding Hoau) decreased from 3.09 in 2010 to 2.90 in 2011.

The Executive Board, with the full support of the Management Board, continues to provide focused support to its operations in China, Brazil and India. Road safety is a complex problem, especially in these emerging markets. Nevertheless, continued focus on implementing sustainable improvements and standards should produce positive results in the long term.

Five-year road safety action plan

Road safety has always been a high priority for TNT Express. In 2011, a revised five-year road safety action plan was issued with a goal of zero fatal accidents by 2015. This plan takes into consideration changes in road traffic volumes, infrastructure and driver behaviour. Though ambitious, TNT Express believes it is necessary to set challenging targets and the action plan is part of TNT Express' continuous improvement process.

The five-year action plan complements the first ever United Nations 'Decade of Action for Road Safety 2011-2020', which aims to reverse the growing trend in road traffic deaths and injuries worldwide, particularly in low and middle income countries. The private sector is recognised as a key contributor, and TNT Express can play its part.

To support the five-year action plan, all TNT Express' operations are required to deliver an effective communication campaign to ensure all employees and subcontracted drivers are aware of the vision for zero fatal accidents and their role in its realisation.

TNT Express recognises that employee drivers and subcontracted drivers act as ambassadors for the TNT Express brand and have a vital role to play in reducing road traffic accidents, injuries and deaths while driving a TNT Express vehicle. TNT Express operates a driver recognition scheme that provides recognition to those drivers that are accident-free and consistently display proper driving behaviour. This scheme is applicable to both employee and subcontracted drivers. The scheme supports and complements TNT Express' existing health and safety management system approach to road safety, which focuses on effective vendor, driver, vehicle, and journey management.

III. MAXIMISING OPERATIONAL EFFICIENCY

Environmental performance KPIs

Year ended at 31 December (excluding Hoau)		2011	variance %	2010
ISO 14001 (% of total FTEs)	♦	84%	1.2	83%
CO_2 emissions absolute of own operations (scope 1 and 2) (ktonnes)	♦	1,121	6.3	1,055
CO_2 emissions absolute of subcontractor operations (ktonnes)		1,445	(3.5)	1,497
CO_2 efficiency index	♦	92.2	(0.6)	92.8
CO_2 efficiency network flights (EAN + Domestic) (g CO_2/tonne km)	♦	1,578	2.2	1,544
CO_2 efficiency longhaul air (g CO_2 tonne km)	♦	513	(3.6)	532
CO_2 efficiency small trucks and vans (g CO_2/km)	♦	341	(1.7)	347
CO_2 efficiency large trucks (g CO_2/km)	♦	722	(2.0)	737
CO_2 efficiency buildings (kg CO_2/m^2)	♦	25.9	(7.2)	27.9
Energy efficiency buildings (MJoules/m^2)	♦	400	(3.6)	415
Sustainable electricity (% of total electricity)	♦	47%	9.3	43%

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

ISO 14001

TNT Express has adopted ISO 14001 certification with regards to environmental management. It is TNT Express' objective to obtain ISO 14001 certification for all operations. In 2011, 84% of all FTEs (excluding Hoau) are working in ISO 14001 certified sites (2010: 83%).

CO_2 AND ENERGY EFFICIENCY

TNT Express is committed to improve the environmental performance of its entire operation, which includes the activities performed by subcontractors, and to provide full and transparent disclosure on its environmental footprint. TNT Express discloses the total absolute CO_2 emissions of both owned and subcontracted operations despite the challenge of capturing data related to subcontractors in environmental reporting.

In 2011, the CO_2 footprint of TNT Express' own operations (scope 1 and 2, excluding Hoau) increased by 6.3% to 1,121 ktonnes (2010: 1,055), while that of subcontracted operations (scope 3) decreased by 3.5% to 1,445 ktonnes. In 2011, 56% of the total CO_2 emissions (excluding Hoau) relates to subcontracted operations.

The own operational performance of TNT Express' CO_2 efficiency is targeted at a 40% improvement on the efficiency index relative to the 2007 baseline position. The CO_2 efficiency index shows an improvement of 7.8 points relative to 2007. The index score of 92.2 is an improvement of 0.6 points relative to 2010 (92.8). The improvement in 2011 can be attributed to road transport efficiency (+0.4 points), building efficiency (+0.6 points) and air transport efficiency (-0.4 points).

TNT Express also works with other interested parties (both shippers and carriers) in developing standards and systems to improve environmental performance of subcontractors.

More information on the environmental performance of TNT Express including its subcontractors is presented in chapter 5.

KEY INITIATIVES TO IMPROVE ENVIRONMENTAL PERFORMANCE

The following initiatives were undertaken in 2011 to improve TNT Express' environmental performance.

Planet Me

The primary objective of Planet Me is to reduce the environmental impact of TNT Express' operations and to boost the financial performance by improving fuel efficiency. The aim is to achieve this by leveraging innovation and technology where appropriate and financially sound, and in partnership with others. It is TNT Express' aim to ensure that all innovative solutions and technologies create value for the stakeholders and a sustainable future.

Drive Me Challenge

The challenge contributes significantly to raising awareness of efficient and ecological driving to the drivers and employees in general. Since the start of the challenge in 2006, a substantial improvement has been observed in the driving habits of all drivers.

Carbon reduction plans

Each country has developed and implemented carbon reduction plans with clear actions. These plans cover the main impacts and provide guidance on best practices. Best practices related to air and road transport include: vehicle renewals; replacement with electrical, compressed natural gas (CNG) and hybrid vehicles; telematics; aerodynamics and network optimisation. Best practice examples related to buildings include: on-site generation and renewable energy sourcing.

Other best practice examples are aimed at driver performance, incentive schemes, education, and development of carbon reduction teams.

City Logistics

During 2011, TNT Express piloted the City Logistics programme that aims to deliver zero-emission last-mile solutions for inner-cities. Four unique solutions have been developed and rolled-out in collaboration with suppliers, customers, and city authorities. These include: delivery solutions with electric vehicles; night express services; distribution to mobile or microdepots with electric tricycles; and a collaborative solution to bundle volumes through City Distribution Centres with low emission vehicles.

These solutions will be deployed to additional locations, with six European cities (Barcelona, Berlin, Brussels, London, Milan, and Paris) selected to showcase the benefits for cities and customers.

Road transport

TNT Express together with its subcontractors operates a large fleet of vehicles and aims to continue to improve environmental performance through innovation.

The electric vehicle fleet of TNT Express and its subcontractors was expanded to include several additional geographies, and now include the United Kingdom, the Netherlands, France, China, Italy and Turkey. The collaboration with subcontractors to expand their fleet with electric vehicles is an example of a win-win relationship as mentioned in the next section.

TNT Express Netherlands performed a five month test with a trailer equipped with ‘EcoTail’, a foldable and retractable rear wing. As a result of the test, it is estimated that the use of this aerodynamic trailer tail can reduce truck fuel consumption by 6%.

Air transport

TNT Express has taken several initiatives to improve the fuel efficiency of its air fleet and therefore reduce the CO_2 footprint. Initiatives include projects to reduce fuel consumption at take-off and landing and route optimisation from improved flight plans.

IV. BUILDING WIN-WIN RELATIONSHIPS

Other perfomance KPIs

Year ended at 31 December (excluding Hoau)		2011	variance %	2010
ISO 9001 (% of total FTEs)	♦	89%	4.7	85%
Fatal accidents (involving subcontractors)[1]		38	65.2	23
Customer satisfaction score		92%	0.0	92%

[1] Including Hoau
Figures with a (♦) fall within the reasonable assurance scope

TNT Express encourages its customers, subcontractors, suppliers and communities to adopt the same approach as the company with respect to corporate responsibility and at all possible opportunities, attempts to build win-win relationships with these stakeholders.

ISO 9001

TNT Express’ objective is to offer its customers excellent service. As such, it adheres to a number of strict quality standards, including ISO 9001. TNT Express’ customer management approach is fully aligned with ISO 9001 standard. It is TNT Express’ objective to obtain ISO 9001 certificates for all its operations. In 2011, 89% of all FTEs (excluding Hoau) were working in ISO 9001 certified sites (2010: 85%).

CUSTOMERS

Customer focus and satisfaction are at the heart of TNT Express’ activities. TNT Express aims to deliver responsible services in accordance with its CR commitments and offer innovative and sustainable solutions to reduce TNT Express’ and its customer’s social and environmental impacts.

Customer satisfaction

TNT Express aims to exceed customer expectations. Analysis shows that ‘satisfied’ and ‘more than satisfied’ customers are more loyal than the lower ranked customer groups. Therefore, TNT Express aims to increase the percentage of ‘more than satisfied’ customers from within the group of ‘at least satisfied’ customers. Understanding the mindset of ‘less than satisfied’ customers and using their feedback helps TNT Express to develop improvement strategies with the goal of improving customer retention.

TNT Express conducts an annual worldwide customer satisfaction survey. In 2011, TNT Express received over 32,000 completed surveys from customers across all customer segments. The customer satisfaction score (meeting customer expectations) remained stable at 92%. Consistent with 2010, 41% of those customers rated TNT Express services as exceeding expectations, which is a slight improvement from 2010 (40%).

System CO_2

CO_2 is becoming an increasingly important factor for many of TNT Express' customers. TNT Express pro-actively responds to this emerging customer demand by offering a range of CO_2 related services.

'System CO_2' portfolio of services focuses on two aspects:

- Providing customers with accurate and reliable reports on the CO_2 emissions caused by the transportation of their consignments. CO_2 can be reported for already transported consignments, or predicted for future business. The reporting method follows internationally recognised guidelines and standards in this area.
- Working with customers to identify opportunities for CO_2 reduction in their transport supply chains. Such solutions are specific to customers and are tailored to their requirements and needs. Solutions range from broader supply chain optimisations to specific initiatives like City Logistics as a low CO_2 solution for the first-mile pickup and last-mile delivery.

Partnering with customers in the area of CO_2, results in joint benefits for TNT Express and its customers, and TNT Express remains committed to providing customers with CO_2 related services. To further develop the service proposition in this area, it is TNT Express’ intention to actively engage with customers to understand their needs and requirements, and to share expertise and best practices.

TNT Express will also continue to actively participate in sector initiatives that aim at standardising methods and modes of reporting in this area.

SUBCONTRACTORS

TNT Express acknowledges that its responsibility on social and environmental elements includes operations performed by subcontractors.

Subcontractor road traffic fatal accidents

TNT Express acknowledges the full extent of its social footprint, and leads the industry by disclosure of fatal accidents involving subcontractors. TNT Express is reliant on its subcontractors to report the fatal accidents involving subcontractor drivers and third parties. Due to legal obligations and the requirements of local authorities, TNT Express is unable to distinguish between blameworthy and non-blameworthy road traffic fatal accidents.

In 2011, TNT Express regrets to report 38 subcontractor road traffic fatal accidents (2010: 23). The majority of the subcontractor road traffic fatal accidents occurred in India and Brazil (22). TNT Express monitors the accidents involving subcontractors and takes necessary action, where appropriate, to terminate contracts with subcontractors that fail to meet TNT Express’ health and safety standards.

Industry initiative

TNT Express is taking the lead alongside other industry leaders in the development of a key initiative to support European road transport companies in managing their CO_2 emissions. This programme will be launched in the first quarter of 2012 and is based on the successful SmartWay Programme in the United States. It will drive reductions of carbon emissions by:

- establishing a platform for monitoring and reporting carbon emissions that could assist in the procurement of transportation services and is based on existing standards;
- promoting collaboration between carriers and shippers, in driving improvement actions and monitoring progress; and
- establishing a certification system to reward shippers and carriers that fully participate in the programme.

LOCAL AND INTERNATIONAL COMMUNITIES

External partnerships and initiatives help TNT Express to identify important issues and develop responses that support the interest of stakeholders and the wider society. TNT Express strives to establish a lasting dialogue with communities, develop skills and provide jobs locally. TNT Express supported or participated in the following community programmes in 2011.

World Food Programme

TNT Express has been an active partner of the United Nations World Food Programme (WFP), the world's largest humanitarian aid agency, since 2002. By committing its knowledge, skills and resources, TNT Express supports WFP in fighting hunger worldwide.

As in previous years, 'End Hunger: Walk the World', an annual event to raise money and awareness of WFPs efforts to fight hunger and malnutrition, was organised in 2011. In total, 33 countries in which TNT Express operates, organised a walk, and an estimated 33,000 TNT Express employees participated and approximately €500,000 was raised for WFP.

Emergency Response

TNT Express is a committed member of the Logistics Emergency Teams (LETs). Through the LETs programme, TNT Express alongside other industry members provide WFP with operational support by deployment of logistics professionals to assist in humanitarian emergencies.

During 2011, TNT Express provided support in a number of major emergencies, including the tsunami in Japan and the unprecedented famine in Horn of Africa. The emergency response team with the support of TNT Japan deployed operations employees for a period of seven weeks in Sendai Province in Japan, to assist in warehouse operations. During this disaster, TNT Express also assisted in clearing temporary storage and delivering over 68,500 blankets to 16 different cities to support those affected by the tsunami. In August 2011, WFP reached out to the LETs requesting emergency airlifts of food supplies to the Horn of Africa. TNT Express agreed to sponsor an airlift of approximately 45 tonnes of Plumpy 'Sup to Nairobi for the Horn of Africa crisis using its Boeing 767 aircraft.

Fleet Forum

TNT Express remains a committed member of Fleet Forum. This Geneva based organisation brings together members of the humanitarian community who are responsible for vehicle fleet management to discuss common challenges, share best practices, develop appropriate solutions and mobilise expertise. TNT Express is a board member of Fleet Forum along with WFP, International Federation of Red Cross and Red Crescent (IFRC), World Vision International, Care International and Univicity. Fleet Forum's mission is to make transport safer, cleaner and more efficient in order to save lives, the planet and costs.

In September 2011, Fleet Forum organised a Clean Fleet Workshop together with LandRover and the United Nations Environmental Programme (UNEP). During this workshop, representatives of various humanitarian organisations shared their practices on clean fleet vehicle management.

North Star Alliance

North Star Alliance (NSA) is a public-private partnership established in 2006, by TNT Express and WFP, as a practical industry response to the issues posed by HIV/AIDS and other infectious diseases, which are prevalent in the transport sector. Since its foundation, NSA has matured into a key primary healthcare provider that meets industry, public health, and individual needs.

NSA operates at the junction of disease and mobility, to ensure that highly mobile populations, particularly long distance truck drivers and their related communities, have access to basic health services through a network of health clinics called Roadside Wellness Centres (RWCs). New RWCs are being opened at a fast pace.

During 2011, NSA and Fleet Forum entered into a partnership to develop modular driver training, which needs to be delivered through the RWCs. TNT Express' support towards NSA in 2011 ranged from financial support to in-kind donations.

MEMBERSHIPS

TNT Express believes that working with external partners provides the means to share, learn and keep abreast of the views and opinions of the societies in which it operates. Regular engagement with sector initiatives provides an opportunity to voice TNT Express' opinion and to receive feedback on important issues and the interest of stakeholders.

Besides local initiatives, TNT Express is actively engaged in the following organisations and global initiatives:

- UN Global Compact: TNT Express is a signatory of the UN Global Compact since 2006 and has adopted the ten principles of UN Global Compact in the strategy and day-to-day operations (refer to Annex I).
- WEF (World Economic Forum): TNT Express is a member of the Logistics and Transport Sustainability Group, a signatory of the World Economic Forum Partnering Against Corruption Initiative (PACI) (refer to Integrity section in chapter 4) and actively contributes to WEF working groups. This includes a working group on consignment level carbon reporting.
- WBCSD (World Business Council for Sustainable Development): this is a CEO-led global association that focuses on business and sustainable development. It serves as an intercompany platform to explore sustainable development, share knowledge, experiences and best practices.
- EABIS (European Academy for Business in Society): TNT Express is represented on the management board and committed to putting business in society issues at the heart of management theory and practice.
- SAI (Social Accountability International): TNT Express is represented on the advisory board and various committees of SAI. The SAI was established with the aim to promote human rights for workers around the world.

V. 2012 CORPORATE RESPONSIBILITY COMMITMENTS

In 2012, TNT Express' CR commitments are to:

- reinforce the zero road accident vision through active communications and clear responsibility assignments;
- continue to leverage innovation and technology where possible in partnership with others to realise environmental targets;
- engage customers by rolling out System CO_2, and develop new customer propositions and low carbon solutions;
- work with subcontractors and partners to continually improve road safety and operational efficiencies;
- improve employee engagement; and
- work with the aid and development sector to support their effectiveness.

CHAPTER 4 GOVERNANCE AND COMPLIANCE

I. OUR SUPERVISORY BOARD

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

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

- Chairman of the Nominations Committee
- Member of the Remuneration Committee

L.W. (Tex) Gunning
(1950, Dutch)
Initial appointment 2011
Current term of office 2011-2014

Member of the executive committee of AkzoNobel N.V.; member of the supervisory board of Royal FrieslandCampina N.V.; former Business Group president of Unilever N.V. and plc.; and former chairman and CEO of Vedior N.V.

- Member of the Audit Committee
- Member of the Nominations Committee

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

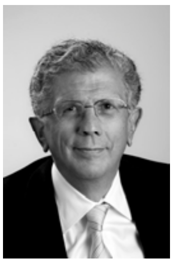
Non-executive director at J. Sainsbury plc.; member of the supervisory board of Unibail-Rodamco S.E. and former member of the supervisory board of TNT N.V.

- Chairman of the Remuneration Committee
- Member of the Audit Committee

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

Non-executive director of Orient Overseas International Limited and Sincere Watch Limited; former member of the supervisory board of TNT N.V.; former president and CEO of Sa Sa International Holdings Limited; former chairman and CEO of ODS System-Pro Holdings Limited; former MD and COO of Orient Overseas International Limited; and former non-executive director of Arrow Electronics, Inc. (USA).

- Member of the Remuneration Committee
- Member of the Nominations Committee



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

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

- Chairman of the Audit Committee
- Member of the Remuneration Committee

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

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, Energy Research Centre of the Netherlands, Stichting Rijksmuseum and Warmtebedrijf Rotterdam N.V.; member of the committee on External Reporting of the AFM, external member of the audit committee of Stichting Pensioenfonds ABP and member of the board of World Press Photo.

- Member of the Audit Committee

II. REPORT OF THE SUPERVISORY BOARD

The 2011 annual report (including the 2011 consolidated financial statements) 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. PwC's report can be found on page 138 of chapter 5.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the 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 Financial Markets Supervision Act (*Wet op het financieel toezicht).* Refer to chapter 1, page 16.

The Supervisory Board recommends that the Annual General Meeting of Shareholders, to be held on 11 April 2012, adopts the 2011 consolidated financial statements of TNT Express. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability for the exercise of their duties. The appropriation of profit approved by the Supervisory Board can be found on page 141 of chapter 5.

The Supervisory Board endorses the Executive Board's view on 2011. The Supervisory Board therefore approved the decision by the Executive Board to propose a dividend over 2011 at €0.044 per ordinary share, of which €0.04 was already paid as an interim dividend (at the election of the shareholders either wholly in ordinary shares or wholly in cash) in August 2011. The Supervisory Board also approved the decision by the Executive Board to propose to the Annual General Meeting of Shareholders a distribution of a final dividend 2011 of €0.004 per ordinary share (at the election of the shareholders either wholly in ordinary shares or wholly in cash).

MEETINGS OF THE SUPERVISORY BOARD

In 2011, the Supervisory Board held seven (mostly evening and next-day morning) meetings. Most meetings were held with the Executive Board present. At every meeting, agenda items included business and market developments, results and positions in various markets, strategic and regulatory updates and corporate responsibility issues. Absence by any of the members of the Supervisory Board was limited. The attendance rate of the total Supervisory Board was 93%. The chairman had frequent meetings with the CEO.

In its first meeting in July 2011, the Supervisory Board discussed the composition and working methods of the Supervisory Board and its committees. The Supervisory Board discussed the half year and second quarter results and approved the 2011 interim dividend. An update on service quality and health and safety and a presentation on talent review and succession management were given. The Supervisory Board and Executive Board dedicated the evening meeting to a discussion on strategy.

In the meetings in October 2011, the third quarter results, a strategy update – including topics related to the emerging markets – were discussed. An update on road safety was provided. The Supervisory Board approved the by-laws and terms of reference of the Supervisory Board, the Supervisory Board committees and the Executive Board. The Supervisory Board met with the Executive Board to discuss the current market developments in Europe.

In the meetings in December 2011, the Supervisory Board discussed and approved the 2012 budget and the outline of the 2012 strategic plan. In addition, various governance issues were discussed.

Other topics discussed during 2011 included cost reduction programmes, specific business unit strategies, major investments, business disposals and pensions.

The Supervisory Board evaluated in a private session the functioning of the Executive Board and its members. Subsequently, the Supervisory Board discussed in a private session its own functioning as Supervisory Board, its profile, composition, competence, potential expansion and the function of its committees. As the Supervisory Board members were first appointed in May 2011, the evaluation was performed in a limited format. A full evaluation will be done in 2012.

Strategy and risk management

In July, October and December, the Supervisory Board together with the Executive Board discussed the strategy of TNT Express, which included all strategic options for the development of TNT Express and its businesses. As a result of these discussions, the Supervisory Board approved the outline of the 2012 strategic plan in December. Refer to chapter 1 for more information on TNT Express' strategy.

The outcome of TNT Express' risk management process, the risks identified and the mitigation plans in place to manage these risks in the short-to-medium term were shared and discussed with the Audit Committee and the Supervisory Board. More details on TNT Express' risk management process and the strategic, operational, legal and regulatory and financial risks facing TNT Express' are outlined in the risk section (section V) of this chapter.

MEETINGS OF THE COMMITTEES OF THE SUPERVISORY BOARD

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. Minutes of the Audit Committee meetings were prepared immediately after the meeting and were available in draft to the full Supervisory Board the following morning prior to the regular Supervisory Board meeting.

Audit Committee

The Audit Committee consists of four members and is chaired by Mr Levy. In 2011, the Audit Committee met three times. All meetings were attended by the CFO, the director of Internal Audit and the director of Financial Reporting, Consolidation and Accounting. The meetings were also attended by the external auditor, PwC.

The Audit Committee discussed with PwC the 2011 half year and third quarter results and the audit strategy. It also reviewed press releases and compliance with TNT Express' Policy on Auditor Independence and Pre-Approval, as well as internal control over financial reporting. The reports of TNT Express' internal audit function were discussed each quarter. The Audit Committee furthermore reviewed proposals for the 2011 interim dividend, the 2012 budget plan and the internal audit plan for 2012. Other topics discussed during 2011 included pensions, impairments, Brazil's performance and control system, investments, divestments and updates on TNT Express' control framework.

The chairman of the Audit Committee met with the external auditor in a private session before every meeting of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of three members and is chaired by Ms Harris. Three meetings were held in 2011. The Remuneration Committee reviewed the current remuneration policy and prepared a proposal for a new remuneration policy, which was supported by the Supervisory Board. Provided it will be approved at the Annual General Meeting of Shareholders in April 2012, the new remuneration policy will become effective in 2012.

Refer to the remuneration section (section IV) of this chapter for further details on remuneration of the Executive Board and the Supervisory Board.

Nominations Committee

The Nominations Committee consists of three members and is chaired by Mr Burgmans. Both the Supervisory Board and Executive Board members were first appointed in the course of 2011. The first meeting of the Nominations Committee is scheduled for the beginning of 2012.

INDUCTION AND TRAINING

Two half-day induction programmes were held on 7 September 2011 and 27 October 2011. Senior directors presented to the Supervisory Board, TNT Express' main functions – marketing & sales, ICS, human resources and operations – the regional business organisation and priorities. Also presented were an outline of the control and compliance framework and an overview of investor relations activities.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of six members. TNT Express' Articles of Association mandate that the Supervisory Board should consist 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 Express' business and activities and the desired expertise and background of the members of the Supervisory Board. Both profile and rotation plans can be viewed on TNT Express' corporate website (www.tnt.com/corporate).

In accordance with the Dutch Corporate Governance Code, the members of the Supervisory Board may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT Express). In this respect, a chairmanship counts twice. In 2011, the members of the Supervisory Board complied with this requirement.

DIVERSITY WITHIN THE SUPERVISORY BOARD

TNT Express adheres to best practice provision III.1.3 of the Dutch Corporate Governance Code, which states that certain information (including gender, age, expertise, nationality) must be given in the annual report on the members of the Supervisory Board themselves. The Supervisory Board has explicitly included this information about its members.

Of the six members of the Supervisory Board, two are female (33%), and 50% are non-Dutch, with a representation of four nationalities. The average age is 60, with ages ranging between 45 and 71. The majority of the members possess a university degree or equivalent. The field of expertise ranges from consultancy and finance, to general management and business experience in North America, Asia and Europe.

The profile of the Supervisory Board is such that each member must be capable of assessing the broad outline of the overall policy and should have the specific expertise required to fulfil the duties assigned to his or her designated role within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties. The Supervisory Board has ensured its composition meets the required profile and is as independent and diverse as possible. Each member of the Supervisory Board is independent in accordance with principle III.2 of the Dutch Corporate Governance Code.

COMPLIANCE

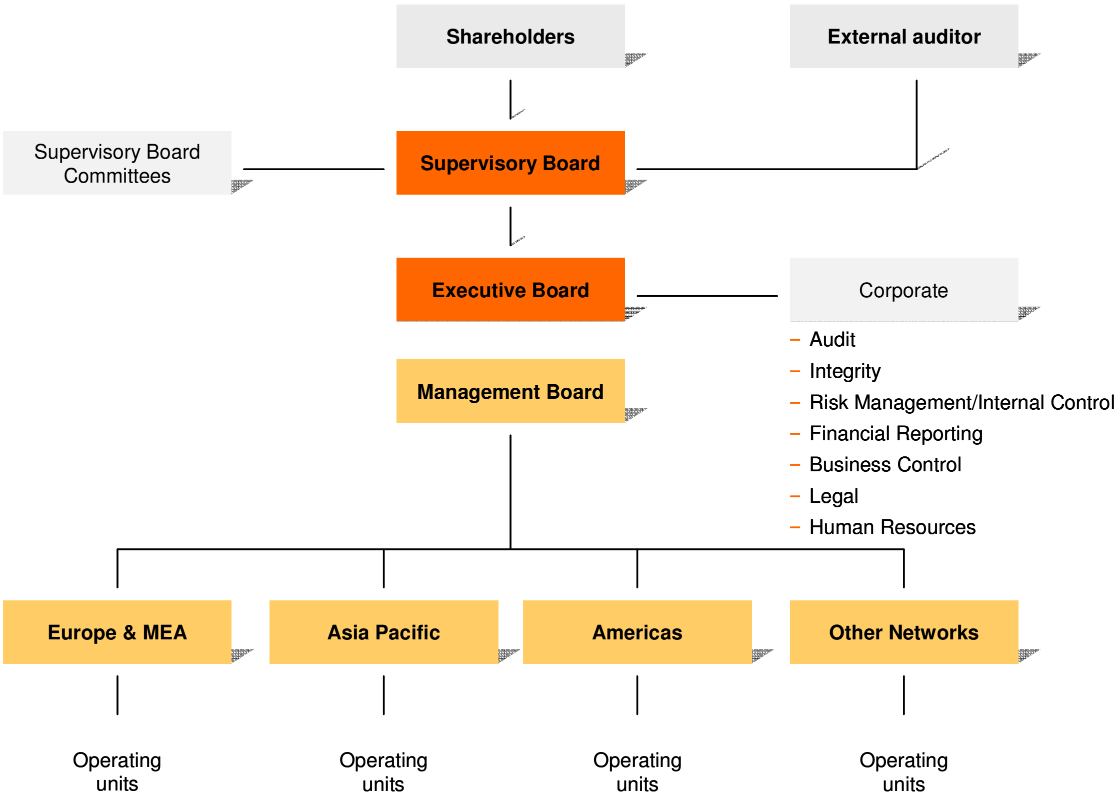
A decision to enter into a transaction involving a conflict of interest with a member of the Supervisory Board that is of (material) significance to TNT Express or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2011.

In 2011, the Supervisory Board confirms that no decision was taken by the Supervisory Board that did not comply with its by-laws.

The Supervisory Board wishes to thank the Executive Board and all employees of TNT Express for their outstanding contributions in 2011.

Supervisory Board
Hoofddorp, 21 February 2012

III. CORPORATE GOVERNANCE



External regulations

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

Internal regulations, policies and processes

- Articles of Association
- Business principles
- By-laws Supervisory Board
- By-laws Executive Board
- By-laws Management Board
- COSO – ERM[4]
- Key controls/CWC[5]
- Company policies
- Corporate Responsibility standards

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

This section of the Annual Report contains an overview of the corporate governance of TNT Express N.V. and also includes the information and statements that must be provided according to the Dutch governmental decree of 20 March 2009 (Stb. 2009, 154).

GENERAL

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

As illustrated in the diagram on page 43, the Executive Board is supported by a Management Board and dedicated functions that are responsible for internal audit, integrity, risk management, internal control, financial reporting, business control, legal compliance and human resources in the discharge of their corporate governance obligations. The composition of the Management Board is described on page 47 of this chapter.

TNT Express' corporate governance structure and processes are based on external regulations (including the Dutch Civil Code, Dutch Financial Markets Supervision Act, Dutch Corporate Governance Code and NYSE Euronext listing rules) complemented by company articles of association, business principles, by-laws, controls and policies that comply with external legal and regulatory obligations, and internationally recognised corporate responsibility standards.

FOUNDATIONS OF TNT EXPRESS' CORPORATE GOVERNANCE

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the current Dutch Corporate Governance Code and regulatory requirements. The Executive Board's compliance statements relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act can be found on page 16.

Internal control over financial reporting

The Executive Board uses the positive elements of former obligations under the Sarbanes-Oxley Act in establishing the company's governance and internal controls over financial reporting (ICFR). Furthermore, the Executive Board has chosen to expand the scope of the internal controls over the financial reporting framework beyond the minimum requirements that would have been mandatory according to the Sarbanes-Oxley Act, to include certain smaller entities and most entities acquired in the past few years.

TNT Express' specific approach to internal control over financial reporting continues to be generally based on section 404 of the Sarbanes-Oxley Act of 2002 and the associated guidance to management issued by the United States Securities and Exchange Commission in May 2007. In addition, the approach is based on the principles outlined in the 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 Express' approach to internal control over financial reporting does not imply an assessment of the adequacy and effectiveness of TNT Express' internal control and risk management processes over financial reporting under section 404 of the Sarbanes-Oxley Act, nor is there an assessment by TNT Express' external auditor to that effect.

Throughout 2011, TNT Express documented and evaluated the design of internal controls over financial reporting. In addition, TNT Express continued a comprehensive programme of testing the operational effectiveness of its internal controls over financial reporting. Further initiatives on entity level controls were undertaken, including integrity awareness and training (refer to the Integrity section on the following page) and reinforcement of policies and procedures. In 2011, the Executive Board engaged the external auditor to perform specific agreed-upon procedures on the internal control over financial reporting process in all entities in scope for the ICFR programme. The Executive Board believes that this approach develops the discipline needed to maintain and embed internal control over financial reporting across the company. The findings of the external auditor are reported to the Executive Board and the Audit Committee of the Supervisory Board.

In 2012, the Executive Board plans to expand the scope and discipline of the ICFR approach to non-financial reporting areas in commercial and operational functions.

Risk management and reporting

TNT Express has a continuous, formal and structured risk management and reporting system in place. This is further explained in the risk section (section V) of this chapter.

Integrity

Guidance on integrity is set out in the TNT Express Business Principles and related policies and procedures. These policies and procedures covers among others conflicts of interest, gifts and entertainment, corruption and whistleblowing and disciplinary actions. The TNT Express Business Principles are aligned with the UN Global Compact, the World Economic Forum Partnering Against Corruption Initiative Principles and the UN Guiding Principles for Business and Human Rights, and are embedded within TNT Express' strategic and operational decision-making processes.

By determining where risks are greatest, the TNT Express Integrity Programme has been tailored to effectively mitigate and monitor those risks, thus making the most efficient use of the resources that it can dedicate. This risk assessment considers both country-specific indicators, such as the Transparency International Corruption Perception Index, and TNT Express-specific indicators, such as audit grades, financial performance, employee engagement, customer base and integrity history. The analysis results in a risk profile (high, medium, low) awarded to each entity within TNT Express, including its associates and joint ventures. Each risk profile entails a specific training, communication and monitoring programme within a three-year cycle.

Awareness and compliance are enhanced by integrity-related communication and web-based and in-person training. Interactive integrity workshops are held for senior and higher management all over the world. In 2011, the Integrity department trained 996 managers and employees through in-person and/or web-based training (2010: 694). Subsequently, senior managers, as part of their responsibility for the roll-out of the Integrity Programme, cascade this training and communication down into their business units using the 'train the trainer' model. This process is facilitated and monitored by the Integrity department.

The monitoring process for integrity includes:

- a Letter of Representation signed by senior management every half-year;
- internal audits;
- a comprehensive set of internal controls; and
- an annual management self assessment.

Another important monitoring tool is the TNT Express Procedure on Whistleblowing. Under this procedure, employees are encouraged to report promptly any breach or suspected breach of any law, regulation, the TNT Express Business Principles or other company policies and procedures, or any other alleged irregularities. Employees can report the breach or suspected breach directly to their line manager or to the Integrity department. In 2011, 84 reports were received (2010: 132). Approximately 8% of these complaints involved employment-related matters (2010: 16%). The number of reports received has decreased year-on-year by 36%. The financial impact of the substantiated cases is not material and appropriate remedial actions have been taken.

Over the past 5 years, the Integrity Programme has scored 100% in the area 'codes of conduct and compliance' in the Industrial Goods and Services Supersector of the Dow Jones Sustainability Indexes. TNT Express is proud of this recognition, yet will continuously strive to improve and will further roll-out its Integrity Programme in order to enhance its strong ethical culture.

DUTCH CORPORATE GOVERNANCE CODE

The corporate governance structure of TNT Express is based on the requirements of the Dutch Civil Code, its Articles of Association and internal procedures and the rules and regulations applicable to companies listed on the NYSE Euronext stock exchange. TNT Express aims to enhance and improve its corporate governance standards in accordance with applicable law and regulations, with the implementation of the Dutch Corporate Governance Code being the most notable. Generally, TNT Express applies the best practice provisions set out in the Dutch Corporate Governance Code. An explanation is given below for those instances in which TNT Express does not fully comply with the best practice provisions of the Dutch Corporate Governance Code.

Best practice provision II.2.8

This provision includes a stipulation that the remuneration of a board of management member in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). At TNT Express, severance payments other than related to a change of control for members of the Executive Board are one year's base salary. Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the past three years, multiplied by two. No distinction is made between resident and non-resident members of the Executive Board. TNT Express is of the opinion that such payment is realistic taking into account the special position of members of the Executive Board in a change of control situation. Also, the Supervisory Board may decide that the 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 Express does not apply this best practice provision insofar its Articles of Association provide that a binding nomination for the appointment of members of the Executive Board or Supervisory Board or a resolution to remove a member of the Executive Board or Supervisory Board may only be set aside by a shareholders' resolution passed with a two-thirds majority representing more than half of TNT Express' issued capital; and that, with respect to a resolution to appoint a member of the Executive Board or Supervisory Board other than in accordance with the nomination by the Supervisory Board, a new meeting cannot be convened. TNT Express deviates from this best practice provision for reasons of stability and continuity at the outset of its existence as an independent company.

EXECUTIVE BOARD

General

The Executive Board is responsible for the day-to-day management of TNT Express with the deployment of its strategy, its risk profile, financing, achievement of objectives and operations, compliance, communications and corporate responsibility issues. The Executive Board may perform all acts it deems necessary or useful for achieving the corporate purposes of TNT Express, except for those expressly attributed to the General Meeting 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 Express in all reports are full, fair, accurate, timely and understandable, and that they fairly present the condition of TNT Express 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 Express worldwide, and monitoring compliance with integrity and ethical behaviour standards. The Corporate Responsibility (CR) Steering Committee advises and assists the Executive Board in developing, executing and monitoring the performance of TNT Express' corporate responsibility strategy and associated policies and procedures. The CR Steering Committee is chaired by the CEO.

Appointment and removal

The members of the Executive Board are determined from time to time by the Supervisory Board. The current Executive Board consists of two members who are appointed for a period of four years. On expiry of the four-year term, a member of the Executive Board may be reappointed for a maximum of four years per term.

In the event a seat is vacant, the Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the General Meeting to appoint a member of the Executive 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 and the vacant seat must be filled by electing a person from this list. A resolution of the General Meeting to appoint a member of the Executive 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 a majority of at least two-thirds of the votes cast representing more than half of the issued capital of TNT Express.

The General Meeting may suspend or remove any member of the Executive Board. A resolution of the General Meeting to suspend or remove a member of the Executive Board other than pursuant to a proposal by the Supervisory Board requires a majority of at least two-thirds of the votes cast representing more than half of the issued capital of TNT Express. The Supervisory Board may also suspend any member of the Executive Board. The General Meeting may terminate a suspension by the Supervisory Board at any time.

An amendment to the Articles of Association concerning the above provision will be placed on the agenda for the Annual General Meeting of Shareholders on 11 April 2012.

Conflict of interest

A member of the Executive Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Executive Board on any conflict of interest of significance. The same applies to any potential conflict of interest that may be of (material) significance to TNT Express and/or to the relevant member.

In the event of a conflict of interest between TNT Express and a member of its Executive Board, TNT Express will be represented by another member of the Executive Board or a member of the Supervisory Board appointed by the Supervisory Board for this purpose. A decision to enter into a transaction involving a conflict of interest with a member of the Executive Board that is of (material) significance to TNT Express or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2011.

Contract and Remuneration

Members of the Executive Board have contracts for an indefinite period of time. The contract ends either on the date of retirement or by notice of either party. Termination of the contractual arrangements of the Executive Board requires a notice period of six months.

The remuneration of the members of the Executive Board must be determined by the Supervisory Board in accordance with the remuneration policy, adopted by the Annual General Meeting of Shareholders.

The current remuneration policy of TNT Express has been adopted by TNT N.V. prior to the demerger and is in line with the remuneration policy that was adopted by the 2010 Annual General Meeting of TNT N.V. More information on the remuneration of the members of the Executive Board can be found in note 18 of the consolidated financial statements.

Issue of shares

The Executive Board has been designated by the General Meeting as competent body to issue ordinary shares and preference shares and to grant rights to subscribe for ordinary shares and preference shares until and including 31 May 2014. The competency of the Executive Board as regards to 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 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 competency 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 of the authorised capital as it will read from time to time.

The Executive Board has also been designated by the General Meeting 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 and including 31 May 2014.

A resolution of the Executive Board to issue ordinary shares or preference shares, or to grant rights to subscribe to shares, is subject to the approval of the Supervisory Board.

Acquisition of own shares

The General Meeting authorised the Executive Board as competent body to resolve on acquisition of 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 and including 30 November 2012, 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.' (Official Price List) 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 Express supports the Executive Board in its oversight of operations and implementation of the strategy of the company. The Management Board currently consists of nine members: the CEO, the CFO and seven members drawn from three regional units (Asia Pacific, Northern Europe/North America and Southern Europe/South America/Middle East/Africa) and key functions (marketing & sales, operations, ICS, human resources), with both regional and global responsibilities. This ensures that TNT Express is managed as an integrated, global business.

SUPERVISORY BOARD

General

The Supervisory Board supervises the policies of the Executive Board and the general course of affairs of TNT Express. 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 Express. A number of important resolutions of the Executive Board is subject to approval by the Supervisory Board pursuant to the Articles of Association of TNT Express.

In fulfilling its role, the Supervisory Board is required to act in the interest of TNT Express and the enterprise connected therewith. It 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 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 Express in dealings with third parties, except if determined otherwise by the Supervisory Board, in events where one or more Executive Board members have a conflict of interest.

Appointment and removal

Only natural persons may be elected to the Supervisory Board. The Supervisory Board must consist of at least three members as further determined by the Supervisory Board itself. The Supervisory Board adopts a profile on its size and composition taking into account the character of the business, its activities, and the desired expertise and background of the members of the Supervisory Board.

The members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board will nominate one or more candidates for each vacant seat. A resolution of the General Meeting 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 election of a person from this list. A resolution of the General Meeting 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 a majority of at least two-thirds of the votes cast representing more than half of TNT Express' issued capital.

A member of the Supervisory Board must resign no later than at the end of the General Meeting held four years after his last appointment. The members of the Supervisory Board must resign periodically in accordance with a rotation plan to be drawn up by the Supervisory Board. A resigning member of the Supervisory Board may be reappointed. A member of the Supervisory Board may be appointed for a maximum of three four-year terms. The General Meeting may suspend or remove any member of the Supervisory Board at any time. A resolution of the General Meeting to suspend or remove a member of the Supervisory Board other than in accordance with a proposal of the Supervisory Board requires a majority of at least two-thirds of the votes cast representing more than half of TNT Express' issued capital.

An amendment to the Articles of Association concerning the above provision will be placed on the agenda for the Annual General Meeting of Shareholders on 11 April 2012.

Conflict of interest

A member of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board on any conflict or potential conflict of interest of significance to TNT Express and/or to the relevant member. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest he is required to report this immediately to the vice-chairman of the Supervisory Board. This includes information concerning a spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

Remuneration

The members of the Supervisory Board receive a fixed annual remuneration and attendance fee, which is determined by the Annual General Meeting of Shareholders. More information on the remuneration of the members of the Supervisory Board can be found in note 18 of the consolidated financial statements.

COMMITTEES OF THE SUPERVISORY BOARD

TNT Express' Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Nominations Committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch Corporate Governance Code. The terms of reference of these committees can be viewed on TNT Express' corporate website (www.tnt.com/corporate). The powers of the committees are based on a mandate from the Supervisory Board, which does not include the right to decision making.

Audit Committee

The Audit Committee is charged with assisting the Supervisory Board in advising on and monitoring, among other things: the integrity of TNT Express' financial and corporate responsibility reporting and reporting process, 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, its 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.

In accordance with the terms of reference, the Audit Committee consists of at least three members. Each member of the Audit Committee must be financially literate and at least one member of the Audit Committee must have an accounting background or related financial management expertise.

Remuneration Committee

The Remuneration Committee is appointed by the Supervisory Board to propose the remuneration of the individual members of the Executive Board, for adoption by the Supervisory Board. The Remuneration Committee also proposes a remuneration policy, including schemes by which rights to shares are granted for members of the Executive Board, and prepares a proposal for the remuneration of the individual members of the Supervisory Board, which is submitted for adoption to the Annual General Meeting of Shareholders.

Furthermore, the Remuneration Committee prepares the allocation by the CEO - after approval by the Supervisory Board - of rights to shares in TNT Express' share capital to other senior management within TNT Express.

Nominations Committee

The Nominations Committee is appointed by the Supervisory Board to draw up selection criteria and appointment procedures for members of the Supervisory Board and members of the Executive Board, to set up procedures to secure adequate succession of members of the Executive Board and the assessment of such candidates, and to assess the size and composition of the Supervisory Board and the Executive Board. It makes proposals for the profile of the Supervisory Board, assesses the functioning of individual members of the Supervisory Board and the Executive Board and reports this to the Supervisory Board. Finally, the Nominations Committee makes proposals for nominations, appointments and reappointments. At least annually, the size and composition of the Supervisory Board and the Executive Board and the functioning of the individual members are assessed by the Nominations Committee and discussed by the Supervisory Board.

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 Express' corporate secretary. The corporate secretary is appointed as secretary to both the Supervisory Board and the Executive Board.

There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice at TNT Express' expense, if so required.

AUDITOR

The external auditor of TNT Express, 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 (including resolution of disagreements between management and the external auditor regarding financial reporting).

In some instances, TNT Express may use its external auditor to provide services where these services do not conflict with the external auditor's independence. The TNT Express Policy on Auditor Independence and Pre-Approval governs how and when TNT Express may engage its external auditor.

The Audit Committee is required to pre-approve (supported by the director of Internal Audit) all services to be provided by the external auditor, to assure that these do not impair the auditor's independence from TNT Express. The Audit Committee annually grants a general pre-approval for certain routine services. Significant non-audit services require a tender process, and certain services are prohibited outright. In its approval-granting process, the Audit Committee considers the applicable regulations and stock exchange rules on auditor independence. The Audit Committee also considers the ratio between the total amount of fees for audit and audit-related services and the total amount of fees for non-audit services. Refer to note 20 of the consolidated financial statements for the fees paid to PwC and the distribution of the fees between audit-related services and non-audit services.

The Audit Committee requires a formal written statement from the external auditor confirming its independence.

(Potential) conflicts of interest between the external auditor and TNT Express are resolved in accordance with the terms of reference of the Audit Committee and in particular the annex: 'TNT Express Policy on Auditor Independence and Pre-Approval', which can be viewed on TNT Express' corporate website (www.tnt.com/corporate).

All services performed by the external auditor in 2011, followed the pre-approval process.

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 within the various entities and in the different capacities in which the external auditor acts. The lead engagement partner is present at the General Meeting and may be questioned with regard to his statement on the fairness of 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 Express account is Mr Dekkers.

The Internal Audit function of TNT Express operates under the responsibility of the Executive Board and is subject to monitoring by the Supervisory Board, assisted by the Audit Committee. The Executive Board is required to ensure that the external auditor and the Audit Committee are aligned in defining the tasks and plans of the Internal Audit function.

PREVENTION OF INSIDER TRADING

The members of the Supervisory Board, the Executive Board and other senior management of TNT Express are subject to the TNT Express Policy on Prevention of Insider Trading. This policy sets forth rules of conduct to prevent trading in financial instruments of TNT Express when in possession of inside information. Transactions in TNT Express shares carried out by the Supervisory Board or Executive Board members are notified to the Dutch Authority for Financial Markets 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 Express 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 or 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 or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these internal notification requirements.

The total numbers of shares held by each member of the Executive Board are shown in the following table:

TNT Express shares held by the members of the Executive Board

Year ended at 31 December	2011
Marie-Christine Lombard	34,199
Bernard Bot[1]	25,349

[1] This table does not include any granted rights on (phantom) shares allocated to the members of the Executive Board under any of TNT Express' equity plans and/or any participation in the Executive Board's variable compensation scheme. See section 4, under Remuneration in 2011. The information in this table is publicly available at www.afm.nl.

There were no shares held by members of the Supervisory Board.

SHAREHOLDERS

Major shareholders

The Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)* imposes a duty to disclose percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The register of AFM shows PostNL N.V., Her Majesty the Queen in right of Alberta and B. Rosenstein as major shareholders as per 31 December 2011.

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: a discussion on the annual report with respect to the general state of affairs and the auditors' report, the adoption of the annual accounts, the approval of the profit allocation, and the 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 is given on TNT Express' corporate website (www.tnt.com/corporate), with the availability 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 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. These shareholders should jointly represent at least one-tenth of TNT Express' issued share capital.

Agenda

Shareholders representing solely or jointly at least 1% of TNT Express' 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. The same applies to shareholders who solely or jointly, according to the Official Price List represent at least a value of €50 million of TNT Express' issued share capital. 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, provided 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 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, 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 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 persons 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 may adopt resolutions by a simple majority of the votes cast, except where a larger majority is prescribed by law or TNT Express' Articles of Association. Members of the Executive Board and the Supervisory Board may attend a General Meeting, in an advisory capacity.

Dissolution and liquidation

A resolution of the General Meeting to dissolve TNT Express may only be taken upon proposal by the Executive Board with the approval of the Supervisory Board. The resolution to dissolve TNT Express may be taken by the General Meeting 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 Express, pursuant to such a resolution, the members of the Executive Board will be charged with the liquidation of the business of TNT Express and the Supervisory Board with the supervision thereof. From the balance of the property of TNT Express 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 Express. A resolution of the General Meeting is required to effect these changes. Under the Articles of Association of TNT Express, such a resolution may only be adopted upon a proposal by the Executive Board that has been approved by the Supervisory Board.

THE FOUNDATION

Stichting Continuïteit TNT Express (the Foundation) was established on 31 March 2011 under the laws of the Netherlands. The Foundation has its official seat in Amsterdam, the Netherlands, with its address at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. The objects of the Foundation are to promote the interests of TNT Express, the enterprise affiliated with it and all stakeholders involved. These objects include protecting TNT Express 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 Express 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.

To this end, TNT Express has granted a call option to the Foundation. The Foundation will have the right to exercise the call option at any time either wholly or partly. When exercising the call option, the Foundation is entitled to subscribe for preference shares, consisting of the right to repeatedly subscribe for preference shares, up to a maximum corresponding with one hundred per cent (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.

Reasons for which the Foundation may exercise the call option include:
- 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; and
- to resist unwanted influence by and pressure from shareholders to amend the strategy of TNT Express;

and with respect to the foregoing, to give TNT Express 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 Express and its enterprise, and to enable TNT Express 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 Express to convene a General Meeting to propose cancellation of the preference shares against repayment of the paid amount. If preference shares are issued, TNT Express must convene a General Meeting, to be held not 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 General Meeting must include a proposal for a resolution relating to the repurchase or cancellation of the preference shares.

TNT Express has granted to the Foundation the right to file an application for an inquiry into the policy and the course of events of TNT Express with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). TNT Express believes that this may be a useful option, inter alia, in the period before the issuance of preference shares as it does not cause a dilution of the rights of other Shareholders.

The members of the board of the Foundation are Mr Bouw (chairman), Mr Tiemstra and Mrs Tonkens-Gerkema. All members of the board of the Foundation are independent from TNT Express. This means that the Foundation is an independent legal entity in the sense referred to in section 5:71 paragraph 1 sub c of the Dutch Financial Supervision Act.

IV. REMUNERATION

GENERAL

The remuneration policy and contracts of the members of the Executive Board must be determined by the Supervisory Board in accordance with the remuneration policy that has been adopted at the Annual General Meeting of Shareholders. The Remuneration Committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Executive Board. The Supervisory Board approves the proposals and submits, in case of policy changes, the proposed remuneration policy to the Annual General Meeting of Shareholders for adoption.

REMUNERATION COMMITTEE

The Remuneration Committee of the Supervisory Board prepares its proposal independently, after careful consideration. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and is compliant with the Dutch Corporate Governance Code. In preparing the remuneration policy, the Remuneration Committee also takes into account the remuneration of senior management reporting to the Executive Board.

The Remuneration Committee has access to advice from professional internal and external advisors. No member of the Executive Board sought advice from these advisors pertaining to his or her own remuneration.

REMUNERATION POLICY 2011

The objective of the remuneration policy is to retain, motivate and attract qualified members of the Executive Board of the highest calibre, with an international mindset and background essential for the successful leadership and effective management of a large global company. The members of the Executive Board are rewarded accordingly and half of their remuneration is based on the performance of the company. The remuneration structure for the Executive Board is designed to balance short-term operational performance with the long-term objectives of the company and short-term and medium-term value creation for its shareholders.

To provide a consistent review of the level and structure of the total remuneration, the remuneration components for the members of the Executive Board are benchmarked every three years against a European reference group (see table below) with an assessment against a Dutch peer group (all AEX listed companies, excluding the two largest and two smallest companies as well as the companies within the financial sector). In 2011, an extensive benchmark was executed. All comparisons are made on a euro basis.

European reference group

1	Adecco SA	11	Marks and Spencer Plc
2	Atlantia SpA	12	National Express Group Plc
3	Belgacom SA	13	Österreichische Post AG
4	British Airways Plc	14	PPR SA
5	Bunzl Plc	15	Rentokil Initial Plc
6	Delhaize SA	16	SAS AB
7	DSV A/S	17	Securitas AB
8	First Group Plc	18	Serco Group Plc
9	G4s Plc	19	Swisscom AG
10	Kuehne and Nagel International AG	20	Tui AG

The 2011 remuneration policy focuses on the absolute level of compensation and the performance of the member of the Executive Board with regard to the different compensation elements and aims to stimulate well-balanced management behaviour.

The remuneration policy is:
- supportive to the sustainable development of TNT Express;
- aligned with stakeholders' interests and introduces a multi-stakeholder approach;
- socially responsible and risk-controlling;
- performance-related for reasonable compensation;
- reflective of a commitment to value creation; and
- motivating and transparent.

The remuneration package consists of a base salary and a variable component of a maximum of 100% of the base salary in addition to pension provisions.

Remuneration policy 2011: base salary

The base salary component of the remuneration package is set at a median level when compared to the peer group benchmark data. The level of base salary was frozen at the 2010 level until the demerger. In order to align remuneration with the new responsibilities, the base salaries for the members of the Executive Board were reset. As applicable from the date of the demerger, the annual base salaries for Ms Lombard and Mr Bot amount to €750,000 and €500,000, respectively.

Remuneration policy 2011: variable income

The variable component of the remuneration package consists of a total variable income potential of up to 100% of base salary per year, with no stretch opportunity.

The variable income scheme represents a multi-stakeholder approach with four focus areas. In the table below, the focus areas and their relative weighting before and after the demerger are provided.

Targets variable income - Executive Board

Focus area	Weighting TNT N.V.	Weighting TNT Express N.V.
Financial	50%	60%
Employees	15%	10%
Environment	15%	10%
Customers	20%	20%

All targets and objectives are quantitative and different measurement techniques are used to take into account variations in targets and objectives. The actual targets and objectives are based on the (three-year) strategic plans of TNT Express. The Supervisory Board may amend the targets and objectives set, in the event of a substantial adjustment of the strategic plan. Actual targets are not disclosed as this qualifies as commercially sensitive information.

The Supervisory Board has assessed and scored the performance on the targets and objectives set for 2011, including the performance during the period prior to the demerger.

Taking into account the profitability realised by TNT Express in 2011, the members of the Executive Board have decided to fully waive any of their variable income entitlements for 2011.

Remuneration policy 2011: pension

Pension arrangements should be in line with local practice in the country of residence of the member of the Executive Board. For the French member (Ms Lombard) of the Executive Board a contribution is made available for a retirement provision.

The pension scheme applicable to the Dutch member (Mr Bot) of the Executive Board is a career average scheme. The main features are:

- retirement age at 65 years;
- pensionable income based on average annual base salary only;
- annual accrual rate for the old-age pension of 2.25%;
- offset for state pension at fiscal minimum;
- benefits indexed during accrual; and
- no employee contribution.

The pension arrangements for both members of the Executive Board include entitlement to a pension in the event of illness or disability and a spouse's and/or dependant's pension in the event of death.

Severance

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

- As policy, severance payments other than those related to a change of control are equal to one year's base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable. In the actual contracts of Ms Lombard and Mr Bot, the severance payment for situations other than a change of control is limited to one year's base salary.

- Severance payments in case of a change of control are equal to the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two.

Other

In the contracts of the members of the Executive Board, a 'claw-back' clause is included. This clause will apply in case an erroneous variable remuneration pay-out has occurred.

For all members of the Executive Board, in the event of a change of control of the company, the Supervisory Board may at its discretion allow all or part of the share allocations to vest on the date on which control of the company passes. In such a case, the Supervisory Board may cap the proceeds of these shares, guided by fairness and reasonableness.

In the event of a change in control, the proceeds of the unvested share grants will be capped at the level of the sum of:

- The average of the closing prices of the TNT Express N.V. share according to the Official Price List for a period of five trading days prior to the date when the first announcement to make a public offer was made; and
- 50% of the difference between the ultimate share price paid by the buyer and the price as calculated above.

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

The Supervisory Board has the discretionary authority to adjust the value of variable pay components originally awarded if the outcome proves to be unfair as a result of exceptional circumstances during the performance period.

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

REMUNERATION IN 2011

In 2011, the members of the Executive Board received base salary, rights on (one-off) matching shares (related to the unwinding of the TNT N.V equity schemes), other periodic compensation and contributions to pension provisions. The members of the Executive Board fully waived their entitlements to 2011 variable income. The table below summarises the 2011 compensation elements of the members of the Executive Board, calculated in accordance with IFRS. Note: IFRS amounts do not represent actual compensation value.

In 2011, due to the demerger, all equity schemes were unwound. Under IFRS 2, the unwinding of granted performance shares and matching shares qualifies as a settlement that needs to be accounted for as an accelerated vesting. As a result, the amount which otherwise would have been recognized over the originally remaining vesting period is now recognized immediately as cost. These unwinding costs are specified for both the short-term incentive and the long-term incentive. These costs do not reflect the actual compensation value for each member of the Executive Board. The actual payments as a result of the unwinding amounted for Ms Lombard to a gross amount of €85,515 and for Mr Bot to a gross amount of €148,931. Both members of the Executive Board chose to participate at the maximum level.

The amounts included in the columns 'accrued short-term incentive excluding unwinding' and 'accrued long-term incentive excluding unwinding' represent the IFRS costs in 2011 of non-vested entitlements relating to 2011 and previous years.

In the following table, the reported remuneration includes the remuneration for the period prior to and after the demerger. For detailed disclosure on the remuneration of the individual members of the Executive Board, refer to note 18 of the consolidated financial statements.

Total remuneration - Executive Board

	Financial year	Base salary	Other periodic paid compensation[2]	Pension costs	Accrued for short term incentive (excluding unwinding)	Accrued for long term incentive (excluding unwinding)	Short term incentive unwinding costs[3]	Long term incentive unwinding costs[4]
Marie-Christine Lombard	2011	692,500	230,143	281,520	2,187	75,944	0	106,078
Chief Executive Officer	2010	612,000	390,260	281,520	343,395	214,842	0	0
Bernard Bot[1]	2011	479,167	48,431	117,298	16,064	53,410	48,443	129,541
Chief Financial Officer	2010	187,500	27,573	61,682	281,939	50,204	0	0

[1]Appointed acting CFO for TNT N.V. per August 2010

[2]The other periodic paid compensation includes company costs related to tax and social security, company car and other costs. For Ms Lombard other periodic paid compensation includes French social taxes and French social security contributions.

[3]Costs under IFRS2 for the accelerated vesting of granted matching shares in TNT N.V.

[4]Costs under IFRS2 for the accelerated vesting of granted performance shares in TNT N.V.

(in €)

Unwinding of TNT N.V. share schemes

The unvested rights on performance shares and matching shares granted in 2009 (CEO and CFO) and 2010 (CFO) were unwound immediately prior to the demerger and all schemes were terminated.

Both the bonus/matching scheme and the performance share scheme for 2009 and 2010 vested on an accelerated base. The matching shares vested on a pro-rated basis and were settled in cash. There was no vesting of performance shares since the realised Total Shareholder Return (TSR) against the incentive zone of the performance schedule did not allow any vesting. An external service provider calculated the value of performance shares, taking into account the remaining vesting period, which was settled in cash as a compensation of the lost vesting period.

To stimulate senior management and to align the interests of senior management with shareholders post demerger, the supervisory board of TNT N.V. decided on a one-off Investment/Matching scheme, in which the proceeds of the matching share scheme and the performance share scheme could voluntarily be invested in the (phantom) shares of TNT Express. After pay-out of the proceeds, the participants could decide to invest 25% or 50% of their gross settlement (but not more than their net proceeds) in TNT Express shares. On the same date the investment shares were purchased, the participant received, free of charge, a matching right, 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 matching right will be paid after three years, provided that the participant: i) has remained an employee throughout; and ii) still owns at least 50% of his/her investment shares. The cash sum of the matching rights will be subject to any applicable payroll withholding taxes.

Both the CEO and the CFO participated in the scheme at the maximum level.

Members of the Executive Board

Please refer to chapter 1 for details on the members of the Executive Board.

REMUNERATION POLICY FOR 2012

The existing Executive Board remuneration policy is a heritage of the previous company structure. The Supervisory Board has decided to review the remuneration policy after the demerger, given the challenges of the company in the current volatile economic environment and the international character of the company. Furthermore, simplicity, motivational power, transparency and cost effectiveness were key considerations in developing the new policy.

As a result, the Remuneration Committee provided a recommendation to the Supervisory Board to adjust the Executive Board remuneration policy effective as of 2012. The primary goal is to better align the remuneration policy with the objectives of all stakeholders on one side, and with the remuneration policy for senior management on the other. The aim to stimulate management behaviour that balances the interests of all stakeholders is an important goal of the TNT Express remuneration policy. The Supervisory Board has adopted the proposed recommendations. These will be submitted for adoption to the Annual General Meeting of Shareholders on 11 April 2012. The recommended adjustments to the remuneration policy are described per element below.

Remuneration policy 2012: base salary

The Supervisory Board recommends that the base salaries of the members of the Executive Board remain unchanged for 2012. The base salary policy allows for adjusting salaries annually in line with the average increase in the Collective Labour Agreements applicable to the company’s employees in Europe. This adjustment will not be applied in 2012.

Remuneration policy 2012: variable income - general

TNT Express' ambition is to realise financial growth, meet its non-financial targets and increase its share price. In order to better align the remuneration policy with these objectives the Supervisory Board recommends to:

- Introduce an equity-based long-term incentive to ensure an alignment with shareholders needs and a deferral in part of the compensation.
- (Re)balance the short-term incentive with the new long-term incentive, by placing less emphasis on the short term and more emphasis on the long term.
- Synchronize the targets, and link all targets partly to short-term incentives and partly to long-term incentives. The set targets and their relative weighting reflect the strategy of the company to achieve growth in all stakeholder areas.

The Remuneration Committee of the Supervisory Board analysed the outcome of the variable pay programme under different share price scenarios. The programme delivered in all cases a fair and reasonable remuneration, also taking into account acceptable internal pay differentials

Short-term incentive

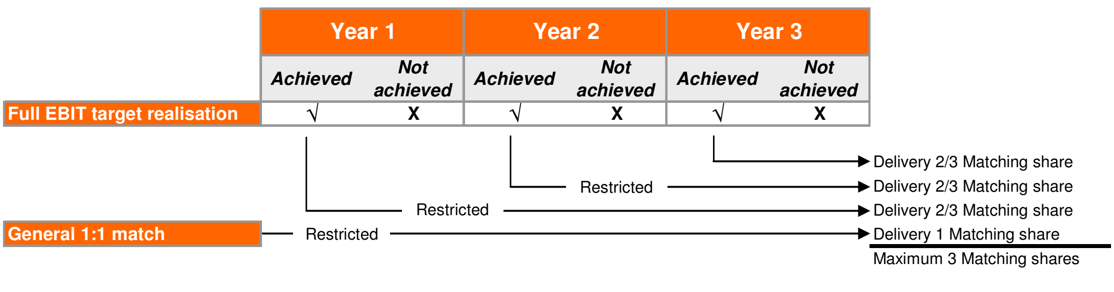
- The proposed focus areas for the short-term incentive consist of:
- 60% financial targets, comprising EBIT and net cash flow from continuing operations
- 40% non-financial targets (equally weighted), comprising:
  - Employees: management development and engagement of employees
  - Customers: client satisfaction
  - Environment: sustainability and health and safety

In 2012, the short-term incentive opportunity will be lowered. An 'at target' performance will be rewarded with 50% annual base salary (2011: 100%). A 'stretch' performance in case of realization of a stretch EBIT target will be rewarded with an additional 25% annual base salary (2011: no stretch).

As of 2013, the Executive Board may on a voluntary basis, participate in the bonus/matching plan by investing a maximum of 50% of the gross pay-out of the short-term incentive of the previous year (but not more than 25% of their gross annual base salary and not more than their net proceeds) in TNT Express bonus shares. After a three-year holding period, these bonus shares will be matched one-to-one. In the event, the performance on the EBIT target is met every year during this three-year holding period, an additional match will be made of one-to-two, resulting in a total award of three matching shares. In case of performance below the EBIT target, there is no delivery of additional matching shares for that specific year.

The matching of bonus shares occurs provided continued employment and if at least 50% of the bonus shares is retained during the holding period. The schedule below describes the vesting schedule of the general bonus/matching plan and the additional matching related to the yearly performance on the EBIT target during the holding period.

Additional matching per bonus share



The members of the Executive Board waived the pay-out of their realized 2011 variable income; therefore they are not eligible to participate in the bonus/matching plan per 2012.

Long-term incentive

In order to align the objectives of the Executive Board with the longer term value creation objectives of shareholders, the Supervisory Board recommends to award members of the Executive Board conditional rights on TNT Express shares under the TNT Express 2012 performance share plan. The grant is based on an IFRS value of 30% of the annual base salary.

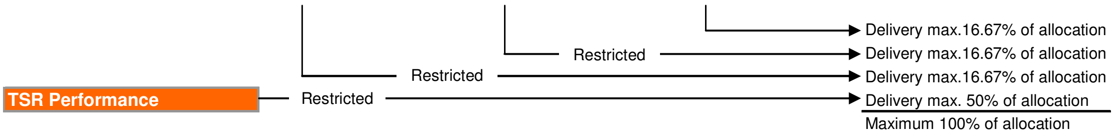
The performance shares vest after a three-year period. The actual number of shares that vest depends on the performance on the following proposed performance measures:

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

The schedule below describes the vesting of the shares related to the performance on the set targets during the three-year performance period.

% of allocation that vest

	Year 1		Year 2		Year 3	
	Achieved	*Not achieved*	*Achieved*	*Not achieved*	*Achieved*	*Not achieved*
Employee Engagement	√	X	√	X	√	X
Customer Loyalty	√	X	√	X	√	X
Environment	√	X	√	X	√	X



In compliance with the Dutch Corporate Governance Code, the members of the Executive Board may not sell their matching and performance shares before 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 grant of these shares is exempted.

The short and long-term incentive plans for the members of the Executive Board are fully aligned with the variable income programmes for senior management. The reward under the short-term incentive plan, the performance share plan and the additional match under the bonus matching plan, depends on the performance on preset financial and non-financial targets. All targets and objectives are quantitative.

Remuneration policy 2012: pension

Starting April 2012, the members of the Executive Board will pay an employee contribution of 3% of the annual base salary to the pension scheme. In the future, this employee contribution can be adjusted.

REMUNERATION - SUPERVISORY BOARD

The 2011 remuneration of the members of the Supervisory Board comprises base pay and variable pay, linked to the attendance of the meetings of the committees of the Supervisory Board. The 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 Express. Moreover, the members of the Supervisory Board do not receive any severance payments in the event of termination. TNT Express does not grant loans, including mortgage loans, to any member of the Supervisory Board.

The base fee and the meeting fees are the same as previously applied to the Supervisory Board of TNT N.V.

Members of the Supervisory Board, domiciled abroad, will receive a fixed travel allowance of €1,500 for every meeting attended.

No member of the Supervisory Board will be entitled to a contractual severance payment in the event of removal by the General Meeting.

Remuneration - Supervisory Board

		Base fee
	Chairman	60,000
	Member	45,000
Committees		**Meeting fee**
Audit	Chairman	2,500
Remuneration	Member	1,500
Nominations		

(in €)

Going forward, the Remuneration Committee has proposed to the Supervisory Board two amendments to the remuneration of the Supervisory Board. Both amendments have been approved by the Supervisory Board and will be presented to the Annual General Meeting of Shareholders for adoption.

- The first amendment consists of the introduction of attendance fees of €2,500 for the chairman and €1,500 for members for additional Supervisory Board meetings, over and above the usual business calendar. This would only be paid in the event of additional workload and aligns with the variable attendance fee for committee meetings. Members of the Supervisory Board do not receive attendance fees for regular Supervisory Board meetings.
- The second amendment consists of a distinction for the travel allowance recognising the significant additional time for intercontinental travel. For those members of the Supervisory Board required to travel intercontinentally, the fixed travel allowance will be increased to €2,500 for every meeting attended. For other members domiciled outside the Netherlands the travel allowance remains unchanged at €1,500 for every meeting attended.

V. RISK MANAGEMENT

The development of TNT Express' business and supporting financial and corporate responsibility strategies as described in section V of chapter 1 are not without risk. Risk management is a key process and an essential element of the company's governance.

RISK MANAGEMENT FRAMEWORK

The Executive Board, supported by members of the Management Board and dedicated risk management employees, are responsible for identifying, prioritising and mitigating risks and establishing a robust risk management system.

TNT Express 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, the Executive Board aims to provide reasonable assurance that strategic and business objectives can be achieved. The Executive Board regularly reviews the risk management framework. A new risk management approach, developed while TNT Express was still part of TNT N.V., was rolled-out to all TNT Express regions, global functions and material operating units in 2011.

Throughout 2011, the Executive Board regularly reviewed the company's risk profile. As input to these reviews, it used the outcome of 59 risk workshops representing input from all regions, functional areas and 136 entities. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed regularly by the Executive Board. The outcome of the risk management process is shared and discussed with the Audit Committee and the Supervisory Board as well as with the external auditor.

Risk factors

This section describes the risks facing the execution of TNT Express' strategy.

Risks have been classified by risk category per the COSO - ERM and are further divided into specific risks and inherent risks. Specific risks are risks that the Executive Board believes could negatively impact short to medium-term objectives. Inherent risks are those risks that are constantly present in the business environment and are considered sufficiently material to require disclosure and management. In addition, risks relating to the demerger from TNT N.V. are disclosed.

Although TNT Express believes that the risks and uncertainties described in the following pages are the most material risks and uncertainties, they are not the only ones it may face. All of these factors are contingencies which may or may not occur. Additional risks and uncertainties not presently known to TNT Express or that it currently deems immaterial may also have a material adverse effect on its business, results of operations or financial condition. The sequence in which these risks are presented in no way reflects any order of importance, chance or materiality.

Strategic Risks

Specific Risks Requiring short/medium-term management	Inherent Risks Requiring continuous monitoring
– Negative impact of a takeover bid – Fluctuations of trade flows – Shifts in customer preferences or shipping patterns – Integration of acquisitions – Impairment of goodwill or additional costs associated with closure of certain operations – Ineffective cost reduction measures – Intensive competition in the CEP market	– Downturn in the macroeconomic circumstances for emerging markets

Operational Risks

Specific Risks Requiring short/medium-term management	Inherent Risks Requiring continuous monitoring
– Inadequate forecasts of future infrastructure requirements – Loss of or inability to engage suitable key customers or suppliers – Limited or no back-up facilities for key infrastructure facilities – Incidents due to the transportation of hazardous materials or loss of confidential consignments – Inability to secure effective flight slot times and appropriate licences	– Increase in anti-terrorism requirements – Occurrence of natural disasters and extreme weather events – Increase in fuel prices and energy costs – Health pandemics and outbreaks of contagious diseases

Legal & Regulatory Risks

Specific Risks Requiring short/medium-term management	Inherent Risks Requiring continuous monitoring
– Investigations into anti-trust regulations – Change in shareholder base of TNT Express or in the domicile of TNT Airways N.V./S.A. – Failure of subcontractors to meet obligations for social security/fiscal requirements	– Complexity and instability of legal and regulatory systems in emerging markets – Non-compliance with export control regulations – Unfavourable decisions by competition authorities – Challenges to the concept of limited liability – Classification of subcontractors as employees – Climate change regulation – Misconduct of employee, subcontractor or supplier

Financial Risks

Specific Risks Requiring short/medium-term management	Inherent Risks Requiring continuous monitoring
– Loss of S&P targeted credit rating or inability to achieve targeted Moody's credit rating – Break-up or a change in the composition of the Eurozone and its currency – Fluctuations in currency and interest rates – Increase in tax liability as a result of changes in tax laws – Utilisation of deferred tax assets – Insufficient retention clause in insurance provisions	

Risks related to securities of TNT Express

Specific Risks Requiring short/medium-term management	Inherent Risks Requiring continuous monitoring
– Liability for TNT N.V.'s obligations that existed at the date of the demerger if TNT N.V. defaults – Proportionate but significant influence of majority	

STRATEGIC RISKS

Specific – strategic risks

A bid for TNT Express could result in loss of customers, supplier contracts, partnership or divestment opportunities and employees, and could distract management in the execution of the company's strategy. This could affect TNT Express' revenues, profitability and service quality.
On 17 February 2012, TNT Express announced that it received an unsolicited non-binding and conditional proposal from United Parcel Service, Inc. (UPS) for the acquisition of the whole of the issued capital of TNT Express. The announcement stated that the Supervisory and Executive Boards carefully considered the indicative proposal and explored its rationale, merits and risks for shareholders and all other stakeholders, and rejected the proposal but continued to be in discussions.

A bid for TNT Express could have an impact on TNT Express' ability to attract and retain customers, enter into supplier contracts and conclude partnership or divestment opportunities due to uncertainty as to the future independence of TNT Express. Employees could also decide to leave TNT Express due to this uncertainty and management attention could be distracted from the day-to-day management of the company. There could be significant time between the receipt of an offer and the conclusion of whether or not to enter into a transaction and the actual closing of the transaction. This timing could further compound the issues noted above.

The express business is cyclical and highly sensitive to fluctuations of trade flows, which in case of an economic downturn, could affect TNT Express' revenues and profitability.
The express business is cyclical and highly sensitive to fluctuations of trade flows. There is a strong correlation between trade flows and economic development. In case of an economic downturn there is a risk of a sharp decline in trade volumes. Such decline of trade volumes could lead to a significant decrease in volumes offered for transport by TNT Express, which in turn places pressure on revenue-quality. This could affect TNT Express' revenues and profitability.

In reviewing the business environment, TNT Express has concluded that the economic situation varies significantly by geography and is increasingly uncertain.

Changes in customer preferences or shipping patterns could result in a shift by customers from premium services to economy services, or a loss of customers which could affect TNT Express' revenues and profitability.
Driven by economic developments or cost rationalisation, customers' preferences or shipping patterns could shift from TNT Express' higher-priced premium services to its slower, cheaper economy services. In addition, it may also lose customers due to negative economic developments or cost rationalisation. This could affect TNT Express' revenues and profitability.

The integration of acquired businesses may involve significant challenges (including costs) and could affect TNT Express' revenues, profitability and financial position.
In the past TNT Express has made a number of acquisitions. The integration of acquired businesses contains execution risks. These risks are compounded in emerging markets that by nature contain higher levels of market and execution risks.

There is a risk that TNT Express might not achieve optimal integration of the acquired company. In 2010 and 2011, TNT Express incurred loss of revenue and additional costs in relation to its acquisitions in Brazil. This example highlights the uncertainty in relation to acquired businesses. TNT Express may face additional or new integration-related costs pursuant to previously acquired companies.

The value of the investment in an acquired company may decrease significantly and may be permanently impaired affecting TNT Express' financial position.

TNT Express may decide to sell off some of its entities or exit certain businesses or markets in the future, which could result in additional costs related to closure of operations, impairment of goodwill or other contractual liabilities and could affect TNT Express' financial position, revenues and profitability.
TNT Express may in the future either sell off or fully or partially exit certain businesses or markets, for example, as a result of changes in strategic focus, unattractive market conditions, aggressive competitor pricing policies or protectionist behaviour by governments. A full or partial exit could affect TNT Express' revenues, profitability and financial position because of losses on disposal, additional costs from the closure of operations, the impairment of goodwill and other contractual liabilities.

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended and could affect TNT Express' revenues and profitability.
Further restructuring measures will be taken in 2012 and affect all company entities. Such cost saving targets and initiatives are based on assumptions and expectations that may not be valid. Restructuring of operations and other cost reducing measures may not achieve the results intended. In addition, restructuring costs and other costs and charges are based on expectations and forecasts. If these are not valid, TNT Express may incur additional restructuring costs. Deviations from the forecast, savings and restructuring costs could affect TNT Express' profitability.

Intensifying competition in the CEP market may put downward pressure on volumes and prices and could affect TNT Express' revenues and profitability.
TNT Express competes with many companies and provides services on a local, regional, European and global level. Its competitors include express companies, logistics service providers, freight forwarders and air or road couriers. Intensified competition, through targeted, aggressive actions by competitors may put downward pressure on volumes and prices. This may force down volumes and prices for TNT Express' services and thus affect its revenues and profitability.

Inherent – strategic risks

TNT Express derives a significant portion of its revenues from its international operations and is subject to the risks of conducting operations in emerging markets. A downturn in these markets could affect TNT Express' revenues, financial position and profitability.
As TNT Express has significant international operations, it is continually exposed to changing economic, political and social developments beyond its control. Emerging markets are typically more volatile than mature markets, and any downturn in these markets is typically more pronounced than those in the developed world. A downturn in (one or more of) these markets could negatively impact TNT Express' revenues, financial position and profitability.

OPERATIONAL RISKS

Specific – operational risks

TNT Express may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and affect its profitability.
To maintain its market position and encourage future growth, TNT Express must make on-going investments in infrastructure such as aircraft, vehicles and depots. Infrastructure investments are based on forecasts of future capacity requirements. Forecasts for future requirements might not be accurate which may lead to a mismatch between investment and actual requirements.

If TNT Express underestimates its future capacity requirements, customer needs may not be met, and it could lose business, market share, revenues and profits. If TNT Express overestimates future needs or if major contracts are cancelled by customers, it may experience costly excess capacity. The impact of over or underestimation of future capacity requirements is particularly significant in regards to major long-term investments, such as hubs, major depots and intercontinental aircraft. Over or under capacity may severely affect TNT Express' profitability.

The loss of key suppliers and subcontractors or an inability to engage suitable suppliers or subcontractors could have a significant impact on TNT Express' operations and thereby affect its revenues and profitability.
TNT Express' business model depends upon the extensive use of key suppliers and subcontractors. Their availability, insolvency or bankruptcy could affect TNT Express' operations and thereby affect its revenues and profitability.

In addition, TNT Express is dependent on the use of commercial aircraft as part of its global network operations. As a result of aviation security incidents, such as those reported in Yemen and Greece in 2010, many governments have implemented additional security measures for passenger aircraft and all-cargo aircraft, particularly cargo sent to the United States on all-cargo flights. These additional security measures could result in bans by some airlines or countries on transporting certain items on aircraft. This may increase security costs and impact operations and service quality. This would drastically limit TNT Express' ability to provide current levels of connectivity and service without significant investments that could affect its revenues and profitability.

TNT Express depends on a number of infrastructure facilities for which it has limited or no comparable back-up facilities. In addition, the business depends on the availability and security of a bespoke IT infrastructure. In the event of operational disruptions at one or more of these facilities and / or an IT failure, the revenues and profitability of TNT Express could be affected.
A portion of TNT Express' infrastructure is concentrated in single locations for which there are limited or no comparable back-up facilities, or very expensive back-up scenarios in the event of a disruption of

operations. An example of this, is its air express hub in Liège, Belgium. The operation of TNT Express' facilities is prone to a number of risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as aeroplane crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure. If there were to be a significant interruption of operations at one or more of TNT Express' key facilities, and operations could not be transferred or could only be transferred at very high costs to other locations, TNT Express might not be able to meet its contractual obligations, incur liabilities and revenues and profitability could be affected.

In addition, TNT Express' operations, administration and customer facing services depend on an IT infrastructure for their day to day operation. If one or more elements of TNT Express' IT infrastructure fails and back-up facilities do not operate successfully, it may impact TNT Express' operation and affect its revenues and profitability.

TNT Express' reputation, as well as its profitability could be affected by fatalities as a result of road traffic accidents, air crashes, incidents resulting from the transport of hazardous materials and loss of confidential consignments.

TNT Express operates a large fleet of vehicles and drivers could be involved in accidents that result in fatalities. TNT Express has recorded an increase in the number of road traffic accidents due to acquisitions in emerging markets, and adverse weather conditions. In addition, TNT Express transports hazardous materials for a number of customers in the automotive, biomedical and chemical industries. The hazardous consignments include airbags, batteries, paint, blood samples, medical substances, dry ice and chemicals. It may also transport hazardous or dangerous goods without notification from customers of the nature of the goods transported. Incidents involving these materials could result from a variety of causes including sabotage, terrorism, accidents or the improper packaging or handling of the materials. TNT Express faces a number of risks by transporting these materials, such as personal injury or loss of life, severe damage to and destruction of property and equipment, and environmental damage.

TNT Express also transports confidential and sensitive consignments on behalf of some of its customers. It does not always know the confidential and sensitive nature of these consignments and customers may choose to enter consignments into its network without registering the consignment, with the result that they cannot be tracked and traced.

If the number of fatal accidents is not reduced, or a significant incident occurred involving the handling of hazardous materials or if confidential consignments were misplaced or lost, TNT Express' operations could be disrupted and the company could be subject to a wide range of additional measures or restrictions imposed on it by local or government authorities as well as potentially large civil and criminal liabilities. A significant incident, particularly a well-publicised incident involving potential or actual harm to members of the public, could damage TNT Express' reputation.

Any of these incidents could affect TNT Express' reputation, revenues and profitability.

The securing of effective flight slot times and the appropriate licences may result in significant changes to TNT Express' operations and could limit its flexibility in operating its business and affect its revenues and profitability.

TNT Express operates various types of aircraft throughout Europe and between Europe and the United States, Asia and the Indian sub-continent. Some of the countries in which TNT Express operates, have adopted (or proposed) regulations that impose night-time take-off and landing restrictions, aircraft capacity limitations and similar measures to address the concerns of local communities. TNT Express relies on night-time operations at its air express hub in Liège, Belgium, for a substantial part of its international express business. A curtailment of night-time take-offs and landings at any of TNT Express' key facilities, such as Liège, could affect its operations and services that the company can offer to customers.

In addition, as the provider of time-sensitive delivery services, TNT Express needs to secure adequate and effective flight slot times from airport coordination (or other local) authorities in all the countries and airports in which it operates. The limited availability of these slots could have an impact on the efficient operations of TNT Express' time-sensitive air and road networks and could result in a breach of its contractual obligations. This could affect TNT Express' revenues and profitability.

Inherent – operational risks

A terrorist attack and increased anti-terrorism requirements could impose substantial additional security costs on TNT Express and this could affect its profitability.

Escalating concerns about global terrorism and perceived insufficient levels of aviation security have caused governments and airline operators around the world, either to adopt or contemplate adopting stricter disciplines that will increase operating costs, especially for the transportation industry. These enhanced rules and regulations or other future security requirements for air cargo carriers, could have a negative impact on service quality and impose material additional costs and thereby affect TNT Express' profitability.

TNT Express' operations and employees are subject to risks related to natural disasters and extreme weather events that could affect both revenue and profitability.
TNT Express' operations and employees could potentially be affected by extreme weather events (such as the recent earthquake and tsunami in Japan, and the flooding in New Zealand, Australia and Thailand). In the final weeks of 2010, operations were significantly disrupted by extreme adverse weather conditions, which closed many airports and road networks, creating significant delays in both air and road operations.

The risk of similar future events is impossible to predict and could affect TNT Express' revenue and profitability, however, the newly developed continuity plans will contribute to the mitigation of the risk.

Increases to the prices of fuel and energy may affect TNT Express' profitability.
TNT Express' operations depend on air and road transport. As a result, fuel and energy costs form a significant part of TNT Express' cost base. On-going political and social developments in North Africa and the Middle East, in addition to other supply or demand developments could lead to an increase in fuel and energy prices. Electricity prices might increase further as a result of more stringent regulation of power utilities under the EU Emissions Trading Scheme. Rising fuel and energy prices will affect TNT Express' own prices to customers and costs, in turn affecting its revenues and profitability.

Risks related to health epidemics and other outbreaks of contagious diseases, including pandemic influenza, which could affect its revenues and profitability.
Outbreaks of contagious diseases such as H1N1 and SARS and other adverse public health developments could affect TNT Express' operations, and impact TNT Express' ability to ship consignments or otherwise make deliveries of products originating in affected countries, as well as cause temporary closure of offices or other facilities. Such closures or shipment restrictions could severely disrupt TNT Express' operations and affect TNT Express' revenues and profitability.

TNT Express may also be required by regulation and/or by stakeholder expectation to put in place measures to ensure continuity of operations in the event of such an outbreak and this could increase costs as TNT Express prepares to mitigate such risks.

LEGAL AND REGULATORY RISKS

Specific – legal and regulatory risks

Investigations relating to anti-trust regulations could result in fines that affect TNT Express' reputation, revenues and profitability.
Recent investigations into price-fixing and/or anti-competitive behaviour by some companies may result in an increased focus on the transportation sector by regulators. TNT Express may be required to cooperate with law enforcement agencies in various jurisdictions as part of a wider industry investigation. Such actions could distract management from the day-to-day running of the business and result in TNT Express incurring legal costs. If the company were found to have acted in breach of anti-trust regulations, fines and other sanctions could be imposed, which may adversely affect TNT Express' reputation, revenues and profitability.

Changes in the shareholder base of TNT Express or in the domicile of TNT Airways N.V./S.A. could impact TNT Express' ability to secure and maintain traffic rights in certain countries and the use of airports, which could in turn affect its revenues and profitability.
TNT Airways N.V./S.A. is incorporated in Belgium and qualifies as a Belgian and EU carrier. This results in a number of privileges including TNT Express' use of Liège Airport, routings and reciprocal traffic rights and trade arrangements. Changing the domicile of TNT Airways N.V./S.A. or other changes to its legal structure, which result in it not qualifying as a Belgian carrier may result in TNT Airways N.V./S.A. not being able to use certain airports, including Liège Airport.

Changes in TNT Express' shareholder base, which could result in the majority of the ordinary shares being held by non-EU shareholders, may result in TNT Airways NV/SA losing a number of its privileges.

Any of these changes could affect TNT Express' revenues and profitability.

Failure by subcontractors to meet obligations for social security and other fiscal requirements could have a significant impact on TNT Express' ability to provide services, reputation and profitability.
In some jurisdictions failure by subcontractors to meet obligations for social security and other fiscal requirements can result in the hiring company becoming liable. If TNT Express is held liable for its subcontractors' breach of social security or fiscal obligations, its profitability could be affected. Even if there are no direct financial consequences, the reputation of TNT Express could be damaged.

Inherent - legal and regulatory risks

TNT Express operates in many jurisdictions, in which it is confronted with complex legal and regulatory requirements - especially in emerging markets where the legal systems are in varying stages of development. This creates an uncertain business and investment environment with potential risks, which could affect TNT Express' revenues, financial position and profitability.
TNT Express operates around the globe and provides a worldwide service with facilities in many countries. As a result, TNT Express is confronted with complex legal and regulatory requirements in many jurisdictions. These include tariffs, trade barriers, limitations on foreign ownership of assets and share capital and taxes on remittances and other payments.

In many of the jurisdictions in which TNT Express operates, in particular emerging markets (such as China, Brazil, India, Russia and the Middle East), the legal systems are in varying stages of development. This creates an uncertain business and investment environment with related risks. These risks can include the absence of an independent and experienced judiciary, the necessity to use nominee constructs, and the possibility that TNT Express may be unable to enforce contracts. If any of these risks materialise, this might affect TNT Express' ability to implement its policies and strategies, and might affect its revenues, financial position and profitability.

TNT Express is in the business of transporting goods that are subject to specific restrictions and regulations. A violation could result in fines and administrative sanctions, which could affect revenues and profitability.
TNT Express provides transportation services to various industry sectors and countries, some of which may be subject to specific export controls, customs, disclosures and denied parties regulations. In addition, TNT Express is occasionally required to provide information requested by authorities investigating transport of certain restricted or regulated consignments to and from certain denied or restricted parties. The controls applied by TNT Express may be insufficient to ensure all consignments comply with all applicable regulations in all jurisdictions. This can lead to investigations and operational measures and, in the event of any violations, TNT Express may be subject to fines and other administrative sanctions, such as discontinuation of service, as well as contractual liabilities, which could affect TNT Express' revenues and profitability.

Unfavourable decisions by competition authorities concerning joint ventures, acquisitions or divestments could restrict TNT Express' growth and strategic progress, and the ability to compete in the market for its services. This could affect its revenues and profitability.
TNT Express occasionally seeks alliances with or acquires shares in companies, or seeks to divest part of its business. Some joint ventures, acquisitions or divestments of shares or a business require approval by the competition authorities and this approval may contain certain restrictions or conditions with respect to the intended transaction or may not be granted at all. This could affect TNT Express' revenues and profitability.

The legal concept of limited liability for loss of, or damage to, goods carried by TNT Express is increasingly being challenged and this could result in increased exposure to claims, thus affecting revenues and profitability.
TNT Express transports goods under the conditions of the international convention regarding the carriage of goods by air (the Warsaw Convention) and by road (the Convention on the Contract for the International Carriage of Goods by Road). These conventions contain provisions that limit TNT Express' liability in the event that it loses or damages shipments belonging to its customers.

In the past, these principles was generally accepted as normal business practice, but in recent years, courts and regulators in an increasing number of jurisdictions, such as Brazil, have set aside these principles of limited liability. This exposes TNT Express to higher claims, and could thus affect TNT Express' revenues and profitability.

Subcontractors might be classified as employees of TNT Express, which could affect its current business model, thereby affecting TNT Express' profitability.
TNT Express hires subcontractors to perform certain aspects of its operations. In certain jurisdictions, the authorities have brought criminal actions against subcontractors, and in return subcontractors and/or their employees have brought civil actions against TNT Express alleging that subcontractors and/or their

employees engaged by TNT Express are to be regarded as TNT Express' own unregistered employees. As a result, TNT Express could incur costs such as legal costs, social security contributions, wage taxes and overtime payments in respect of such employees. If these actions were successful, operating expenses would rise and this could affect profitability.

TNT Express' operations are subject to risks related to climate change regulation, which could affect its revenues and profitability.
Global concern about climate change could lead to governmental actions or regulations that require TNT Express to reduce CO_2 emissions by its air and road fleet. For example, many local governments are imposing regulations to limit both the volume of road traffic and emissions in city centres. Such action or regulation could affect TNT Express' air and road transport as well as those of its subcontractors. In addition, since 1 January 2012, TNT Airways N.V./S.A. has been subject to the requirements and obligations of the EU Emissions Trading Scheme. These measures could affect TNT Express' revenues and profitability.

Employee, subcontractor and supplier misconduct could result in financial losses, loss of clients and fines or other sanctions imposed by the national and local governments (and other regulators) of the countries in which TNT Express does business.
TNT Express has implemented a robust Integrity Programme intended to protect it against risks relating to fraud and other improper activities. However, notwithstanding its Integrity Programme, TNT Express may be unable in all cases, to prevent its employees from engaging in misconduct, fraud or other improper activities that could adversely affect TNT Express' business and reputation. Misconduct could include the failure to comply with applicable laws or TNT Express' Business Principles, a breach of confidentiality, or breach of contract with clients. As a result of employee misconduct, TNT Express could incur fines and penalties imposed by governments in the countries in which it does business. Furthermore, TNT Express' customers could file claims and/or terminate the contract for breach thereof. Any such fines, penalties or claims could, depending on their magnitude, lead to adjustments to the financial statements and result in liabilities that could reduce profitability. In addition, negative publicity in relation to employee misconduct could negatively affect TNT Express' reputation, harm its ability to recruit employees and managers and reduce revenues.

Similar risks apply with regard to misconduct by TNT Express' subcontractors and suppliers. In recent years, courts and regulators have increasingly held companies liable for acts of their independent subcontractors and suppliers. In view of this trend, TNT Express has among other things communicated the TNT Express Business Principles to its subcontractors and suppliers and provides training to ensure compliance. However, notwithstanding such communication and training activities, TNT Express may nevertheless experience potential liabilities in connection with its subcontractors and suppliers' activities, under certain circumstances, if those subcontractors and suppliers engage in conduct in violation of the TNT Express Business Principles and/or applicable laws.

In addition, the application of the Integrity Programme to certain subcontractors and suppliers may be affected by the fact that in certain jurisdictions, authorities have instituted actions against TNT Express alleging that subcontractors or their employees engaged by the company are to be regarded as TNT Express' own unregistered employees.

FINANCIAL RISKS

Specific – financial risks

TNT Express targets a BBB+/Baa1 credit rating. Lower ratings may increase financing costs and harm its ability to finance operations and acquisitions, which could negatively affect revenues and profitability.
There is no certainty that TNT Express can maintain or recover its targeted credit rating of BBB+ (S&P) / Baa1 (Moodys). TNT Express current credit ratings are BBB+ 'stable' and Baa2 'negative'. A downgrade of one or both of TNT Express' credit ratings may increase TNT Express' financing costs and harm the company's ability to finance its operations and other major outlays, which could affect revenues and profitability.

A break-up or a change in the composition of the Eurozone and its currency could negatively affect TNT Express' ability to finance its operations and negatively impact its financial exposures.
A break-up of or change in the composition of the Eurozone and its currency could have a significant impact on business performance among others, due to the adverse macroeconomic impact such a break-up may cause. In addition, a break-up or change could result in a significant devaluation of assets and profits due to currency devaluations. Also, it could restrict the free transfer of money and currencies and may adversely affect the creditworthiness of our counterparts.

Currency and interest rate fluctuations could affect TNT Express' revenues and profitability.
TNT Express operates and sells its services globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the euro (TNT Express' reporting currency). The exchange rates between foreign currencies and the euro may fluctuate. In addition, a portion of TNT Express' borrowings and financial assets incur floating interest rates. The main sensitivities on revenues and costs can be derived from geographical segmentation as provided in the additional notes to the financial statements presented in chapter 5.

Although TNT Express generally enters into hedging arrangements and other contracts in order to reduce its exposure to currency and interest fluctuations, these measures may be inadequate or may subject it to increased operating or financing costs, affecting profitability.

There are no net investment hedges outstanding. However, significant acquisitions and local debts are usually funded in the currency of the underlying assets. Such local debt may be structured via local bank loans or via intercompany loans. In the latter case, the foreign exchange risk on the intercompany loan is hedged with a bank which effectively results in the equivalent of local currency bank debt. These debts in local currency form a natural hedge against part of the foreign currency cash flow, earnings risks and translation exposures. As a result, fluctuations of local currency foreign exchange rates versus euro and fluctuations in local currency interest rates, may affect TNT Express' revenues, profitability and equity. Refer to notes 29 and 30 of the consolidated financial statements.

TNT Express' income tax liability may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or become inconsistent.
Taxes payable by companies in many of the countries in which TNT Express operates, include taxes on profit, value-added tax, payroll-related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and continuing budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on TNT Express' financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose TNT Express to fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden.

In addition, many of the jurisdictions in which TNT Express operates have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, this could have a material adverse effect on its financial condition and results of operations and may lead to double taxation. It is also possible that tax authorities in the countries in which TNT Express operates will introduce additional revenue raising measures. The introduction of any such provisions may affect its overall tax efficiency and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on its financial condition and results of operations. TNT Express may also face a significant increase in its income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which it operates, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect its cash flows, liquidity and ability to pay dividends.

If profitability were to be reduced, TNT Express might be unable to fully utilise its deferred tax assets.
As at 31 December 2011, TNT Express had €244 million recorded as net deferred tax assets in its consolidated financial statements (see note 22 of the consolidated financial statements). These assets can be utilised only if, and only to the extent that, its operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carry-forwards and reverse the temporary differences prior to expiration. At 31 December 2011, the amount of future income required to recover TNT Express' deferred tax assets was approximately €900 million (over a period of at least ten years) at certain operating subsidiaries.

TNT Express' ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If TNT Express generates lower taxable income than the amount it has assumed in determining its deferred tax assets, then the value of its deferred tax assets will be reduced.

TNT Express' insurance policy includes a retention clause and may not cover all damages which could affect profitability.
TNT Express is insured via an in-house captive insurance company for catastrophic risks under insurance covers that are in line with market practice. The insurance policy includes a retention (own risk) clause. The insurance policy may not cover all potential damages as the coverage is limited both in

the size of insured amounts as well as in the nature of the damage claims. In case of damages and or proven negligence, these might not be fully covered, which could affect TNT Express' profitability.

RISKS RELATING TO SECURITIES OF TNT EXPRESS

As a result of the demerger, TNT Express is liable for TNT N.V.'s obligations that were outstanding at the date of the legal demerger.

As a result of the demerger, TNT Express is jointly and severally liable for any obligations of PostNL N.V. (PostNL) that were outstanding within TNT N.V. as at the date of the legal demerger, which PostNL itself fails to meet.

TNT Express has entered into separate agreements with the pension funds and PostNL in regards to the pension liability of PostNL to the pension funds. In case of violation of contractual terms, irregularity of payments or bankruptcy of PostNL, TNT Express is liable for pension premiums related to pension benefits accrued under TNT N.V.'s pension plans up to the date of the demerger, even if these are unrelated to TNT Express' own employees.

In addition to the pension funds, another important obligation outstanding at the demerger is the outstanding debts of TNT N.V. which include €1.6 billion in Eurobonds.

TNT Express will not have recourse on another party for these payments, except to the extent it has recourse on PostNL.

Material owners of TNT Express N.V. ordinary shares, post-demerger, could be in a position to exercise proportionate but still significant influence. This could affect the trading volume and market price of the ordinary shares.

PostNL holds 29.9% of the ordinary shares of TNT Express N.V. and a number of other investors have material holdings. Given the historical attendance rates of general meetings of Dutch listed companies, this allows PostNL and other material investors the ability to exercise proportionate but still significant influence over certain corporate matters requiring approval of a General Meeting of shareholders. (Subject to the Relationship Agreement as described in section 15.3 of the 'Prospectus TNT Express N.V., first admission to trading and listing document', in the case of PostNL). This concentration of ownership could affect the trading volume and market price of the ordinary shares

CHAPTER 5 STATEMENTS

I. FINANCIAL STATEMENTS

Consolidated statement of financial position

	Notes	31 December 2011	variance %	01 January 2011	31 December 2010
Assets					
Non-current assets					
Intangible assets	(1)				
Goodwill		1,483		1,703	1,703
Other intangible assets		146		189	189
Total		1,629	(13.9)	1,892	1,892
Property, plant and equipment	(2)				
Land and buildings		485		453	453
Plant and equipment		241		245	245
Aircraft		50		259	259
Other		100		108	108
Construction in progress		23		24	24
Total		899	(17.4)	1,089	1,089
Financial fixed assets	(3)				
Investments in associates		20		42	42
Other loans receivable		3		3	3
Deferred tax assets	(22)	244		230	230
Other financial fixed assets		17		19	19
Total		284	(3.4)	294	294
Pension assets	(10)	34		6	6
Total non-current assets		2,846	(13.3)	3,281	3,281
Current assets					
Inventory	(4)	15		15	15
Trade accounts receivable	(5)	1,117		1,075	1,075
Accounts receivable	(5)	139		166	166
Income tax receivable	(22)	29		26	26
Prepayments and accrued income	(6)	159		157	157
Cash and cash equivalents	(7)	250		807	807
Total current assets		1,709	(23.9)	2,246	2,246
Assets classified as held for disposal	(8)	146		4	4
Total assets		4,701	(15.0)	5,531	5,531
Liabilities and equity					
Equity	(9)				
Equity attributable to the equity holders of the parent		2,806		3,078	2,994
Non-controlling interests		6		8	8
Total equity		2,812	(8.9)	3,086	3,002
Non-current liabilities					
Deferred tax liabilities	(22)	26		35	35
Provisions for pension liabilities	(10)	46		49	49
Other provisions	(11)	101		77	77
Long-term debt	(12)	219		301	301
Accrued liabilities		4		6	6
Total non-current liabilities		396	(15.4)	468	468
Current liabilities					
Trade accounts payable		435		414	414
Other provisions	(11)	88		91	91
Other current liabilities	(13)	309		761	845
Income tax payable	(22)	31		31	31
Accrued current liabilities	(14)	630		680	680
Total current liabilities		1,493	(24.5)	1,977	2,061
Total liabilities and equity		4,701	(15.0)	5,531	5,531

(in € millions, except percentages)

The accompanying notes form an integral part of the financial statements. In the event the 31 December 2010 and 1 January 2011 balance is identical, the financials presented in the respective notes only show the 31 December 2010 position. When there is a variance (notes 9 and 13), both periods are presented. For the details on the demerger / merger transaction, see note 39 of the TNT Express N.V. corporate financial statements.

Consolidated income statement

Year ended at 31 December	Notes	2011	variance %	2010
Net sales	(15)	7,156		6,945
Other operating revenues	(16)	90		108
Total revenues		7,246	2.7	7,053
Other income	(17)	7		12
Cost of materials		(482)		(401)
Work contracted out and other external expenses		(3,809)		(3,650)
Salaries and social security contributions	(18)	(2,238)		(2,190)
Depreciation, amortisation and impairments	(19)	(494)		(209)
Other operating expenses	(20)	(335)		(435)
Total operating expenses		(7,358)	(6.9)	(6,885)
Operating income		(105)		180
Interest and similar income		21		22
Interest and similar expenses		(66)		(59)
Net financial (expense)/income	(21)	(45)	(21.6)	(37)
Results from investments in associates	(3)	(22)		(17)
Profit before income taxes		(172)		126
Income taxes	(22)	(100)		(57)
Profit/(loss) for the period		(272)		69
Attributable to:				
Non-controlling interests		(2)		3
Equity holders of the parent		(270)		66
Earnings per ordinary share (in € cents)[1]		(49.7)		
Earnings per diluted ordinary share (in € cents)[1]		(49.7)		

[1] In 2011 based on an average of 542,748,930 outstanding ordinary shares (2010: 0). See 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	2011	variance %	2010
Profit/(loss) for the period	(272)		69
Gains/(losses) on cashflow hedges, net of tax	(12)		(7)
Currency translation adjustment, net of tax	13		105
Other comprensive income for the period	1		98
Total comprehensive income for the period	(271)		167
Attributable to:			
Non-controlling interests	(2)		3
Equity holders of the parent	(269)		164

(in € millions, except percentages)

The 2011 tax impact on the cash flow hedges is €10 million (2010: 1). There is no tax impact on the currency translation adjustment.

Consolidated statement of cash flows

Year ended at 31 December	Notes	2011	variance %	2010
Profit before income taxes		(172)		126
Adjustments for:				
Depreciation, amortisation and impairments		494		209
Amortisation of financial instruments/ Derivatives		1		0
Share-based compensation		19		14
Investment income:				
(Profit)/loss of assets held for disposal	(8)	(2)		(9)
Interest and similar income		(21)		(22)
Foreign exchange (gains) and losses		6		4
Interest and similar expenses		60		55
Results from investments in associates		22		17
Changes in provisions:				
Pension liabilities		(31)		(6)
Other provisions		11		(1)
Cash from/(used for) financial instruments/derivatives		(20)		0
Changes in working capital:				
Inventory		0		(1)
Trade accounts receivable		(40)		(76)
Accounts receivable		25		21
Other current assets		20		(30)
Trade accounts payable		24		58
Other current liabilities excluding short-term financing and taxes		(37)		(3)
Cash generated from operations		359	0.8	356
Interest paid		(58)		(39)
Income taxes received/(paid)		(110)		(76)
Net cash from operating activities	(23)	191	(20.7)	241
Interest received		21		13
Acquisition of subsidiairies and joint ventures (net of cash)		3		(23)
Disposal of subsidiaires and joint ventures		0		0
Investments in associates		0		(8)
Disposal of associates		0		8
Capital expenditure on intangible assets		(38)		(50)
Disposal of intangible assets		0		2
Capital expenditure on property, plant and equipment		(151)		(121)
Proceeds from sale of property, plant and equipment		7		26
Other changes in (financial) fixed assets		0		2
Changes in non-controlling interests		0		1
Net cash used in investing activities	(24)	(158)	(5.3)	(150)
Share-based payments		(9)		0
Proceeds from long-term borrowings		4		5
Repayments of long-term borrowings		(15)		(19)
Proceeds from short-term borrowings		162		9
Repayments of short-term borrowings		(171)		(51)
Repayments of finance leases		(20)		(24)
Dividends paid		(14)		0
Financing related to PostNL		(526)		(41)
Net cash used in financing activities	(25)	(589)		(121)
Total changes in cash	(26)	(556)		(30)

(in € millions, except percentages)

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

Consolidated statement of changes in equity TNT Express N.V.

	Net investment	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
Combined balance at 31 December 2009	2,920			(169)			2,751	3	2,754
Total comprehensive income	66			98			164	3	167
Capital contributions/reductions	96						96		96
Other	(17)						(17)	2	(15)
Total direct changes in equity	79						79	2	81
Combined balance at 31 December 2010	3,065			(71)			2,994	8	3,002
Demerger and related reclassifications	(3,065)	43	3,035	71			84		84
Balance at 1 January 2011		43	3,035	0			3,078	8	3,086
Legal reserves reclassifications				23	(23)				
Total comprehensive income				1		(270)	(269)	(2)	(271)
Interim dividend 2011			(14)				(14)		(14)
Share-based compensation					11		11		11
Total direct changes in equity			(14)		11		(3)		(3)
Balance at 31 December 2011		43	3,021	24	(12)	(270)	2,806	6	2,812

(in € millions)

See the accompanying notes 9 and 39 for further details regarding to 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 Express', 'Group' or 'the company'). The company was incorporated under the laws of the Netherlands and is listed on Euronext Amsterdam.

On 31 May 2011, the demerger of the express business of the former parent TNT N.V., currently named PostNL N.V. ('PostNL'), became effective. At this date, all of the assets and liabilities directly related to TNT N.V.'s express business were transferred under universal succession of title to TNT Express N.V. TNT Express N.V. has incorporated the financial information of the express business in its financial statements from 1 January 2011 as stated in the demerger and merger proposals (in accordance with article 2:312 section 2 under f and article 2:334f section 2 under i of the Dutch Civil Code).

For purposes of these consolidated financial statements, 'TNT Express' refers to the company and its subsidiaries in relation to the period after the consummation of the demerger and to the express business of TNT N.V. and its subsidiaries prior to the consummation of the demerger. Pursuant to the demerger agreement all of the express business transferred to TNT Express N.V. were, upon consummation of the demerger, deemed to have been for the risk and account of the company as of 1 January 2011.

To provide a comparable overview of the TNT Express business prior to the demerger, combined financial statements have been prepared of the legal entities that constitute the TNT Express business for the financial year ended 31 December 2010.

TNT Express provides door-to-door express delivery services for customers sending documents, parcels, freight and special services worldwide, with a focus on time-certain and/or day–certain pick-up and delivery. The main industries TNT Express serves are high-tech electronics, automotive, industrial, healthcare and lifestyle (fashion).

The consolidated financial statements have been authorised for issue by TNT Express' Executive Board and Supervisory Board on 21 February 2012 and are subject to adoption at the Annual General Meeting of Shareholders on 11 April 2012.

Segment information

The company manages the business through four segments: Europe & Middle East Africa (Europe & MEA), Asia Pacific, Americas and Other Networks, of which the Executive Board of TNT Express receives operational and financial information on a monthly basis.

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 Express have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including 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.

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 Express' 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 EU, on TNT Express' consolidated financial statements has been assessed.

Basis of preparation 2010

In preparing the 2010 combined financial statements, the financial information of the legal entities within TNT Express were extracted from the reporting records on a legal entity basis. The accounting policies in the 2010 combined financial statements for TNT Express were consistent with the accounting policies applied in TNT N.V.'s 2010 consolidated financial statements, which comply with IFRS as adopted by the EU. As a result the combined financial statements were based on predecessor values and included all entities that were within reporting entity scope of TNT Express.

The combined financial statements were prepared on a 'carve-out' basis from the TNT N.V. consolidated financial statements for the purposes of presenting the financial position, results of operations and cash flows of TNT Express on a stand-alone basis. The combined financial statements of TNT Express reflect assets, liabilities, revenues and expenses directly attributable to TNT Express, including management fee allocations recognised on a historical basis in the accounting records of TNT N.V. on a legal entity basis. Although it is not possible to estimate the actual costs that would have been incurred if the services performed by TNT N.V. were purchased from independent third parties, the allocations were considered to be reasonable by management of TNT Express. However, the financial position, results of operations and cash flows of TNT Express were not necessarily representative or indicative of those that would have been achieved had TNT Express operated autonomously or as an entity independent from TNT N.V.

The 2010 combined financial statements form the basis for the preparation of the 2011 consolidated financial statements.

Changes in accounting policies and disclosures

a) New and amended standards adopted by TNT Express

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and have been adopted by TNT Express:

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011 and clarifies and simplifies the definition of a related party. TNT Express applies the revised standard from 1 January 2011, requiring the need to disclose any transactions between its subsidiaries and its associates.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt or equity swap). TNT Express applies the revised standard from 1 January 2011. It has no impact on the Group or company's financial statements.

- Amendments to IFRIC 14, 'Prepayments of a minimum funding requirement'. The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. Results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. TNT Express applies the amendments for the financial reporting period commencing on 1 January 2011. The amendment will not result in a material impact on the Group or company's financial statements.

- Amendments to IAS 32, 'Financial instruments: Presentation – Classification of rights issues'. Amended to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments. TNT Express applies the amendments for the financial reporting period commencing on 1 January 2011. The amendment will not result in a material impact on the Group or company's financial statements.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by TNT Express:

- IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). TNT Express is yet to assess the full impact of the amendments.

- IFRS 9, ‘Financial Instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. TNT Express is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 on 1 January 2015.

- 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. TNT Express is yet to assess IFRS 10’s full impact and intends to adopt IFRS 10 on 1 January 2013.

- IFRS 11, 'Joint Arrangements', replaces IAS 31 ‘Interests in Joint Ventures’ and deals with how a joint arrangement of 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 the equity method of accounting or proportionate accounting. TNT Express is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 on 1 January 2013.

- IFRS 12, ‘Disclosures of interests in other entities’, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. TNT Express is yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 on 1 January 2013.

- IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. TNT Express is yet to assess IFRS 13’s full impact and intends to adopt IFRS 13 on 1 January 2012.

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

Consolidation

The consolidated financial statements include the financial numbers of TNT Express N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for similar transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. A complete list of subsidiaries, associates and joint ventures included in TNT Express’ 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 special purpose entities) over which TNT Express has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether TNT Express controls another entity.

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 Express has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. TNT Express' share of results of all significant associates is included in the consolidated financial statements of income using the equity method. The carrying value of TNT Express' share in associates includes goodwill on acquisition and includes changes to reflect TNT Express' share in net earnings of the respective companies, reduced by dividends received. TNT Express' share in non-distributed earnings of associates is included in net investment. When TNT Express' 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 Express is bound by guarantees or other undertakings in relation to the associate.

A joint venture is a contractual arrangement whereby TNT Express and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which TNT Express participates with other parties are proportionately consolidated. In applying the proportionate combination method, TNT Express' percentage share of the balance sheet and income statement items are included in TNT Express' consolidated financial statements.

Business combinations

TNT Express uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes also the fair value arising from contingent consideration arrangements. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest.

The excess of the consideration transferred over the fair value of TNT Express' 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 Express' share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

TNT Express 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 Express 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 profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if TNT Express had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income, are reclassified to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of its share of the subsidiary's equity, are allocated against TNT Express' 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 Express' accounting policies.

Functional currency and presentation currency

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

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 Express entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate;
- income and expenses are translated at average exchange rates; and
- the resulting exchange differences based on the different ways of translation between the balance sheet and the income statement are recognised as a separate component of equity (translation reserve).

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to the translation reserve. When a foreign operation is sold, such exchange differences are 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 Express. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in 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 profit or loss 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 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 transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

Property, plant and equipment

Property, plant and equipment 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 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 fixed 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 has 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, the lowest level at which there are separately identifiable cash flows. For impairment testing of goodwill, the cash generating unit is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment.

If the recoverable value of the cash generating unit 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 cash generating units before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the cash generating unit under review. Goodwill following the acquisition of associates 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 Express 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 Express 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 Express' financial assets and liabilities at initial recognition.

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

Measurement at fair value requires disclosure of measurement methods by level of 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 on the balance sheet. TNT Express 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 in equity until the hedged item is recorded in income. Any portion of a change in the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

At the inception of the transaction, TNT Express 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 on-going 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.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the 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 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 Express has no intention of trading. Loans and receivables are included in trade and other receivables in the balance sheet, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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

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 the fair value measurement hierarchy. They are included in non-current assets unless management intends to dispose of the investment within 12 months at the balance sheet date. Available-for-sale financial assets are carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of financial assets and liabilities classified at fair value through profit and loss are directly recorded in the income statement.

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 consolidated 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 Express 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.

TNT Express 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.

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

Inventory

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

Accounts receivable

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

Assets (or disposal groups) are classified as assets held for disposal and 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.

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 Express' income statement.

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

Equity

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

Where any group company purchases TNT Express' 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 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 Express 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 and mortality) and financial variables (such as the expected long-term return on plan assets). The discount rate is determined by reference to market rates.

Cumulative actuarial gains and losses are recognised in the balance sheet. The portion of the cumulative actuarial gains and losses that exceed the higher of 10% of the obligation or 10% of the fair value of plan assets (corridor approach), are recognised in the income statement over the employees' expected average remaining service years.

Past service costs, if any, are recognised on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Certain past service costs may be recognised immediately if the benefits vest immediately.

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 profit and loss statement as interest expense.

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

The provision for employee benefit obligations includes long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve 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 such gain or loss occurs. Related service costs are recognised immediately.

The provision recorded for restructuring largely relates to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. TNT Express 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 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 fixed 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 balance sheet.

Revenue recognition

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

Revenues of delivered goods and services are recognised when:

- the company has transferred to a buyer the significant risks and rewards of ownership of the goods 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 amounts of revenue are measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs to be incurred in respect of the transaction can be measured reliably; and
- the stage of completion of the transaction at the balance sheet date can be measured reliably.

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

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

Net sales

Net sales represent the revenues 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 revenues

Other operating revenues relate to the sale of goods and rendering of services not related to the normal trading activities of TNT Express and mainly include sale of passenger/charter revenue, custom clearance income and administration fees.

Other income

Other income includes net gains or losses from 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 profit and loss account when due, in accordance with employment contracts and obligations.

Profit-sharing and bonus plans

TNT Express 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 a reliable estimate of the obligation can be made, based on a formula that takes into consideration the profit attributable after normalisation for certain one-off items.

Share-based payments

Prior to demerger TNT N.V. had equity-settled share-based compensation plans including those of TNT Express employees. Share-based payment transactions are transactions in which TNT Express 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 share-based payments under the company's performance share plan is calculated using the Monte Carlo model. The equity instruments granted do not vest until the employee completes a specific period of service.

Due to the demerger, all these plans were terminated and settled prior to the demerger. This settlement was accounted for as an accelerated vesting, which resulted in expense recognition of the remaining grant date fair value.

In 2011, after the demerger, a new share-based payment plan (matching plan) was introduced by TNT Express N.V., which will be cash-settled upon vesting. The fair value of cash-settled share-based payment transactions is measured at each reporting date and at settlement. The fair value is recognised as an expense (part of the employee costs) and a corresponding increase in liabilities over the vesting period.

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 borrowings, 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 profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

Grants

Grants are recognised initially as income when there is reasonable assurance that they will be received and TNT Express has complied with the conditions associated with the grant. Grants that compensate TNT Express 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 Express 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 Express' shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If TNT Express 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 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 statement of cash flows in the same category as those of the hedged item.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Board of TNT Express, which makes strategic decisions. The Executive Board receives operational and financial information on a monthly basis for Europe & MEA, Asia Pacific, Americas and Other Networks. For comparison purposes, the 2010 segment information has been revised accordingly.

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

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

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

Business combinations

TNT Express 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 Express 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 Express companies were accounted for at predecessor carrying amounts. These transactions did not give rise to goodwill.

Impairment of assets

In determining impairments of intangible assets including goodwill, tangible fixed assets 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 Express. 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. For applied sensitivities on intangible assets, see note 1.

Depreciation and amortisation of tangible and intangible fixed assets

Tangible and intangible fixed 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 Express' best estimates and 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 Express' 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 Express 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 Express 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 Express' financial position and net profit.

Accounting for assets classified as held for disposal

Accounting for assets classified as held for disposal requires the use of significant assumptions and estimates, such as the assumptions used in the 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. The discount rate 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 Express reviews the assumptions at the end of each year. Additional information is disclosed in note 10.

Contingent liabilities

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

TNT Express 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.

Basis of combination 2010

In determining the entities included in the 2010 combined financial statements, management considered those entities that were managed as part of TNT Express on a historical basis.

Net investment

The net investment at 31 December 2010 by other TNT N.V. companies included the aggregated combined share capital of the entities included within the combined financial statements, capital contributions and reductions, dividend payments and other movements relating to TNT N.V. investments not managed as part of the TNT Express business, accumulated results, cumulative translation adjustments and cash flow hedging.

Management fee

TNT N.V. used a cost recovery mechanism to recover certain central management and other similar costs it incurred at a corporate level. The management fees reflected in the 2010 combined financial statements were based on the amounts historically due and were recorded in the accounts of the individual legal entities within TNT Express under the contractual cost recovery mechanism. An appropriate proportion of the remuneration of personnel for TNT N.V. and TNT Express, including their salaries and pension costs, was included in these management fees. These management fees were either directly attributed to individual operations of TNT Express or, for costs incurred centrally, allocated between the relevant TNT N.V. businesses and TNT Express operations on arm's length basis.

Pension and post retirement costs

In 2010, TNT Express operated a number of pension plans around the world, which include defined benefit plans in the Netherlands, the United Kingdom, Germany, Australia and Italy. The Dutch pension plans were funded defined benefit plans covered by pension funds externally funded in 'Stichting Pensioenfonds TNT' and 'Stichting Ondernemingspensioenfonds TNT'. TNT N.V. was the sponsoring employer for these two Dutch pension plans and consequently these pension plans qualify as group plans for TNT Express, in accordance with IAS 19.34a. Due to their qualification as group plans, TNT Express recognised in the 2010 combined financial statement a cost equal to the contribution payable for the period.

Interest

The interest charge reflected in the 2010 combined financial statements were based on the interest charge historically incurred by the entities included in TNT Express on specific external borrowings or financing provided by other TNT N.V. companies.

Taxation

The tax charge attributable to TNT Express was based on the tax charge in 2010 attributable to the individual entity or group of TNT N.V. entities in the relevant individual tax jurisdictions, on a separate return basis.

Goodwill

Goodwill recorded at a consolidated TNT N.V. level and attributable to TNT Express as a result of previous business combinations with parties outside of the TNT N.V. group of companies were recorded in the 2010 combined financial statements.

Share-based Payments

A number of TNT Express employees participated in TNT N.V.'s performance share schemes. For purposes of the 2010 combined financial statements, transfers of TNT N.V.'s equity instruments to employees of TNT Express were recognised as equity-settled share-based payment transactions.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Intangible assets: 1,629 million (2010: 1,892)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	2,011	357	135	2,503
Accumulated amortisation and impairments	(365)	(226)	(59)	(650)
Balance at 31 December 2009	1,646	131	76	1,853
Changes in 2010				
Additions	13	11	39	63
Disposals		(2)		(2)
(De)consolidation			(23)	(23)
Internal transfers/reclassifications		29	(29)	0
Amortisation		(46)	(8)	(54)
Exchange rate differences	44	4	7	55
Total changes	57	(4)	(14)	39
Historical cost	2,069	397	138	2,604
Accumulated amortisation and impairments	(366)	(270)	(76)	(712)
Balance at 31 December 2010	1,703	127	62	1,892
Changes in 2011				
Additions	(3)	14	24	35
Disposals		(1)		(1)
Internal transfers/reclassifications		43	(43)	0
Amortisation		(48)	(4)	(52)
Impairments	(209)	(16)	(15)	(240)
Exchange rate differences	(8)	4	(1)	(5)
Total changes	(220)	(4)	(39)	(263)
Historical cost	2,054	429	118	2,601
Accumulated amortisation and impairments	(571)	(306)	(95)	(972)
Balance at 31 December 2011	1,483	123	23	1,629

(in € millions)

Goodwill

Goodwill is allocated to TNT Express' cash generating units ('CGUs') and tested for impairment. The CGUs correspond to operations in a region and the nature of the services that are provided and include: Northern Europe, Southern Europe & MEA, Asia Pacific, North America, South America and Other Networks.

In 2011, the goodwill impairment of €209 million is related to the South America operations as a result of revenue losses and performance pressure. The addition of -€3 million is related to Southern Europe & MEA whereby a settlement of €3 million was received in 2011 related to the purchase price of TG Plus Transcamer Gomez S.A.U. As this company was acquired in 2006, this settlement was accounted for against goodwill in accordance with IFRS 3 (2004). The exchange rate differences favourably impact the goodwill of Northern Europe by €1 million and Asia Pacific by €6 million, while decreasing the value of South America by €15 million.

Total goodwill balance at 31 December 2011 amounted to €1,483 million (2010: 1,703) which is allocated to Northern Europe for €659 million (2010: 658), Southern Europe & MEA for €571 million (2010: 574), Asia Pacific for €168 million (2010: 162), North America for €0 million (2010: 0), South America for €27 million (2010: 251) and Other Networks for €58 million (2010: 58).

In 2010, the additions to goodwill of €13 million are the result of the finalisation of the purchase price allocation of the 2009 acquisitions of Expresso Araçatuba (€5 million) and LIT Cargo (€8 million). Exchange rate differences resulted in an increase of goodwill by €44 million for acquisitions in Brazil, Chile and China due to the strengthening of the relating currencies compared to the euro.

Based on the 2011 financial performance, a detailed review has been performed of the recoverable amount of each CGU. The recoverable amount is the higher of the value in use and fair value less cost to sell. Fair value less cost to sell represents the best estimate of the amount TNT Express would receive if it were to sell the CGU. The fair value was estimated on basis of the present value of future cash flows taking into account cost to sell.

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

TNT Express determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used in the CGUs valuations vary from 10% to 16% pre-tax (post-tax 8% to 12%) 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 and 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 is higher than the carrying amount, with the exception of South America. A sensitivity analysis has been applied for all CGUs. This sensitivity analysis included the individual impact of the following items which are considered to be the most critical when determining the recoverable value:
- increase of the discount factor by 1% and 2%;
- increase of capital expenditure of 5% per year; and
- decrease of operating income of 5% per year.

At 31 December 2011, the impairment test based on the latest forecast with a forecast period of ten years revealed that the carrying amount of CGU South America exceeds the recoverable value by €209 million. Goodwill impairment of €209 million is recorded and consequently there is no headroom available in CGU South America. CGU South America's operations are mainly in Brazil and Chile. Brazil's 2011 results have been negatively impacted by revenue losses and performance pressure. The negative performance is being addressed through a full range of corrective measures.

Compared to the impairment test of 2010 the headroom for CGU Southern Europe & MEA has reduced from around €700 million to around €400 million as a reflection of the general macroeconomic environment in that region. The result of the sensitivity analysis for this CGU at an increase of the discount factor by 2% would reduce such headroom further to around €40 million.

Software and other intangible assets

At 31 December 2011, the software balance of €123 million (2010: 127) included internally generated software with a book value of €102 million (2010: 103). The addition to software of €14 million related to self-produced software of €8 million and €6 million of purchased software. The reclassification of €43 million to self-produced software related to finalised IT projects. In 2011, software impairment of €16 million related to software development projects that are no longer deemed viable.

At 31 December 2011, other intangible assets of €23 million (2010: 62) related to customer relationships of €8 million (2010: 28) and software under construction of €15 million (2010: 34). In 2011, the impairment of €15 million related to customer relationships in South America as a result of loss of customers. The addition of €24 million related to software under construction.

In 2010, the reduction of €23 million in other intangibles was due to adjustments to the fair values of brand name of €6 million and customer relationships of €17 million. This was the result of the finalisation of the purchase price allocation of Expresso Araçatuba and LIT Cargo.

The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2012: €43 million, 2013: €34 million, 2014: €25 million, 2015: €14 million, 2016: €11 million and thereafter: €19 million. Besides software development, TNT Express does not conduct significant research and development and therefore does not incur research and development costs.

2 Property, plant and equipment: 899 million (2010: 1,089)

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	642	554	550	479	13	2,238
Accumulated depreciation and impairments	(190)	(341)	(270)	(360)		(1,161)
Balance at 31 December 2009	452	213	280	119	13	1,077
Changes in 2010						
Capital expenditure in cash	6	22	1	24	68	121
Capital expenditure in financial leases		3		2	3	8
(De)consolidation		2				2
Disposals	(1)	(2)	(5)	(2)		(10)
Exchange rate differences	17	18	4	6	2	47
Depreciation	(29)	(54)	(23)	(51)		(157)
Impairments			2			2
Transfers to assets held for disposal	(1)					(1)
Internal transfers/reclassifications	9	43		10	(62)	0
Total changes	1	32	(21)	(11)	11	12
Historical cost	673	638	610	477	24	2,422
Accumulated depreciation and impairments	(220)	(393)	(351)	(369)		(1,333)
Balance at 31 December 2010	453	245	259	108	24	1,089
Changes in 2011						
Capital expenditure in cash	25	21	1	28	76	151
Capital expenditure in financial leases/other		4			2	6
Disposals	(1)	(3)	(2)	(2)		(8)
Exchange rate differences	5	(2)		1	(1)	3
Depreciation	(31)	(53)	(23)	(50)		(157)
Impairments			(45)			(45)
Transfers to assets held for disposal			(140)			(140)
Internal transfers/reclassifications	34	29		15	(78)	0
Total changes	32	(4)	(209)	(8)	(1)	(190)
Historical cost	715	664	319	488	23	2,209
Accumulated depreciation and impairments	(230)	(423)	(269)	(388)		(1,310)
Balance at 31 December 2011	485	241	50	100	23	899

(in € millions)

Land and buildings mainly relate to depots, hubs and other production facilities. Plant and equipment of €7 million (2010: 16) are pledged as security to third parties in Brazil. In 2010, land and buildings of €30 million were pledged to third parties in Germany, this is no longer the case in 2011. TNT Express does not hold freehold office buildings for long-term investments and for long-term rental income purposes.

Plant and equipment primarily relate to investments in vehicles, sorting machinery and other depot equipments. Other property, plant and equipment mainly related to furniture, fittings, IT equipment and other office equipments.

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 of 20%. Depending on the type of aircraft, the depreciation term varies between 10 and 25 years. 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. Of the 22 owned aircraft (2010: 25), 16 aircraft (2010: 22) are classified as property, plant and equipment and six (2010: 3) are classified as assets held for disposal.

In 2011, impairment of €45 million relates to four aircraft that are transferred to assets held for disposal with a written down value of €140 million. Two of these aircraft are Boeing 747 freighters under finance lease. The aircraft are measured at fair value less cost to sell. The impairment is triggered by a decline in air volume and management's action to reduce air capacity and lower operating costs.

In 2011, two aircraft classified as property, plant and equipment were sold along with one of the aircraft classified as assets held for disposal at year-end 2010, for a profit of nil.

In 2010, two aircraft that were classified as assets held for disposal as from 2008 were transferred back to property, plant and equipment. The aircraft were measured at their recoverable amounts at the date of the subsequent decision not to sell. As a result, €2 million of the previously recorded impairment charge was reversed after taking into account normal depreciation that would have been charged had no impairment occurred. These aircraft were recommissioned back into use in Asia in early 2011, and were subsequently sold in the second quarter of 2011.

Finance leases included in the property, plant and equipment balance at 31 December 2011 are:

At 31 December 2011	Land and buildings	Plant and equipment	Aircraft	Other	Total 2011	Total 2010
Total	10	14	0	0	24	209
Europe & MEA	10	4			14	200
Americas		10			10	9

(in € millions)

Included in land and buildings under financial leases are leasehold rights and ground rent. The book value of the leasehold rights and ground rent in TNT Express is €10 million (2010: 12), comprising a historical cost of €25 million (2010: 25), with accumulated depreciation of €15 million (2010: 13). Aircraft leases amount to nil (2010: 183). The 2010 amount was largely related to two Boeing 747 freighters which were transferred to assets held for disposal in 2011.

Leasehold and ground rents expiring:
- within one year amount to €1 million (2010: 1);
- between one and five years amount to €2 million (2010: 3); and
- between five and 20 years amount to €7 million (2010: 8).

There are no leasehold and ground rents contracts with indefinite terms. Leasehold rights and ground rent for land and buildings are mainly in Belgium for €7 million (2010: 8) and in France for €3 million (2010: 4).

There is no material temporarily idle property, plant and equipment at 31 December 2011 (2010: 0).

3 Financial fixed assets: 284 million (2010: 294)

Statement of changes	Investments in associates	Other loans receivable	Deferred tax assets	Other financial fixed assets: Financial fixed assets at fair value	Other financial fixed assets: Other prepayments and accrued income	Total
Balance at 31 December 2009	58	3	204	2	18	285
Changes in 2010						
Acquisitions/additions	8		35	1	2	46
Disposals/decreases	(7)		(25)			(32)
Impairments and other value adjustments	(17)					(17)
Withdrawals/repayments					(5)	(5)
Exchange rate differences			16		1	17
Total changes	(16)		26	1	(2)	9
Balance at 31 December 2010	42	3	230	3	16	294
Changes in 2011						
Acquisitions/additions			50		1	51
Disposals/decreases			(41)	(1)		(42)
Impairments and other value adjustments	(22)					(22)
Withdrawals/repayments					(1)	(1)
Exchange rate differences			5	(1)		4
Total changes	(22)		14	(2)		(10)
Balance at 31 December 2011	20	3	244	1	16	284

(in € millions)

Investments in associates

At 31 December 2011, investments in associates amounted to €20 million (2010: 42) and relates mainly to investments made by Logispring Investment Fund Holding B.V. ('Logispring') and TNT Europe Finance B.V. The sole activity of Logispring is to manage investments in start-up companies in the transport and logistics sector.

In 2011, the underlying investments in these entities are adjusted for a fair value adjustment of €22 million (2010: 17) following anticipated liquidations of underlying investments, deteriorated prospects for other investments or limited results. The fair values are derived from most recent valuation reports based on EVCA rules for fair value calculations extrapolated using relevant benchmarks and indices. None of the investments are currently listed and as a consequence, they are grouped within level 3 of the fair value measurement hierarchy as mentioned in the accounting policies. The investments in associates do not include goodwill (2010: 0).

In 2010, the addition of €8 million to investments in associates related to capital contributions to Logispring investments. The disposals of €7 million relates to the unwinding and divestment of Logispring investments.

Deferred tax assets

Deferred tax assets are further explained in note 22.

4 Inventory: 15 million (2010: 15)

At 31 December	2011	2010
Raw materials and supplies	12	11
Finished goods	3	4
Total	15	15
(in € millions)		

Total inventory of €15 million (2010: 15) is valued at historical cost for an amount of €22 million (2010: 20) and is stated net of provisions for obsolete items amounting to €7 million (2010: 5). There are no inventories pledged as security for liabilities at 31 December 2011 (2010: 0). In 2011 and 2010, no material write-offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is nil (2010: 0).

5 (Trade) accounts receivable: 1,256 million (2010: 1,241)

At 31 December	2011	2010
Trade accounts receivable - total	1,186	1,149
Allowance for doubtful debt	(69)	(74)
Trade accounts receivable	1,117	1,075
VAT receivable	12	15
Accounts receivable from associates	0	1
Other accounts receivable	127	150
Accounts receivable	139	166
(in € millions)		

At 31 December 2011, the total trade accounts receivable amounted to €1,186 million (2010: 1,149), of which €424 million (2010: 407) were ‘past due date’ but not individually impaired. The balance of trade accounts receivable that is expected to be recovered after 12 months is €9 million (2010: 4). The standard payment term for customers of TNT Express is around seven days. The total allowance for doubtful debt amounts to €69 million (2010: 74) of which €36 million (2010: 34) relates to trade accounts receivable that were individually impaired for the notional amount. The remainder of the allowance relates to a collective loss component established for groups of similar trade accounts receivable balances 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 fair value of the accounts receivable approximates its carrying value. Other accounts receivables mainly include 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 €22 million (2010: 0). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. TNT Express 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 Express account for 3% of the outstanding trade receivables at 31 December 2011 (2010: 3%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: Europe & MEA €736 million (2010: 715), Asia Pacific €240 million (2010: 219), Americas €84 million (2010: 93) and Other Networks €57 million (2010: 48). For the non-trade accounts receivables no allowance for doubtful debt is required.

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below:

At 31 December	2011	2010
Up to 1 month	292	284
2-3 months	82	84
3-6 months	29	23
Over 6 months	21	16
Total	424	407
(in € millions)		

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

	2011	2010
Balance at 1 January	74	71
Provided for during financial year	20	34
Receivables written off during year as uncollectable	(25)	(25)
Unused amounts reversed	0	(6)
Balance at 31 December	69	74
(in € millions)		

6 Prepayments and accrued income: 159 million (2010: 157)

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 2011, prepayments amounted to €64 million (2010: 78). The balance of prepayments and accrued income that is expected to be recovered after 12 months is nil (2010: 0).

Prepayments and accrued income also includes outstanding short-term foreign exchange forward contracts amounting to €17 million (2010: 2). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2011. For the notional principal amount of the outstanding foreign exchange forward contracts see note 30.

7 Cash and cash equivalents: 250 million (2010: 807)

Cash and cash equivalents comprise of cash at bank and in hand of €55 million (2010: 75) and short-term bank deposits of €195 million (2010: 732). The effective interest rate during 2011 on short-term bank deposits was 0.6% (2010: 0.3%) and the average outstanding amount was €277 million (2010: 582). The individual deposits have an average maturity of 1.4 days (2010: 1.4). Included in cash and cash equivalents is €1 million (2010: 1) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

8 Assets classified as held for disposal: 146 million (2010: 4)

The assets classified as held for disposal amount to €146 million (2010: 4) and relates to aircraft of €140 million (2010: 2) and vehicles of €6 million (2010: 2), mainly in Europe & MEA (2010: Americas).

As at 31 December 2011, there are six aircraft (2010: 3) classified as assets held for disposal, four of which were transferred from property, plant and equipment in 2011. Two of these aircraft are Boeing 747 freighters under finance lease with written down value of €134 million. Of the three aircraft held for disposal in 2010, one was sold along with two of the aircraft classified as property, plant and equipment for a net profit of nil (refer to note 2).

All six aircraft held for disposal are actively being marketed and are expected to be disposed of within one year.

9 Equity: 2,812 (1 January 2011: 3,086; 2010 Net investment: 3,002)

By way of legal demerger (30 May 2011, effective 31 May 2011) and subsequent legal merger (31 May 2011, effective 1 June 2011), TNT Express N.V. was listed on the NYSE Euronext Amsterdam (Euronext Amsterdam). Trading in the ordinary shares on an ‘‘as-if-and-when-issued’’ basis on Euronext Amsterdam started on 26 May 2011 and the shareholders of the former parent TNT N.V. (PostNL) have been allotted one ordinary share for each share they held in TNT N.V. on 30 May 2011 as part of the demerger. After the demerger, TNT N.V. held such number of ordinary shares, representing 29.9% of the issued and outstanding share capital of TNT Express.

At the date of demerger, all of the assets and liabilities directly related to TNT N.V.'s express business were transferred under universal succession of title to TNT Express N.V. Pursuant to the demerger agreement, all of the express business transferred to TNT Express N.V. were, upon consummation of the demerger, deemed to have been for the risk and account of the company as of 1 January 2011.

To provide a comparable overview of the TNT Express business prior to the demerger, combined financial statements have been prepared and audited of the legal entities that constitute the TNT Express business for the financial year ended 31 December 2010. The indicated equity at 31 December 2010 therefore relates to a combination of the equity of the legal entities of TNT Express. This equity represents the equity under TNT Express accounting policies, which have been prepared in accordance with IFRS for all assigned Express entities. The increase in total equity between 31 December 2010 of €3,002 million and 1 January 2011 of €3,086 million is a receivable of €84 million from TNT Mail Finance B.V. that was transferred under universal succession of title to TNT Express, see note 39. As TNT Express, prior to the demerger, did not have a defined capital structure, no details of the composition of the equity are presented, see overview of consolidated statement of changes in equity.

Issued share capital

Issued share capital amounted to €43 million at 31 December 2011 (1 January 2011: 43). The number of authorised, issued and outstanding shares by class of share is as follows:

Authorised, issued and outstanding shares

Before proposed appropriation of profit	2011
Authorised by class	
Ordinary shares	750,000,000
Preference shares	750,000,000
Total authorised	1,500,000,000
Issued and outstanding	
per 1 January of the reported year	0
issued for additional public offering	542,033,181
issued for stock dividend	1,169,239
per 31 December of the reported year	543,202,420
Issued and outstanding per 31 December by class	
Ordinary shares	543,202,420
Preference shares	0

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 amounts 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 Express' written acknowledgement of the transfer. TNT Express 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 belonging to TNT Express employees under (former) incentive schemes which are beneficially owned by the employees. At 31 December 2011, the number of TNT Express shares involved amounted to 716,791 with a nominal value of €0.08 per share.

Additional paid-in capital

Additional paid-in capital amounts to €3,021 million (1 January 2011: 3,035). The amount of paid-in capital recognised for Dutch dividend withholding tax purposes is €798 million. The decrease in additional paid in capital of €14 million is due to the 2011 interim dividend.

Legal reserve

The legal reserves relate to translation, hedge and other legal reserves. At 31 December 2011, the legal reserves amount to €24 million (1 January 2011: 0; 2010: -71).

The translation and hedge reserves amount to €70 million negative at 31 December 2011. 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. In 2011, an amount of €0 million was released from equity to the income statement.

At 31 December 2011, the hedge reserve mainly contains the fair value timing difference of $226 million (1 January 2011: $239) of interest rate swaps and of $412 million unwound forward starting interest rate swaps. 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 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 till delivery of the aircraft when the interest component in the lease was fixed. All three forward starting swaps have been unwound at the delivery of the aircraft during 2011. The outstanding and unwound interest rate swaps resulted in movements in cash flow hedging reserves of, net of taxation, -€12 million (2010: -7).

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 2011, an amount of -€1 million (2010: -1) has been recycled from the hedge reserve to the income statement. For further information on interest rate swaps, see note 30.

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

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

Other reserves

At 31 December 2011, the other reserves are -€12 million (1 January 2011: 0). In 2011, the other reserves decreased by €12 million. This decrease is related to reclassification of €23 million to the legal reserves and €11 million of share-based compensation (€19 million cost for share-based compensation and -€9 million cash payments for share-based compensation).

Retained earnings

At 31 December 2011, the retained earnings amounts to -€270 million relating to the years loss for the period.

10 Pension assets: 34 million (2010: 6) and provisions for pension liabilities: 46 million (2010: 49)

TNT Express operates a number of post-employment benefit plans around the world. Most of TNT Express' 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 and Italy.

Defined benefit plans in the Netherlands

In the Netherlands, TNT Express employees participate in one of three different defined pension plans. The first pension 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. The first and second pension plans are externally funded in 'Stichting Pensioenfonds PostNL' and 'Stichting Ondernemingspensioenfonds TNT' respectively, for which PostNL N.V. is the co-sponsoring employer. The third pension plan covers the Dutch employees of TNT Express Fashion.

Some of the employees covered by the first and second pension plan also participate in defined benefit transitional plans. These transitional defined benefit 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 Express contributes to a closed defined pension plan, externally funded in a pension fund governed by a trustee. The pension plan covers three active employees and the remainder are inactive (former) TNT Express employees. 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 Express employees participate in one of two defined pension plans. The first plan is a defined benefit plan closed for new entries as of 1 January 2005. The second plan, applicable to new hires as from 1 January 2005, is a defined contribution plan with a minimum return guarantee. 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 contributions of the defined contribution plan are invested in public investment funds administered by an external party. The risk coverage 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 Express 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 Express consists of the unfunded benefits accrued up to 31 December 2006 and of the obligation reflecting the annual revaluation of these accrued benefits.

At 31 December 2011, the defined benefit plans described above covers approximately 98% of the TNT Express group obligation for post-employment benefits and approximately 99% of the TNT Express group plan assets.

Defined benefit pension costs recognised in the income statement

The valuation of the pension obligation of TNT Express and the determination of its pension cost are based on key assumptions that include employee turnover, mortality rates and retirement ages, discount rates, expected long-term returns on plan assets, 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 balance sheet as part of the actuarial gains and losses. If the cumulative actuarial gains and losses exceed the corridor, the excess will be amortised over the employees' expected average remaining service lives and reflected as an additional profit or expense in TNT Express' income statement in the next year.

In 2011, TNT Express' net expense for post-employment benefit plans was €2 million (2010: 7). The €2 million net expense consists of €18 million expense and €16 million settlement gain as a consequence of the demerger. Total cash contributions for post-employment benefit plans in 2011 amounted to €33 million (2010: 13) and are estimated to amount to approximately €41 million in 2012.

Statement of changes in net pension asset/(liability)

	Balance at 1 January 2011	Employer pension expense	Contributions / Other	Balance at 31 December 2011
Provision for pension liabilities	(14)	(1)	30	15
of which pension and transitional plans in the Netherlands	(15)	3	25	13
of which other pension plans in Europe	2	(3)	3	2
of which pension plans outside Europe	(1)	(1)	2	0
Other post-employment benefit plans	(29)	(1)	3	(27)
Total post-employment benefit plans	(43)	(2)	33	(12)

(in € millions)

The total net provision for post-employment benefit plans of €12 million at 31 December 2011 (2010: 43) consist of a pension asset of €34 million (2010: 6) and a pension liability of €46 million (2010: 49).

The funded status of the TNT Express' post-employment benefit plans at 31 December 2011 and 2010 and the employer pension expense for 2011 and 2010 are presented in the table below.

Pension disclosures

	2011	2010
Change in benefit obligation		
Benefit obligation at beginning of year	(111)	(91)
Service costs	(19)	(5)
Interest costs	(24)	(5)
Amendments/foreign currency effects	(1)	(4)
Actuarial (loss)/gain	(10)	(13)
Benefits paid	13	7
Settlements	(347)	
Benefit obligation at end of year	(499)	(111)
Change in plan assets		
Fair value of plan assets at beginning of year	68	53
Actual return on plan assets	11	9
Contributions	30	10
Amendments/foreign currency effects	1	3
Benefits paid	(13)	(7)
Settlements	363	0
Fair value of plan assets at end of year	460	68
Funded status at 31 December		
Funded status	(39)	(43)
Unrecognised net actuarial loss	54	29
Pension assets/liabilities	15	(14)
Other employee benefit plans	(27)	(29)
Net pension asset/liability	(12)	(43)
Components of employer pension expense		
Service costs	(19)	(5)
Interest costs	(24)	(5)
Expected return on plan assets	28	5
Amortisation of actuarial loss	(2)	(1)
Settlement gain	16	0
Employer pension expense	(1)	(6)
Other post-employment benefit plan expenses	(1)	(1)
Total post-employment benefit expenses	(2)	(7)
Weighted average assumptions as at 31 December		
Discount rate	4.9%	4.9%
Expected return on plan assets	6.3%	5.8%
Rate of compensation increase	2.1%	2.4%
Rate of benefit increase	1.5%	2.0%

(in € millions, except percentages)

In 2011, the settlement in benefit obligation and plan assets is as a result of the new separate execution agreements with the Dutch pension funds with regards to the allocated TNT Express employees as a consequence of the demerger. This results in a one-off settlement gain of €16 million.

TNT Express' pension expense is affected by the discount rate used to measure pension obligations and the expected long-term rate of return on plan assets. Management reviews these and other assumptions every year. Measurement date for TNT Express' 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. These are amortised over the employee's expected average remaining service lives if they exceed the corridor.

The discount rate is based on the long-term yield on high quality corporate bonds. Management considers various factors to determine the expected return on plan assets. The expected return is based on the current long-term rates of return on bonds and applies to these rates a suitable risk premium for the different asset components. The premium is based on the plan's asset mix, historical market returns and current market expectation.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The average life expectancy of men after retiring at the age of 65 is 20 years (2010: 20). The equivalent expectancy for women is 22 years (2010: 22).

Funded status defined benefit plans

The table below 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 €27 million (2010: 29).

At 31 December	2011	2010
Present value of funded benefit obligations	(470)	(79)
Fair value of plan assets	460	68
(Un)Funded status	(10)	(11)
Present value of unfunded benefit obligations	(29)	(32)
Unrecognised liability	54	29
Other employee benefit plans	(27)	(29)
Net pension asset/liability	(12)	(43)
of which included in pension assets	34	6
of which included in provisions for pension liabilities	(46)	(49)

(in € millions)

The table below shows the sensitivity of the employer pension expense, excluding the settlement gain of €16 million, to deviations in assumptions:

Sensitivity of assumptions

	%-change in assumptions	change in employer pension expense
Employer pension expense 2011		(18)
Discount rate	+ 0.5%	3
Expected return on plan assets	+ 0.5%	2
Rate of compensation increase	+ 0.5%	(5)
Rate of benefit increase	+ 0.5%	(1)
Employer pension expense 2011		(18)
Discount rate	- 0.5%	(3)
Expected return on plan assets	- 0.5%	(2)
Rate of compensation increase	- 0.5%	4
Rate of benefit increase	- 0.5%	1

(in € millions, except percentages)

The table below shows the defined benefit obligation, fair value of plan assets and experience adjustments thereon for the current annual period and previous annual period. Annual period 2011 is the first consolidated financial statements of TNT Express N.V., therefore only one previous annual period is presented instead of four as required by IAS 19.120p. The experience adjustment is the difference between the expected and actual position at the end of the year.

Status of funding

At 31 December	2011	2010
Funded and Unfunded Defined benefit obligation	(499)	(111)
Experience adjustment gain/(loss)	1.9%	0.7%
Fair value of plan assets	460	68
Experience adjustment gain/(loss)	-3.6%	9.5%
(Un)Funded status	(39)	(43)

(in € millions, except percentages)

The table below shows the expected future benefit payments per year related to TNT Express' 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
2012	17
2013	13
2014	12
2015	12
2016	13

(in € millions)

11 Other provisions: 189 million (2010: 168)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2010	44	15	50	59	168
of which included in other provisions (non-current)	29	3	10	35	77
of which included in other provisions (current)	15	12	40	24	91
Changes in 2011					
Additions	8	25	20	15	68
Withdrawals	(6)	(18)	(14)	(6)	(44)
Exchange rate differences	1			(3)	(2)
Reclassification	3	(5)	2		0
Other/releases			(11)	10	(1)
Total changes	6	2	(3)	16	21
Balance at 31 December 2011	50	17	47	75	189
of which included in other provisions (non-current)	33	1	17	50	101
of which included in other provisions (current)	17	16	30	25	88

(in € millions)

Other employee benefit obligations consist of provisions relating to jubilee payments of €17 million (2010: 14), long-service benefits of €9 million (2010: 7) and other employee benefits of €24 million (2010: 23). Short-term employee benefits, such as salaries, profit-sharing and bonuses are discussed in note 18.

At 31 December 2011, the restructuring provision amounts to €17 million (2010: 15), of which €15 million (2010: 11) relates to restructuring projects in Europe and €2 million (2010: 4) in other regions.

The total restructuring-related charge for 2011 amounts to €25 million (2010: 16). The 2011 restructuring plans mainly relate to redundancy costs in Europe for €21 million and Asia Pacific for €4 million. A majority of these restructuring provisions will be utilised in 2012. Restructuring plans announced before 2011 relate to Europe and South America and were largely finalised during 2011.

The withdrawals from the restructuring provisions of €18 million (2010: 23) relate to settlement payments following restructuring programmes for an amount of €14 million in Europe and €4 million in Asia Pacific.

In 2011, 305 employees (2010: 1,325) were made redundant, mainly in Europe and Asia Pacific. The relating settlements have been withdrawn from these provisions.

Provisions for claims and indemnities include provisions for claims from third parties, mainly customers, with respect to the ordinary business activities of TNT Express. At 31 December 2011, provision for claims and indemnities of €47 million (2010: 50) relates to Europe for €25 million (2010: 27), Asia Pacific for €15 million (2010: 12) and South America for €7 million (2010: 11).

Other provisions consist of provision for legal obligations, dilapidation, onerous contracts and other risks incurred in the course of normal business operations. At 31 December 2011, other provisions amounted to €75 million (2010: 59), of which €26 million (2010: 26) in Europe & MEA, €6 million (2010: 2) in Asia Pacific, €42 million (2010: 28) in Americas and €1 million (2010: 3) in Other Network. The additions of €15 million relate to Europe & MEA for €5 million, Asia Pacific for €3 million and Americas for €7 million.

The estimated utilisation in 2012 is €88 million, in 2013 €9 million, in 2014 €9 million and in 2015 and beyond €83 million.

12 Long-term debt: 219 million (2010: 301)

Carrying amounts and fair value of long-term debt

	2011		2010	
At 31 December	Carrying Amount	Fair value	Carrying Amount	Fair value
Finance leases	177	181	184	186
Other loans	14	14	24	40
Interest rate swaps	28	28	93	93
Total long term debt	219	223	301	319

(in € millions)

The interest rate swaps per 2010 in the table above include an amount of €65 million, which was settled in May 2011 prior to the demerger. This interest rate swap was entered into by TNT Finance B.V. which is part of the TNT Express business and related to a GBP-denominated Eurobond of TNT N.V. (PostNL).

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

Total borrowings

	Finance leases	Other loans	Interest rate swaps	Short-term bank debt	Total
2012	18	10		15	43
2013	16	7			23
2014	15	3			18
2015	14	1			15
2016	70	1	13		84
Thereafter	62	2	15		79
Total borrowings	195	24	28	15	262
of which included in long term debt	177	14	28		219
of which included in other current liabilities	18	10		15	43

(in € millions)

For underlying details of the financial instruments, see notes 29 and 30.

13 Other current liabilities: 309 million (1 January 2011: 761; 2010: 845)

	31 December 2011	01 January 2011	31 December 2010
Short-term bank debt	15	28	28
Other short-term debt	28	29	29
Total current borrowings	43	57	57
Net payable to PostNL	0	442	526
Taxes and social security contributions	121	114	114
Expenses to be paid	35	22	22
Other	110	126	126
Total	309	761	845

(in € millions)

Total current borrowings

Other short-term debt includes short-term bank facilities of €10 million (2010: 10) and the current portion of outstanding finance lease liabilities of €18 million (2010: 19). There are no balances as of 31 December 2011, which are expected to be settled after 12 months (2010: 0).

Other also includes outstanding short-term foreign exchange forward contracts amounting to €12 million (2010: 17). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2011. For the notional principal amount of the outstanding foreign exchange forward contracts see note 30.

Net payable/receivable TNT N.V.

The net payable towards the former parent TNT N.V. (PostNL) of €526 million at 31 December 2010 represents the net payable from legal entities of the TNT Express business towards TNT N.V. and legal entities of its continued business and has been settled during the first half year. The decrease between 31 December 2010 and 1 January 2011 is due to the transfer under universal succession of title of the receivable of €84 million from TNT Mail Finance B.V., see note 39.

14 Accrued current liabilities: 630 million (2010: 680)

At 31 December	2011	2010
Amounts received in advance	25	27
Expenses to be paid	429	488
Vacation days/vacation payments	75	74
Other accrued current liabilities	101	91
Total	630	680

(in € millions)

An amount of €8 million is expected to be settled after 12 months (2010: 6).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15 Net sales: 7,156 million (2010: 6,945)

The net sales of TNT Express relate to the trading activities of the reporting segments Europe & MEA, Asia Pacific, Americas and Other Networks, 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 revenues: 90 million (2010: 108)

Other operating revenues relate to the rendering of services not related to TNT Express normal trading activities and mainly include revenue from sale of unutilised air cargo space to third parties of €40 million (2010: 35), customs clearance and administration revenue of €11 million (2010: 17) and passenger/charter revenue of €11 million (2010: 21). The remaining other operating revenues are mainly related to aircraft maintenance and operations income.

17 Other income: 7 million (2010: 12)

Other income in 2011 includes net proceeds from the sale of property, plant and equipment for a net amount of €2 million (2010: 8) and other miscellaneous income of €5 million (2010: 4). Of the €2 million net proceeds from sale of property, plant and equipment €1 million relates to assets sold in the India domestic operations.

18 Salaries and social security contributions 2,238 million (2010: 2,190)

Year ended at 31 December	2011	2010
Salaries	1,839	1,781
Share-based compensation	19	19
Pension charges:		
Defined benefit plans	2	7
Defined contribution plans	37	62
Social security charges	341	321
Total	2,238	2,190

(in € millions)

The share-based compensation of €19 million includes €14 million from the accelerated vesting related to the unwinding of the TNT N.V. equity schemes allocated to TNT Express employees prior to the demerger.

For additional information related to the defined benefit plans expense of €2 million, see note 10.

Labour force	2011	2010
Employees[1]		
Europe & MEA	37,330	36,184
Asia Pacific	24,825	27,195
Americas	11,255	11,081
Other Networks	2,534	2,435
Non-allocated[2]	1,534	1,612
Total at year end	77,478	78,507
Employees of joint ventures[3]	1,032	1,022
External agency staff at year end	7,064	6,379
Average full-time equivalents (FTEs)[1]		
Europe & MEA	34,589	34,177
Asia Pacific	27,389	27,230
Americas	12,688	12,291
Other Networks	2,265	2,241
Non-allocated[2]	1,532	1,563
Total year average	78,463	77,502
FTEs of joint ventures[3]	920	894

[1]Including temporary employees on our payroll.

[2]Including employees and FTEs in Head office and Global IT Support Centre.

[3]These numbers represent all employees and FTEs in the joint ventures.

The labour force expressed in employees (headcount) has decreased by 1,029 people mainly due to the sale of the domestic road business in India at 30 December 2011. Due to the late timing of this sale the headcount decrease is not yet reflected in the average full-time equivalents (FTEs), based on the hours worked divided by the local standard.

In this note, certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

Remuneration of members of the Supervisory Board

For the year 2011, the remuneration of the current members of the Supervisory Board amounted to €297,000 of which €79,750 is related to membership and meetings of the supervisory board of TNT N.V. Mr Burgmans (chairman), Ms Scheltema and Mr Gunning joined the Supervisory Board after the demerger. The other members of the Supervisory Board (Ms Harris, Mr King and Mr Levy) participated in the TNT N.V. supervisory board.

The remuneration of individual members of the Supervisory Board is set out in the table below:

	Base compensation[1]	Other payments[2]	Total remuneration
Mr Burgmans	35,000	6,000	41,000
Mr Gunning	26,250	4,500	30,750
Ms Harris	45,000	20,500	65,500
Mr King	45,000	13,500	58,500
Mr Levy	45,000	27,000	72,000
Ms Scheltema	26,250	3,000	29,250
Total	222,500	74,500	297,000

[1]Base fees include payments for membership of Supervisory Board TNT N.V. and Supervisory Board TNT Express N.V.

[2]Payments relating to number of attended committee meetings for Supervisory Board TNT N.V. and Supervisory Board TNT Express N.V., including travel allowance for foreign members.

(in €)

No options or shares were granted to members of the Supervisory Board and none of the members of the Supervisory Board accrued any pension rights with the company.

Specific equity-based remuneration issues related to the demerger

In 2011, due to the demerger, specific measures were taken for senior management participating in the various TNT N.V. equity compensation schemes. Pre-demerger all equity schemes of our former parent TNT N.V. were unwound and, post demerger, a one-off investment/matching plan in TNT Express N.V. (phantom) equity was launched, both are described below.

Unwinding of TNT N.V. equity schemes

The supervisory board of TNT N.V. decided that, subject to approval of the demerger by the general meeting of shareholders of TNT N.V., the unvested rights on performance shares in TNT N.V. and granted matching shares in TNT N.V. as well as any unexercised options would be unwound before the demerger.

All schemes were terminated before the demerger so that no 'legacy plans' existed thereafter. The eligible management consisted of the members of the board of management of TNT N.V. and senior management.

The unwinding of the TNT N.V. equity schemes has been executed as described below.

The existing and unvested rights on performance shares and matching shares, pre-demerger, vested on a pro-rata basis in accordance with plan rules and, for the performance shares, applying the most recent performance criteria. There was no vesting of performance shares since the realised Total Shareholder Return (TSR) compared to the incentive zone of the performance schedule did not allow for this.

As the vesting period for the performance shares was terminated prematurely, the supervisory board of TNT N.V. decided, in accordance with its discretionary power under the plan rules, to apply a time value based compensation in cash for prematurely terminated plans. The calculation of the level of this compensation was based on a generally accepted valuation model, validated by independent external parties.

The unwinding of the unvested performance shares and matching shares was settled in cash and paid to the eligible management.

The exercise period of the employee options for shares in TNT N.V. was shortened and ended before the demerger. The TNT N.V. supervisory board decided to compensate participants in cash for the loss of the time value of the reduced options period. The value of the options was calculated in accordance with a generally accepted option valuation model, validated by an independent external party and was subsequently paid in cash to the eligible management.

The accelerated vesting related to the unwinding of the equity schemes in place for TNT Express employees prior to the demerger was €14 million. For TNT Express the cash out amounted to €7 million. These amounts are accounted for in equity in accordance with IFRS 2.28b.

One-off investment/matching plan

Following the cash-settled unwinding of the TNT N.V. equity schemes, no ‘legacy plans’ remained. To stimulate share-ownership and to align the interests of the members of the Executive Board and (senior) management with shareholders, 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 Express N.V shares. The participants 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 Express N.V. 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: i) has remained an employee throughout; and ii) 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 participant sold 50% or fewer of his/her investment shares, the number of phantom shares comprising the matching right will be reduced proportionally.

Remuneration of members of the Executive Board

In 2011, the total remuneration of the Executive Board consisted of:
- base salary
- other periodic paid compensation
- variable compensation:
  - accrued short-term incentive
  - accrued long-term incentive
- pension

In the paragraphs below, the 2011 values of each of these remuneration elements are reported per member of the Executive Board.

Total remuneration

In 2011, the total remuneration, including unwinding costs for the TNT N.V. short-term and long-term incentives amounted to €2,280,726.

The remuneration of the individual members of the Executive Board is set out in the table below. In this table the costs are specified per remuneration component and include both the period prior to and after the demerger. Of the total remuneration costs, €790,825 relates to the period before the demerger.

	Marie-Christine Lombard	Bernard Bot	Total
Base salary	692,500	479,167	1,171,667
Other periodic paid compensation	230,143	48,431	278,574
Pension costs	281,520	117,298	398,818
Accrued for short-term incentive (excluding unwinding)	2,187	16,064	18,251
Accrued for long-term incentive (excluding unwinding)	75,944	53,410	129,354
Total 2011 excluding unwinding costs	1,282,294	714,370	1,996,664
Short-term incentive unwinding costs	0	48,443	48,443
Long-term incentive unwinding costs	106,078	129,541	235,619
Total 2011 including unwinding costs	1,388,372	892,354	2,280,726
Total 2010	1,842,017	608,898	2,450,915

(in €)

Base salary

The total base salary for 2011 paid to Ms Lombard was €692,500 and to Mr Bot was €479,167. These base salaries include the base salary earned during the five months prior to the demerger; €255,000 for Ms Lombard and €187,500 for Mr Bot. After the demerger the base salaries were reset taking into account the new responsibilities. Accordingly, Ms Lombard's annualized base salary was increased to €750,000, and the annualized base salary for Mr Bot increased to €500,000.

Other periodic paid compensation

The other periodic paid compensation includes company costs related to tax and social security, company car and other costs. For Ms Lombard other periodic paid compensation includes French social taxes and French social security contributions.

Pension

The pension costs consist of the service costs for the reported year. Mr Bot is a participant in a career average defined benefit scheme, whereas for Ms Lombard, a contribution is made available for a retirement provision. The retirement age for both members of the Executive Board is 65 years.

Variable compensation

In the table below the total accrued variable compensation in 2011 to the members of the Executive Board is shown:

	Accrued for short-term incentive (excluding unwinding)	Accrued for long-term incentive (excluding unwinding)	Short-term incentive unwinding costs	Long-term incentive unwinding costs	Total variable compensation
Marie-Christine Lombard	2,187	75,944	0	106,078	184,209
Bernard Bot	16,064	53,410	48,443	129,541	247,458
Total	18,251	129,354	48,443	235,619	431,667

(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 and the costs relating to the TNT N.V. bonus/matching plan and the one-off TNT Express N.V. investment/matching plan.

Short-term incentive and long-term incentive unwinding costs

Under IFRS 2 the unwound number of granted TNT N.V. performance shares and bonus/matching shares qualifies as a settlement that needs to be accounted for as an accelerated vesting. As a result, the amount which otherwise would have been recognised over the originally remaining vesting period is now recognized immediately as cost. In the above table these unwinding costs are specified for both the short-term and the long-term incentive. These costs have no actual compensation value for each member of the Executive Board. The actual payments as a result of the unwinding amounted for Ms Lombard gross €85,515 and for Mr Bot gross €148,931.

Bonus accrual for 2011 performance

Taking into account the profitability realised by TNT Express in 2011, the members of the Executive Board have decided to fully waive any of their entitlements to variable income for 2011.

The 2011 accrued short-term incentive amounts for the Executive Board are accrued as set out below:

	Accrued for 2011 bonus	Accrued for bonus matching shares (excluding unwinding)	Unwinding costs of bonus matching shares	Accrued for investment matching shares	Accrued for short-term incentive (including unwinding)
Marie-Christine Lombard	0	0	0	2,187	2,187
Bernard Bot	0	12,407	48,443	3,657	64,507
Total	0	12,407	48,443	5,844	66,694

(in €)

For Mr Bot, the accrued amount for bonus matching shares and the unwinding costs of bonus matching shares relate to his entitlements, until demerger, under the TNT N.V. bonus matching plan for senior management.

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.

	Investment/Matching Plan: Number of matching rights on phantom shares			
	Outstanding 1 January 2011	Granted during 2011	Vested or forfeited during 2011	Outstanding 31 December 2011
Marie-Christine Lombard	0	2,785	0	2,785
Bernard Bot	0	4,656	0	4,656
Total	0	7,441	0	7,441

The investment/matching rights on phantom shares are based on both the cash sum invested and the share price on the Euronext Amsterdam on the date the grant is made (2 August 2011: €7.68/share).

Accrued long-term incentive

In the table below the total costs related to the TNT N.V. performance shares plan are shown.

	Costs in 2011 from performance shares granted in 2008	Costs in 2011 from performance shares granted in 2009	Costs in 2011 from performance shares granted in 2010	Unwinding costs of performance shares	Accrued for long-term incentive (including unwinding)
Marie-Christine Lombard	35,145	40,799	0	106,078	182,022
Bernard Bot	19,111	17,481	16,818	129,541	182,951
Total	54,256	58,280	16,818	235,619	364,973

(in €)

For Mr Bot, the costs from performance shares granted in 2010 relate to his entitlements until demerger under the 2010 performance share plan for senior management at TNT N.V.

TNT N.V. performance share plan - Senior Management

From 2005 onwards annually granted rights on performance shares to eligible members of senior management were part of the remuneration policy. At 31 December 2010, the total number of performance shares was 3,688,662. Due to the demerger, no performance shares were granted in 2011, all unvested rights at the date of demerger were included in the above described unwinding of the TNT N.V. equity schemes.

TNT N.V. option plan - Senior Management

In 2005, the option plan was replaced by the performance share plan. Final option awards occurred in 2004. At 31 December 2010, the total number of outstanding options for TNT N.V. shares was 182,276, with a weighted average exercise price of €17.94. Prior to the demerger, all unexercised options lapsed and were included in the above described unwinding of the TNT N.V. equity schemes.

Bonus/matching plan - Senior Management

At 31 December 2010, the total number of outstanding matching rights on TNT N.V. shares was 179,201. The unvested rights to TNT N.V. bonus/matching shares at the demerger date were included in the above described unwinding of the TNT N.V. equity schemes.

Members of a selected group of managers may on a voluntary basis participate in the TNT Express N.V. bonus/matching plan. In such case, they are paid 100% of their bonus in cash and can convert 25% as a grant of TNT Express N.V. shares (in the plan called: bonus shares) with an associated matching right if at least 50% of the bonus shares is kept for three years.

The company sees the bonus/matching plan as part of the remuneration package for the members of its top management, and it is particularly aimed at further aligning their interests with the interests of the shareholders.

Grants are made in accordance with the bonus/matching plan, which has been approved by the Supervisory Board. For 2011, the matching rights comprise phantom shares so that after three years the rights under this plan will be settled in cash.

The significant aspects of the plan are:
- Bonus shares are purchased from the participant's net proceeds using 25% of the gross bonus amount. The matching right is granted upon the purchase of the bonus shares.
- The number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the share price on the Euronext Amsterdam on the date the grant is made (6 June 2011: €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 1:1 basis).
- The value at vesting of the phantom shares is delivered in cash after a holding period of three years after the grant.
- 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.
- Where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death) the matching right will vest immediately and he/she receives 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.

The table below shows the number of phantom shares comprising the matching rights.

	Bonus/Matching Plan: Number of matching rights on shares			
	Outstanding 1 January 2011	Granted during 2011	Vested or forfeited during 2011	Outstanding 31 December 2011
Management	0	82,018	7,679	74,339
Total	0	82,018	7,679	74,339

The investment/matching rights on phantom shares are based on both the cash sum invested and the share price on the Euronext Amsterdam on the date the grant is made (2 August 2011: €7.68/share).

One - off investment/matching plan - Senior Management

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

	Investment/Matching Plan: Number of matching rights on phantom shares		
	Granted during 2011	Vested or forfeited during 2011	Outstanding 31 December 2011
Management	73,763	7,020	66,743
Total	73,763	7,020	66,743

Hedging

At 31 December 2011, TNT Express held no shares for the purpose of covering any obligations under the TNT Express equity compensation plan. At that date the company did not operate any equity-settled schemes.

19 Depreciation, amortisation and impairments: 494 million (2010: 209)

Year ended at 31 December	2011	2010
Amortisation of intangible assets	52	54
Depreciation property, plant and equipment	157	157
Impairment of intangible assets	240	0
Impairment of property, plant and equipment	45	(2)
Total	494	209
(in € millions)		

The amortisation of intangible assets of €52 million (2010: 54) relates to software for €48 million (2010: 46) and other intangibles for €4 million (2010: 8).

In 2011, the impairment of intangibles assets of €240 million relates to €209 million goodwill impairment in South America, €16 million of software development projects that are no longer deemed viable and €15 million customer relationship in South America.

In 2011, impairment of property, plant and equipment of €45 million relates to four aircraft that are transferred to assets held for disposal. In 2010, the reversal of the impairment of property, plant and equipment of €2 million related to two aircraft that have been transferred back from asset held for sale to property, plant and equipment and that were introduced back into service in 2011 and subsequently sold.

20 Other operating expenses: 335 million (2010: 435)

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

In 2011, fees for audit services included the audit of TNT Express' annual financial statements, procedures on internal controls and interim financial statements, statutory audits and services that only the auditor can reasonably provide.

Fees for audit related services include specific audit procedures for employee benefit plan audits, audit of corporate sustainability reports, internal control reviews, consultation concerning financial accounting and reporting matters not classified as audit.

Fees for tax services include tax compliance, tax advice, including all services performed by the auditor's professional staff in its tax division, except those rendered in connection with the audit.

Other fees include assessments and advice concerning establishing Export Control compliance organisation and other advisory engagements.

The fees can be divided into the following categories:

Year ended at 31 December	2011	2010
Audit fees	5	5
Audit-related fees	1	10
Tax advisory fees	1	0
Other fees	1	0
Total	8	15
(in € millions)		

In accordance with the Dutch legislation, article 2:382a, the total audit and audit-related fees (excluding demerger related) paid to accounting organisation PricewaterhouseCoopers Accountants N.V. seated in the Netherlands amounted to €4 million.

21 Net financial income and expenses: -45 million (2010: -37)

Year ended at 31 December	2011	2010
Interest and similar income	21	20
Fair value change fair value hedges	0	2
Total interest and similar income	21	22
Interest and similar expenses	(56)	(53)
Fair value change cashflow hedge recycled to profit and loss	(1)	(1)
Fair value change fair value hedges	(3)	0
Net foreign exchange losses	(6)	(5)
Total interest and similar expenses	(66)	(59)
Net financial expenses	(45)	(37)
(in € millions)		

TNT Express has financing relationships with external banks and had financial relationship with the former parent TNT N.V. (PostNL). Related payables and receivables have been fully settled upon demerger. The internal interest income and expense to the former parent has been recorded as external interest income and expense after the demerger became effective on 31 May 2011.

Interest and similar income: 21 million (2010: 22)

The interest and similar income amounts to €21 million (2010: 20), of which €5 million (2010: 11) is income from PostNL. The remaining external interest and similar income of €16 million (2010: 9) mainly relates to interest income on banks, loans and deposits of €10 million (2010: 7), of which €7 million (2010: 4) relates to interest on notional cash pools, interest on taxes of €2 million (2010: 1) and interest on foreign currency hedges of €3 million (2010: 1).

Interest and similar expenses: 66 million (2010: 59)

The interest and similar expenses amounts to €56 million (2010: 53), of which €6 million (2010: 12) are expenses to PostNL. The remaining external interest and similar expense of €50 million (2010: 41) mainly relate to interest expense on bank overdrafts and bank loans of €15 million (2010: 11), of which €7 million (2010: 4) relates to interest on notional cash pools, interest expenses on long-term borrowings of €11 million (2010: 12), interest on foreign currency hedges of €23 million (2010: 14), interest on provisions of €1 million (2010: 1). The increase in interest on foreign currency hedges was caused by higher interest rate differentials between currencies in foreign exchange forward contracts, mainly in EUR/USD cross-currency swap.

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 €7 million (2010: 4) interest income fully nets off against the same amount of interest expense. 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 (2010: 1 interest income and 2 fair value change fair value hedges) partly offsets the €23 million interest expense on hedges and €3 million of fair value change fair value hedges (2010: 14).

22 Income taxes: 100 million (2010: 57)

Income taxes amount to €100 million (2010: 57), or -58.1% (2010: 45.2%) of negative income before income taxes of €172 million (2010: 126 positive).

Income tax expense consists of the following:

Year ended at 31 December	2011	2010
Current tax expense/(income)	108	88
Deferred tax expense/(income)	(8)	(31)
Total income taxes	100	57
(in € millions)		

In 2011, the current tax expense amounted to €108 million (2010: 88). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These timing differences are recognised as deferred tax assets or deferred tax liabilities. The increase in total income tax expense is mainly because of accounting estimates relating to deferred tax balances in both 2010 and 2011.

Effective income tax rate

Year ended at 31 December	2011	2010
Dutch statutory income tax rate	25.0	25.5
Adjustment regarding effective income tax rates other countries	(0.2)	(3.9)
Permanent differences:		
Non and partly deductible costs	(4.8)	8.6
Non and partly deductible impairments	(35.7)	0
Other	(42.4)	15.0
Effective income tax rate	(58.1)	45.2

(in percentages)

In 2011, the effective income tax rate is -58.1% (2010: 45.2%), which differs significantly from the statutory income tax rate of 25% in the Netherlands (2010: 25.5%). This difference is mainly caused by the impact of non-deductible impairments of -35.7% (2010: 0.0%). The adverse impact of several non-deductible costs is -4.8% (2010: 8.6%), while the effect of different income tax rates in other countries is -0.2% (2010: -3.9%).

The line ‘other' includes several effects:

- Current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets, results in an impact of -32.9% (2010: 24.4%).
- Positive effects from several optimisation projects impacted the effective tax rate by 7.6% (2010: -14.1%).
- The remaining ‘other' impact of -17.1% (2010: 4.7%) reflects changes in accounting estimates relating to deferred tax balances of -9.3% and the net impact of several other positive and negative effects.

At 31 December 2011, the income tax receivable amounts to €29 million (2010: 26) and the income tax payable amounts to €31 million (2010: 31). In 2011, TNT Express paid taxes for an amount of €110 million (2010: 76 million) related to current and prior years.

The following table shows the movements in deferred tax assets in 2011:

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2009	33	5	118	48	204
Changes charged directly to equity	0	0	0	1	1
Changes via income statement	3	(1)	6	1	9
(De)consolidation/foreign exchange effects	4	1	12	(1)	16
Deferred tax assets at 31 December 2010	40	5	136	49	230
Changes charged directly to equity	0	0	0	10	10
Changes via income statement	3	0	1	(5)	(1)
(De)consolidation/foreign exchange effects	1	0	4	0	5
Deferred tax assets at 31 December 2011	44	5	141	54	244

(in € millions)

Deferred tax assets and liabilities are presented net in the balance sheet if TNT Express 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 €54 million (2010: 49) an amount of €24 million (2010: 28) relates 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 2011 amounted to €1,085 million (2010: 896). With these losses carried forward, future tax benefits of €331 million could be recognised (2010: 278). 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 Express has not recognised €190 million (2010: 140) of the potential future tax benefits and has recorded deferred tax assets of €141 million at the end of 2011 (2010: 138). Of the total recognised deferred tax assets for loss carry forward an amount of €0 million (2010: 2) was offset against deferred tax liabilities.

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

2012	18
2013	24
2014	38
2015	52
2016 and thereafter	386
Indefinite	567
Total	1,085

(in € millions)

The following table shows the movements in deferred tax liabilities in 2011:

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2009	1	20	31	52
Changes via income statement	3	(3)	(22)	(22)
(De)consolidation/foreign exchange effects		1	4	5
Deferred tax liabilities at 31 December 2010	4	18	13	35
Changes via income statement	2	4	(15)	(9)
Deferred tax liabilities at 31 December 2011	6	22	(2)	26

(in € millions)

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The non-cash transactions in the statement of cash flows relate to depreciation, amortisation and impairment charges, share-based payment expenses, result from investments in associates, foreign exchange gains and losses, investments in property, plant and equipment financed via financial leases, book result on sale of property, plant and equipment and changes in provisions.

23 Net cash from operating activities: 191 million (2010: 241)

In 2011, the net cash from operating activities decreased by €50 million from €241 million in 2010 to €191 million.

Cash generated from operations

The cash generated from operations increased from €356 million in 2010 to €359 million in 2011. In 2011, the profit before income taxes contributed -€172 million or €342 million (2010: 349) adjusted for the non-cash impact of depreciation, amortisation, impairments and share-based payments. This is €7 million lower than 2010, mainly due to lower operating results.

The change in net pension liabilities of -€31 million in 2011 (2010: -6) reflects the total TNT Express non-cash employer pension expense for the post-employment defined benefit plans of €2 million (2010: 7) including a settlement gain of €16 million as part of the demerger compared to the total TNT Express cash contributions to various post-employment defined benefit plans for a total amount of €33 million (2010: 13).

In 2011, there was a net positive change of €11 million in other provisions compared to net cash outflow of €1 million in 2010. This was mainly due to higher utilisation of restructuring provision in 2010.

In 2011, the net cash outflow related to working capital amounted to €8 million, which is an improvement of €23 million compared to 2010 (2010: -31), mainly as a result of a decrease in prepayment and accrued income balances. Change in trade working capital improved by €2 million compared to 2010, while the change in non-trade working capital improved by €21 million.

Interest paid

The total cash out flow for interest paid in 2011 is €58 million (2010: 39). In 2011, interest paid includes interest on TNT Express' financial leases of €11 million (2010: 13). In addition, interest payments of €18 million (2010: 12) are included for short-term debt (of which €7 million (2010: 4) is due to cash pools that is offset in the interest received) and for interest on foreign currency hedges of €23 million (2010: 14). The increase in interest on foreign currency hedges was caused by higher interest rate differentials between currencies in foreign exchange forward contracts, mainly in EUR/USD cross-currency swap.

The interest paid and received on notional cash pools are reported on a gross basis according to IFRS. From an economic and legal perspective the €8 million (2010: 4) interest paid fully nets off against the same amount of interest received. 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.

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 (2010: 3) is set off against the €23 million (2010: 14) of interest paid on hedges. Interest paid to PostNL of €6 million and interest received from PostNL of €5 million is also reported on a gross basis according to IFRS.

Income taxes paid

In 2011, TNT Express paid taxes for an amount of €110 million (2010: 76 million).

24 Net cash used in investing activities: -158 million (2010: -150)

Interest received

In 2011, interest received amounted to €21 million (2010: 13) and mainly includes interest relating to short-term bank balances and deposits of €11 million (2010: 9) (of which €7 million (2010: 4) is due to cash pools that is offset in the interest paid), realised interest on foreign currency hedges of €3 million (2010: 3) and interest received on taxes of €2 million (2010: 1).

Acquisition of subsidiaries and joint ventures (net of cash)

In 2011, the positive cash flow of €3 million (2010: -23) relates to a settlement received related to the purchase price of TG Plus Transcamer Gomez S.A.U. As this company was acquired in 2006, this settlement was accounted for against goodwill in accordance with IFRS 3 (2004). In 2010, the total payment net of cash for acquisitions was related to the final payment for the acquisition of Expresso Araçatuba.

Capital expenditure on intangible assets and property, plant and equipment

In 2011, capital expenditures on property, plant and equipment amounted to €151 million (2010: 121), and mostly relates to depot buildings, vehicles, IT equipment and depot equipments. The capital expenditures on intangible assets of €38 million (2010: 50), primarily related to software license and software development costs. In 2011, capital expenditures were funded primarily by cash generated from operations and were part of strict investment control and review.

Proceeds from sale of intangible assets and property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2011 amounted to €7 million (2010: 26), of which €1 million is related to the assets sale from the India domestic road operations. The remaining proceeds relate to the sale of vehicles, aircraft and other depot equipments.

25 Net cash used in financing activities: -589 million (2010: -121)

Share-based payments

The share-based payments of €9 million includes the cash pay-out of €7 million from the accelerated vesting related to the unwinding of the TNT N.V. equity schemes in place for TNT Express employees prior to the of demerger.

Proceeds from and Repayments of long-term borrowings

In 2011, the total net repayments on long-term borrowings relates to net repayments of local bank debt for a total amount of €11 million (2010: 14).

Proceeds from and Repayments of short-term borrowings

The total net repayments on short-term borrowings largely pertained to the net of increases and decreases on local bank overdrafts of €9 million (2010: 42).

Repayments to finance leases

The repayments relate to redemptions on the two Boeing 747 freighters of €9 million (2010: 9) and to redemptions on other finance lease contracts of €11 million (2010: 15).

Dividends paid

An interim dividend payment of €14 million was made during the year.

Financing related to PostNL

The payment related to TNT N.V. (PostNL) of €526 million represents the net payable from legal entities of the TNT Express business towards TNT N.V. and legal entities of its continued business and has been settled in the first half of 2011.

26 Reconciliation to cash and cash equivalents

The following table presents reconciliation between the cash flow statements and the cash and cash equivalents as presented in the statement of financial position.

Year ended at 31 December	2011	2010
Cash at the beginning of the year	807	830
Exchange rate differences	(1)	7
Total change in cash (as in consolidated cash flow statements)	(556)	(30)
Cash at the end of the year	250	807

(in € millions)

ADDITIONAL NOTES

27 Business combinations

(No corresponding financial statement number)

In 2011 and 2010, TNT Express did not perform any acquisitions.

28 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2011	2010
Rent and operating lease	1,231	1,219
Capital expenditure	4	4
Purchase commitments	45	89

(in € millions)

Of the total commitments indicated above, €299 million are of a short-term nature (2010: 301).

Guarantees

At the end of 2011, TNT Express, on behalf of TNT Express subsidiaries, has various parental and bank guarantees outstanding. However, none (2010: 0) result in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following its ordinary course of business.

Pension arrangements

Execution agreement with the pension funds

TNT Express has 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. The terms and conditions (including a prolongation of the liability of PostNL after the demerger for TNT Express' future pension payments, barring unforeseen circumstances as referred to in article 12 of the execution agreement) are the same as those in the pre-demerger execution agreement between TNT N.V. and the pension funds. Arranged in this agreement are liabilities allocated to TNT Express as part of the demerger, related to the pension entitlements of beneficiaries in the pension funds who are no longer employed by either TNT Express or PostNL (for example, employees of disposed subsidiaries, deferred members and pensioners). In the event TNT Express should fail to pay the amounts due under the execution agreements, the pension fund can directly address the companies affiliated to TNT Express (proportionally) for those amounts.

Arrangement between TNT Express and PostNL regarding pensions

The arrangement between TNT Express and PostNL regarding pensions entails that:

- TNT Express will provide a subsidiary guarantee for PostNL and PostNL will provide a subsidiary guarantee for TNT Express in case 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) and will comprise a liability that will gradually decrease over time.
- The reciprocal liability of TNT Express and PostNL will only exist as long as the coverage ratio of the fund(s) is below a certain level. If the coverage ratio rises above that level and remains above that level for three consecutive quarters, the guarantee lapses.
- Any changes in the agreed arrangements at the request of the Dutch Central Bank will be resolved between the parties and the pension funds in good faith.
- Article 12 of the current execution agreement(s) applies to the liabilities of the guarantor.
- The contractual agreement shall replace any rights under article 2:334t of the Dutch Civil Code.

Rent and operating lease contracts

In 2011, operational lease expenses (including rental) in the consolidated income statement amounted to €384 million (2010: 354).

Rent and operating lease contracts relate mainly to aircraft, depots, hubs, vehicles and other depot equipments. Of the total rent and operating lease commitment, €450 million (2010: 464) relates to three Boeing 777 freighters delivered in 2011.

Future payments on non-cancellable existing lease contracts are as follows:

Repayment schedule of rent and operating leases

At 31 December	2011	2010
Less than 1 year	262	217
Between 1 and 2 years	200	190
Between 2 and 3 years	156	151
Between 3 and 4 years	120	119
Between 4 and 5 years	92	94
Thereafter	401	448
Total	1,231	1,219
of which guaranteed by a third party/customers	51	22

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure, which primarily relate to the commercial vehicle replacement programme, are €4 million (2010: 4).

Purchase commitments

At 31 December 2011, TNT Express had unconditional purchase commitments of €45 million (2010: 89), which are primarily related to short-term aircraft charter contracts and various service, maintenance contracts. These contracts for service and maintenance relate primarily to facilities management, security, cleaning, salary administration and IT support contracts.

Contingent tax liabilities

Multinational groups of the size of TNT Express are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT Express accounts for its income taxes on the basis of its own internal analyses, supported by external advice. TNT Express continually monitors its global tax position, and whenever uncertainties arise, TNT Express 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 2011, total contingent tax liabilities for uncertainties are assessed to amount to between €40 million and €50 million for which TNT Express, 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 Express 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.

Liège court case

In Belgium, judicial proceedings were launched by residents around Liège airport to stop night flights and seek indemnification from the Walloon Region, Liège airport and its operators (including TNT). On 29 June 2004, the Liège Court of Appeal rejected the plaintiffs’ claims on the basis of a substantiated legal reasoning. The plaintiffs lodged an appeal with the Belgian Supreme Court, which overturned the 2004 judgment of the Liège Court of Appeal on 4 December 2009. The matter has been sent to the Brussels Court of Appeal for new submissions and pleadings. A new decision is not to be expected for at least two to three years. Following a Court of Appeal session on 7 October 2010, a calendar of proceedings was to be fixed. However parties did not manage to come to an agreement. On 21 December 2011, a hearing took place where the judge wished to assess whether all parties were validly represented. It appeared some of the plaintiffs no longer possessed legal representation. A new hearing will be scheduled with a fixed agenda.

A similar claim was lodged on 5 May 2009 before the Civil Court of Liège by the town of Riemst, which is seeking the closure of Liège airport. The Court rejected the claim on 14 April 2010. An appeal by Riemst was introduced on 14 September 2010 in which the town of Riemst requested the Court to pronounce a temporary measure that will forbid the use of the extended runway (an extension of 417 metres). The Court rejected the request on 12 October 2010 and fixed a calendar of proceedings. TNT Express had to submit its conclusions before 1 March 2011, which were filed before the Court on 30 September 2011. A hearing took place on 14 February 2012, where the matter was pleaded and judgment can be expected around the end of April or the beginning of May. It is unlikely that the outcome of this proceeding will be different from the night flights case above.

Foreign investigations

The company has received and responded to subpoenas from the United States Office of Foreign Asset Control and voluntarily disclosed to the United States Bureau of Industry and Security inquiring about its involvement in exports to countries sanctioned by the United States. In addition the company has received and responded to information requests from competition authorities in various jurisdictions and cooperated with investigations in this context. TNT Express does not expect any liability arising from any of those 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 Express' 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 Express uses a variety of financial derivatives.

The following analyses provides quantitative information regarding TNT Express' exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously, while at the same time, for example, the impact of changes in interest on foreign exchange exposures and visa 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 Express 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 Treasury department under policies approved by the Executive Board. The 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 foreign exchange risk, interest rate 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 Express borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on TNT Express financial results in any given reporting period. Borrowings that are issued at variable rates, expose the company to cash flow interest risks. Borrowings that are issued at fixed rates expose the company to fair value interest rate risk. TNT Express' financial assets are on average of such short-term nature that they bear no significant fair value, but do cause cash flow interest rate risks. Group policy is to limit significantly the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, deprecation and amortisation. At 31 December 2011, TNT Express gross interest bearing borrowings, including finance lease obligations, totalled €262 million (2010: 358), of which €203 million (2010: 307) was at a fixed interest rate.

Although, TNT Express 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 2011, 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 €2 million higher (2010: 7). Equity would be impacted by €9 million (2010: 15), due to the outstanding interest rate swap(s) with a nominal value of US$226 million, on top of the €2 million (2010: 7) impact on profit before income taxes, see also note 30.

Foreign currency exchange risk

TNT Express 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 Express' functional and reporting currency. TNT Express 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 currencies of TNT Express external hedges are the British pound and US dollar, of which the 2011 exchange rates to the euro are shown below:

	Year end closing[1]	Annual Average[2]
British pound	0.83530	0.86954
US dollar	1.29390	1.39452

[1]Source: European Central Bank, reference rate on the last day of the year.

[2]The annual average is calculated as the 12-months' average of the month-end-closing rates of the European Central bank.

Management has set up a policy that requires group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with the Treasury department, whereby a financing company operated by the Treasury department trades these foreign exchange derivatives with external banks. TNT Express 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 2011, 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 nil (2010: 0). The net income sensitivity to movements in EUR/USD exchange rates compared to 2010 has not changed. Impact on equity would have been nil (2010: 0).

At 31 December 2011, 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 been impacted by nil (2010: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2010 has not changed. Impact on equity would have been nil (2010: 0).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT Express 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 Express 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 reporting date there were no significant concentrations of credit risk. The top ten customers of TNT Express account for 3% of the outstanding trade receivables at 31 December 2011.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT Express attempts to maintain flexibility in funding by keeping committed credit lines available.

TNT Express has central availability of the following undrawn committed facilities:

At 31 December	2011	2010
Multi-currency Revolving Credit Facilities	570	1,100

(in € millions)

In 2011, TNT Express arranged for a new €570 million facility, which became effective, as of demerger. This facility has replaced the previous €1,100 million facilities, available to TNT N.V. before the demerger of TNT Express which were cancelled at demerger.

The table below analyses TNT Express' financial liabilities per relevant maturity groups 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.

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 liablities 2011					
Other loans	14	6	4	1	24
Financial leases	19	34	89	63	195
Interest rate and cross currency swaps - outgoing	19	38	95	62	28
Foreign exchange contracts - outgoing	1,634				17
Short-term bank debt	15				15
Trade accounts payable	435				435
Other current liabilities	93				93
Mitigation incoming flows based on the financial liabilities 2011					
Interest rate and cross currency swaps - incoming	12	26	86	61	
Foreign exchange contracts - incoming	1,634				
Total liquidity risk	583	52	102	65	807
Outgoing flows based on the financial liablities 2010					
Other loans	16	31	10	2	34
Financial leases	21	35	37	135	203
Interest rate and cross currency swaps - outgoing	69	442	118	823	93
Foreign exchange contracts - outgoing	1,303				17
Short-term bank debt	28				28
Trade accounts payable	414				414
Other current liabilities	109				109
Mitigation incoming flows based on the financial liabilities 2010					
Interest rate and cross currency swaps - incoming	57	421	112	773	
Foreign exchange contracts - incoming	1,303				
Total liquidity risk	600	87	53	187	898

(in € millions)

Capital structure management

It is the objective of TNT Express 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 Express' capital structure is managed along the following components: (i) maintain an investment grade credit rating at BBB+/Baa1; (ii) an availability of at least €400 million to €500 million of undrawn committed facilities; (iii) cash pooling systems facilitating optimised cash requirements for the group; and (iv) a tax optimal internal and external funding focused at optimising the cost of capital for the group, within long-term sustainable boundaries.

TNT Express' rating per 31 December 2011 was BBB+ 'stable' / Baa1 'negative'. On 13 January 2012, Moody's downgraded its credit rating to Baa2 'negative'. A downgrade in the credit rating of TNT Express 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 returns for shareholders and benefits for other stakeholders.

The terms and conditions of TNT Express' material long and short-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.

30 Financial instruments

(No corresponding financial statement number)

Summary of financial instruments

In line with IFRS 9 and IAS 39 the following categories of financial assets and financial liabilities can be distinguished.

Assets At 31 December	Notes	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets as per balance sheet 2011				
Other loans receivable	(3)	3		3
Other financial fixed assets	(3)	16	1	17
Accounts receivable	(5)	1,256		1,256
Prepayments and accrued income	(6)	136	23	159
Cash and cash equivalents	(7)	250		250
Total		1,661	24	1,685
Assets as per balance sheet 2010				
Other loans receivable	(3)	3		3
Other financial fixed assets	(3)	16	3	19
Accounts receivable	(5)	1,241		1,241
Prepayments and accrued income	(6)	155	2	157
Cash and cash equivalents	(7)	807		807
Total		2,222	5	2,227

(in € millions)

Liabilities At 31 December	Notes	Financial liabilties measured at amortised costs	Derivatives used for hedging	Total
Liabilities as per balance sheet 2011				
Long-term debt	(12)	191	28	219
Trade accounts payable		435		435
Other current liabilities	(13)	135	18	153
Total		761	46	807
Liabilities as per balance sheet 2010				
Long-term debt	(12)	208	93	301
Trade accounts payable		414		414
Other current liabilities	(13)	166	17	183
Total		788	110	898

(in € millions)

The fair value of financial instruments is based on foreign exchange and interest rate market prices. TNT Express uses commonly practised fair value valuation methods for its derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives within the financial instruments are thereby grouped within level 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.

For the outstanding finance leases, see the table below:

At 31 December	Nominal value	Fixed / floating interest	Hedge accounting	Carrying value	Fair value
Boeing 747 freighters	175	floating	Yes	175	179
Other leases	20	floating/fixed	No	20	20
Total outstanding finance leases 2011	195			195	199
Boeing 747 freighters	179	floating	Yes	179	179
Other leases	24	floating/fixed	No	24	26
Total outstanding finance leases 2010	203			203	205

(in € millions)

Interest rate swaps

TNT Express has US$226 million (2010: 239) 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 2011, net financial expense includes 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 amount to a result of €0 million (2010: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to result of €0 million (2010: 0).

An overview of interest rate and cross-currency swaps is presented below:

At 31 December

Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value	Settlement amount
Interest rate swaps 2011								
110	No	USD	Yes	fixed	floating	cash flow	(13)	
116	No	USD	Yes	fixed	floating	cash flow	(15)	
Cross-currency swaps 2011								
250	No	EUR/USD	Yes	floating	floating	fair value	6	
27	No	EUR/SEK	Yes	floating	floating	fair value	(6)	
Interest rate swaps 2010								
117	No	USD	Yes	fixed	floating	cash flow	(11)	
122	No	USD	Yes	fixed	floating	cash flow	(12)	
30	No	EUR	Yes	fixed	floating	cash flow	0	
Cross-currency swaps 2010								
250	No	EUR/USD	Yes	floating	floating	fair value	1	
568	No	EUR/GBP	Yes	fixed	fixed	cash flow	(65)	
27	No	EUR/SEK	Yes	floating	floating	fair value	(5)	

(in € millions)

Foreign exchange contracts

TNT Express 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 balance sheet items.

The fair value of the outstanding short-term cross-currency swaps is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings'. The outstanding cross-currency swaps are fair value hedges on intercompany positions.

The details relating to outstanding foreign exchange contracts are presented below:

At 31 December	Notes	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2011						
Asset	(6)	17	17	905	Fair value / Cash flow	2
Liability	(12)/(13)	12	12	729	Fair value	
Foreign exchange contracts 2010						
Asset	(6)	2	2	177	Fair value / Cash flow	
Liability	(12)	17	17	1,126	Fair value	

(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 2011 amount to €2 million (2010: 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 that arises from the usage of fair value hedges amount to a result of €0 million (2010: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to a result of €0 million (2010: 0).

31 Earnings per share

(No corresponding financial statement number)

At 31 December 2011, TNT Express had no potential obligations under (former) incentive schemes. Therefore the diluted number of ordinary shares is zero.

The calculation of basic earnings per share is based on an average of 542,748,930 ordinary shares.

The following table summarises the outstanding shares for TNT Express' computation related to earnings per share:

Year averages and numbers at 31 December	2011
Number of issued and outstanding ordinary shares	543,202,420
Average number of ordinary shares per year	542,748,930
Diluted number of ordinary shares per year	0
Average number of ordinary shares per year on fully diluted basis in the year	542,748,930

32 Joint ventures

(No corresponding financial statement number)

TNT Express participates in joint ventures that are proportionately consolidated. The company's most significant joint venture at 31 December 2011 is the 50% interest in TNT Swiss Post AG, which offers express services in Switzerland. The TNT Express share in equity in joint ventures is limited at 31 December 2011.

Key pro-rata information regarding all of TNT Express joint ventures in which TNT Express has joint decisive influence over operations is set out below and includes balances at 50%:

Year ended at 31 December	2011	2010
Non-current assets	6	6
Current assets	47	36
Equity	23	17
Non-current liabilities	4	4
Current liabilities	26	21
Net sales	90	78
Operating income	16	10
Profit attributable to the shareholders	12	7
Net cash provided by operating activities	15	11
Net cash used in investing activities	(1)	(1)
Net cash used in financing activities	(13)	(8)
Changes in cash and cash equivalents	1	2

(in € millions)

33 Related party transactions and balances

(No corresponding financial statement number)

TNT Express has trading relationships 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 Express entities source supplies from such undertakings, or such undertakings source supplies from TNT Express.

During 2011, purchases of TNT Express from joint ventures amounted to €26 million (2010: 21). Sales made by TNT Express companies to its joint ventures were immaterial. The net amounts due to the joint venture entities amounted to €39 million (2010: 29). At 31 December 2011, net amounts due to associated companies amounted to €0 million (2010: 0).

TNT Express is currently owned by PostNL for 29.9%. It also has trading relationships with a number of other PostNL companies.

Relationship Agreement

As a result of the demerger TNT Express and PostNL entered into a relationship agreement (‘the Relationship Agreement’). The Relationship Agreement provides for the terms and conditions on orderly market arrangements, subject to which PostNL may reduce the amount of its shareholding in TNT Express over time following the Listing. The Relationship Agreement contains certain key issues with respect to TNT Express’ corporate governance. The Relationship Agreement entered into effect on the First Trading Date and will terminate if PostNL holds less than 5% of the ordinary shares.

The following is a summary of certain other important elements of the Relationship Agreement.

Governance

The rights attached to the ordinary shares held by PostNL will rank, pari passu, in all respects with the other ordinary shares. The Articles of Association provide that a number of intended resolutions or proposals of the Executive Board require the approval or a resolution, respectively, of the General Meeting. The Relationship Agreement provides that if one of the following items is put to a vote at the General Meeting, PostNL will attend the meeting but abstain from voting:

- (a) approval of an intended resolution of the Executive Board, which is approved by the Supervisory Board, entailing a significant change in the identity or character of TNT Express or its business, including in any case:
    - (i) the transfer of all, or substantially all, of the business of TNT Express to a third party;
    - (ii) entering into or breaking off a long-term cooperation of TNT Express or a subsidiary with another legal entity or company or as fully liable partner in a limited partnership or general partnership, if this cooperation or termination is of major significance for TNT Express; and
    - (iii) acquiring or disposing of participating interests in the capital of a company at a value of at least one-third of the sum of the assets of TNT Express as shown on its balance sheet plus explanatory notes or, if TNT Express prepares a consolidated balance sheet, as shown on its

consolidated balance sheet plus explanatory notes, according to the last adopted financial statements of TNT Express, by TNT Express or a subsidiary;
- (b) resolution on the proposal of the Executive Board, which is approved by the Supervisory Board, to merge or demerge within the meaning of Part 7 of Book 2 of the Dutch Civil Code; and
- (c) resolution on the proposal of the Executive Board, which is approved by the Supervisory Board, to amend the Articles of Association, only in as far as such amendment of the Articles of Association relates to any of the resolutions or proposals under paragraph (a) or (b) above.

This provision terminates automatically if PostNL holds 10% or less of the ordinary shares as a result of which PostNL may vote on the items referred above, but it applies again when PostNL holds more than 10% of the ordinary shares.

Future ordinary share sale

After expiry of the lock-up period, PostNL may sell the ordinary shares it owns in whole or in part in an orderly market manner. PostNL must inform TNT Express 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 retained stake as from completion of such placement or offering for the remainder of its ordinary shares. This lock-up period may be shortened or waived with the prior written consent of TNT Express. Subject to this provision and except if a public offer is made for TNT Express (section 'Public offer for TNT Express' below), there will be no restrictions for PostNL as to the method of sale and transfer of (part of) its stake in TNT Express.

Subject to PostNL's obligations in case a public offer is made for TNT Express (section 'Public offer for TNT Express' 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.

If PostNL proposes an offering that entails TNT Express' 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 Express will work together in preparing the Fully Marketed Offering to the highest possible standard. However, such Fully Marketed Offering may not take place during the lock-up period. There may only be one Fully Marketed Offering in any nine month period. In connection with a Fully Marketed Offering TNT Express may propose one bookrunner who will subsequently be appointed by PostNL. Fees and expenses incurred by the bookrunners and their advisers will be borne by PostNL, as well as such reasonable expenses incurred by TNT Express in connection with the Fully Marketed Offering.

If PostNL sells (part of) the ordinary shares it owns other than by way of a Fully Marketed Offering, TNT Express 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). TNT Express' assistance might be restricted by anti-trust laws applicable from time to time. Such due diligence investigation will be similar to a customary due diligence for the accelerated bookbuild offering.

PostNL may not acquire in any way 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 ordinary shares as long as its stake in TNT Express as a result of such acquisition will be 29.9% or less.

However, if and to the extent a choice of stock or cash dividend is offered by TNT Express, PostNL may choose to have any dividend on its ordinary shares in whole or in part paid as ordinary shares, unless the size of PostNL's stake after the acceptance of such additional shares would result in PostNL being obliged to launch a mandatory offer.

Public offer for TNT Express

If a public offer, whether friendly or mandatory, is made for TNT Express, 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 with regard to the offer; or (ii) do not support the offer and do not recommend the Offer to the Shareholders PostNL will be obliged to tender its ordinary shares:
- (a) if its stake is between 29.9% and 25% of the ordinary shares: if 66.67% of the other ordinary shares are tendered under the offer (for the avoidance of doubt, excluding TNT N.V.'s stake); or
- (b) if its stake is lower than 25% of the ordinary shares: if a percentage of the other ordinary shares is tendered under the offer (for the avoidance of doubt, excluding TNT N.V.'s stake) equal to 50% of all 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 a (mandatory) offer.

If multiple public offers are simultaneously made for TNT Express by making an offer memorandum publicly available, PostNL must tender its ordinary shares under the offer for which most ordinary 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 ordinary shares (for the avoidance of doubt, excluding TNT's stake) have been tendered under all offers made.

In the event of a proposed legal merger of TNT Express, which merger entails a change of control of TNT Express, 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 to vote in favour of a merger terminates if PostNL holds 10% or less of the ordinary shares, but applies again if PostNL holds more than 10% of the ordinary shares again.

Mandatory offer

If TNT Express intends to resolve or propose that the General Meeting resolve any matter that might trigger PostNL having to make a mandatory offer for TNT Express, TNT Express 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. Examples of resolution or proposed resolution that might trigger PostNL having to make a mandatory offer for TNT Express are a reduction of TNT Express' outstanding capital and payment of stock dividend without a choice for cash dividend. If TNT Express notifies PostNL of a proposed resolution as described before, 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 Express will provide PostNL with certain financial information 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, including PostNL's tax, risk management and control procedures. It is taken into account that TNT Express 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 Express entities source supplies from PostNL, or PostNL source supplies from TNT Express.

At 1 January 2011, a net liability towards PostNL of €526 million was recorded, which mainly arose from financing activities that have been fully paid off in the first half year. In addition €65 million was settled with PostNL upon assignment of the hedges outstanding on behalf of TNT N.V. and assets were transferred from PostNL to TNT Express caused by the demerger of €34 million. Immediately after the demerger, a receivable from PostNL of €84 million was settled. Prior to 31 December 2011, all outstanding amounts with PostNL have been settled and therefore the year-end net receivable/payable with PostNL amounts to nil.

The following transactions were carried out with PostNL companies.

	2011	2010
Direct operational services to PostNL companies	5	7
Direct operational services from PostNL companies[1]	(8)	(11)
Management fees[1, 2]	1	9
License fees[2]	3	7
Share-based payments[2]	3	19
Pension costs in respect of group plans[1, 2]	0	(27)
Interest income	5	11
Interest expenses[1]	(6)	(12)

[1]Amounts between brackets represent costs.

[2]As a result of the demerger of TNT Express the relationship with PostNL for these items has ended. The amounts indicated refer to the period prior to the demerger of TNT Express.

(in € millions)

34 Segment information

(No corresponding financial statement number)

The Executive Board of TNT Express N.V. receives operational and financial information on a monthly basis for the following reportable segments:

- Europe & MEA
- Asia Pacific
- Americas
- Other Networks, which includes TNT Innight and TNT Fashion

The measure of profit and loss and assets and liabilities is compliant with IFRS. The pricing of intercompany sales is done at arm's length.

Segmentation – results

In the table below a reconciliation is presented of the segment information relating to the income statement of the reportable segments:

Year ended at 31 December 2011	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Net sales	4,441	1,790	464	459	2	7,156
Intercompany sales	6	0	0	2	(8)	0
Other operating revenues	78	7	3	2	0	90
Total operating revenues	4,525	1,797	467	463	(6)	7,246
Other income	0	2	1	4	0	7
Depreciation/impairment property, plant and equipment	(102)	(69)	(14)	(10)	(7)	(202)
Amortisation/impairment intangibles	(10)	(5)	(226)	(1)	(50)	(292)
Total operating income	356	(76)	(360)	20	(45)	(105)
Net financial income/(expense)						(45)
Results from investments in associates						(22)
Income tax						(100)
Profit/(loss) for the period						(272)
Attributable to:						
Non-controlling interests						(2)
Equity holders of the parent						(270)
Number of employees (headcount)	37,330	24,825	11,255	2,534	1,534	77,478

(in € millions)

Taxes and net financial income are dealt with at TNT Express 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.

Included in operating income are significant non-cash items related to depreciation, amortisation and impairment of €494 million, of which €224 million relates to impairments of intangible assets in Americas, €45 million relates to impairment of aircraft (€39 million in Asia Pacific and €6 million in Europe & MEA) and €16 million relates to software impairment in non-allocated.

Year ended at 31 December 2010	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Net sales	4,355	1,643	497	443	7	6,945
Intercompany sales	9	0	1	3	(13)	0
Other operating revenues	89	13	4	2	0	108
Total operating revenues	4,453	1,656	502	448	(6)	7,053
Other income	3	5	3	1	0	12
Depreciation/impairment property, plant and equipment	(106)	(25)	(12)	(4)	(8)	(155)
Amortisation/impairment intangibles	(11)	(5)	(7)	(1)	(30)	(54)
Total operating income	371	14	(67)	18	(156)	180
Net financial income/(expense)						(37)
Results from investments in associates						(17)
Income tax						(57)
Profit/(loss) for the period						69
Attributable to:						
Non-controlling interests						3
Equity holders of the parent						66
Number of employees (headcount)	36,184	27,195	11,081	2,435	1,612	78,507

(in € millions)

Non-allocated operating income

Year ended at 31 December	2011	2010
Demerger costs	(10)	(45)
Restructuring related charges	(28)	
Projects	(6)	(7)
Profit pooling		(41)
Pensions	14	(15)
Other costs	(15)	(48)
Total	(45)	(156)

(in € millions)

Non-allocated covers mainly the expenses of activities related to the TNT Express' head office. These costs are shown net of the recovery charges allocated to individual geographic and business segments. Non-allocated also comprises specific one-off corporate expenses such as demerger, restructuring and project costs. In accordance with IAS19.34a, 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 Express group companies as a benefit that offsets the defined benefit employer pension expense. The relevant TNT Express 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 non-allocated whereas the relevant Dutch operating companies are part of Europe & MEA. Included in the results of non allocated is a one-off settlement gain of €16 million as a result of the new separate execution agreements with the Dutch pension funds with regard to the allocated TNT Express employees as a consequence of the demerger.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below:

At 31 December 2011	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Intangible assets	1,251	181	38	59	100	1,629
Property, plant and equipment	583	146	101	37	32	899
Trade accounts receivable	735	240	84	57	1	1,117
Other current assets	371	86	49	20	212	738
Total assets	3,077	747	322	175	380	4,701
Cash out for capital expenditures	83	35	15	13	43	189
Trade accounts payable	321	52	23	21	18	435
Other current liabilities	653	218	65	41	81	1,058
Total liabilities	1,248	297	145	67	132	1,889

(in € millions)

The balance sheet information at 31 December 2010 is as follows:

At 31 December 2010	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Intangible assets	1,258	173	280	59	122	1,892
Property, plant and equipment	787	142	107	36	17	1,089
Trade accounts receivable	714	219	93	48	1	1,075
Other current assets	239	95	51	19	771	1,175
Total assets	3,113	712	577	165	964	5,531
Cash out for capital expenditures	70	45	12	3	41	171
Trade accounts payable	282	55	29	17	31	414
Other current liabilities[1]	646	205	84	39	673	1,647
Total liabilities[1]	1,207	287	169	62	804	2,529

[1]Non-allocated includes the net payable/receivable to TNT.and jointventure adjustment.

(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; and
- segment assets and investments are allocated to the location of the assets, except for goodwill arising from the acquisition of TNT and GD Express Worldwide, which is not allocated to other countries or regions but to Europe & MEA.

Net sales

Year ended at 31 December	2011	2010	2009
Europe			
The Netherlands	462	463	445
United Kingdom	909	885	834
Italy	608	605	580
Germany	776	776	720
France	723	699	669
Belgium	190	190	181
Rest of Europe	1,086	1,048	937
Americas			
USA and Canada	62	51	37
Brazil	320	368	297
South & Middle America	82	78	63
Africa & the Middle East	148	139	111
Australia & Pacific	654	580	437
Asia			
China and Taiwan	697	628	532
India	94	95	71
Rest of Asia	345	340	195
Total net sales	7,156	6,945	6,109

(in € millions)

Assets

At 31 December	2011 Intangible assets	2011 Property, plant and equipment	2011 Financial fixed assets	2010 Intangible assets	2010 Property, plant and equipment	2010 Financial fixed assets
The Netherlands	899	99	1	902	84	43
Rest of the world	730	800	283	990	1,005	251
Total	1,629	899	284	1,892	1,089	294

(in € millions)

Employees

At 31 December	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	2011	2010
Europe							
The Netherlands	2,531			747	792	4,070	3,315
United Kingdom	9,670			670	742	11,082	10,837
Italy	3,024					3,024	3,025
Germany	4,317			959		5,276	5,233
France	4,743					4,743	4,737
Belgium	2,880			42		2,922	2,498
Rest of Europe	7,847			116		7,963	8,263
Americas							
USA and Canada			845			845	875
Brazil			8,245			8,245	8,059
South & Middle America			2,165			2,165	2,147
Africa & the Middle East	2,318					2,318	2,323
Australia & Pacific		4,722				4,722	4,842
Asia							
China and Taiwan		14,650				14,650	15,923
India		1,189				1,189	2,059
Rest of Asia		4,264				4,264	4,371
Total	37,330	24,825	11,255	2,534	1,534	77,478	78,507

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

35 Subsequent events

(No corresponding financial statement number)

On 17 February 2012, TNT Express N.V. announced that it had received an unsolicited non-binding and conditional proposal from United Parcel Service, Inc. (UPS) for the acquisition of the whole of the issued capital of TNT Express at an indicative price of €9 per ordinary share. The TNT Express N.V. Supervisory and Executive Boards have carefully considered the indicative proposal and explored its rationale, merits and risks for shareholders and all other stakeholders. The TNT Express N.V. boards have rejected the proposal. They have informed UPS accordingly but continue to be in discussions.

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, 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 2011	variance %	01 January 2011	31 December 2010
Assets					
Non-current assets					
Investments in group companies		3,280		3,488	0
Total financial fixed assets	(37)	3,280	(6.0)	3,488	0
Pension asset	(38)	28		0	0
Total non-current assets		3,308	(5.2)	3,488	0
Current assets					
Accounts receivable from group companies		5		2	1
Other accounts receivable		17		0	0
Total current assets		22		2	1
Total assets		3,330	(4.6)	3,490	1
Liabilities and equity					
Equity	(9)(39)				
Issued share capital		43		43	0
Additional paid in capital		3,021		3,035	0
Legal reserves		24		0	0
Other reserves		(12)		0	1
Unappropriated profit		(270)		0	0
Total shareholders' equity		2,806	(8.8)	3,078	1
Non-current liabilities					
Deferred tax liabilities		7		0	0
Total non-current liabilities	(13)	7		0	0
Current liabilities					
Accounts payable to group companies		511		412	0
Accrued current liabilities		6		0	0
Total current liabilities		517		412	0
Total liabilities and equity		3,330	(4.6)	3,490	1

(in € millions, except percentages)

TNT Express N.V. Corporate income statement

Year ended at 31 December	2011	2010
Results from investments in group companies/associates after taxes	(247)	0
Other income and expenses after taxes	(23)	0
Profit/(loss) attributable to the shareholders	(270)	0

(in € millions)

TNT Express N.V., previously named TNT Express Listco N.V. has been used as the vehicle for the listing of TNT Express, following the demerger. Prior to demerger and listing, TNT Express Listco N.V. had no significant activities in 2010. The shareholders' equity at 31 December 2010 amounted to €1 million, but as a result of the merger with TNT Express Holdco B.V. (retrospectively at 1 January 2011) the equity increased to €3,078 million at 1 January 2011.

The difference of €66 million between the profit attributable to the shareholders according to the corporate income statement and the profit attributable to the shareholders according to the combined income statement as per year ended at 31 December 2010 relates to the profit of the combined entities.

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 2011 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. TNT Express 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 Express' investments in group companies are stated using the 'net asset value method' ('netto vermogens waarde methode'). 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: 3,280 million (1 January 2011: 3,488; 2010: 0)

Statement of changes

	Investments in group companies
Balance at 31 December 2009	0
Changes in 2010	
Results	
Additions to capital	
Dividend	
Other changes	
Total changes	0
Balance at 31 December 2010	0
Merger and related reclassifications	3,488
Balance at 1 January 2011	3,488
Changes in 2011	
Results	(247)
Additions to capital	312
Dividend	(286)
Exchange rate differences	13
Other changes	0
Total changes	(208)
Balance at 31 December 2011	3,280

(in € millions)

At 31 December 2011, total investments in group companies amounted to €3,280 million (1 January 2011: 3,488; 2010: 0). As a result of the merger with TNT Express Holdco B.V., that included all the express business of TNT N.V., TNT Express N.V.'s investments in group companies increased to €3,488 million. This amount includes a net amount of intra group balances of €410 million.

As a result of internal structuring, TNT Express N.V. invested €312 million in group companies while receiving €286 million in dividends during 2011.

Other changes for the amount of €0 million consists of share based compensation €11 million, gains/(losses) on cash flow hedges -€12 million and others €1 million.

38 Pension asset: 28 million (2010: 0)

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 Express N.V. the contributions received from the other group companies offset the pension expense.

The table below 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

	2011
Change in benefit obligation	
Benefit obligation at beginning of year	0
Service costs	(15)
Interest costs	(18)
Actuarial (loss)/gain	(15)
Benefits paid	4
Settlements	(347)
Benefit obligation at end of year	(391)
Change in plan assets	
Fair value of plan assets at beginning of year	0
Actual return on plan assets	8
Employer contributions	21
Benefits paid	(4)
Settlements	363
Fair value of plan assets at end of year	388
Funded status at 31 December	
Funded status	(3)
Unrecognised net actuarial loss	31
Pension assets	28
Components of employer pension expense	
Service costs	(15)
Interest costs	(18)
Expected return on plan assets	24
Settlements	16
Total post employment benefit income/(expenses)	7
Weighted average assumptions as at 31 December	
Discount rate	4.9%
Expected return on plan assets	6.5%
Rate of compensation increase	2.0%
Rate of benefit increase	1.5%

(in € millions, except percentages)

39 Equity: 2,806 million (1 January 2011: 3,078; 2010: 1)

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 2009	0	0	0	1	0	1
Total comprehensive income						0
Interim dividend current year				0		0
Other						0
Total direct changes in equity	0	0	0	0	0	0
Balance at 31 December 2010	0	0	0	1	0	1
Merger and related reclassifications	43	3,035		(1)		3,077
TNT Express N.V. balance at 1 January 2011	43	3,035	0	0	0	3,078
Legal reserves reclassifications			23	(23)		0
Total comprehensive income			1		(270)	(269)
Interim dividend 2011		(14)				(14)
Share-based compensation				11		11
Other						0
Total direct changes in equity	0	(14)	0	11	0	(3)
TNT Express N.V. balance at 31 December 2011	43	3,021	24	(12)	(270)	2,806

(in € millions)

TNT Express N.V., previously named TNT Express Listco N.V., had no significant activities in 2010.

On 30 May 2011 (effective 31 May 2011), TNT N.V. demerged its 70.1% stake in TNT Express Holdco B.V. to TNT Express Listco N.V. At the same time TNT N.V. also demerged 100% of its 45,000 shares (with a nominal value of €1) in TNT Express Listco N.V., a wholly owned subsidiary. These shares were automatically cancelled as a result of the demerger. In addition a receivable of €84 million of TNT N.V. on TNT Mail Finance B.V. was demerged to TNT Express Listco N.V.

The demerger was followed by a merger whereby TNT Express Holdco B.V. merged into TNT Express Listco N.V. and subsequently ceased to exist.

On 31 May 2011 (effective 1 June 2011), TNT Express N.V. was listed on Euronext Amsterdam. Trading in the ordinary shares on an ‘‘as-if-and-when-issued’’ basis on Euronext Amsterdam started 26 May 2011 and the shareholders of the former parent TNT N.V. (PostNL) have been allotted one ordinary share for each share they held in TNT N.V. on 30 May 2011 as part of the demerger. After the demerger and merger, TNT N.V. held such number of ordinary shares, representing 29.9% of the issued and outstanding share capital of TNT Express.

As a result of the merger with TNT Express Holdco B.V., which held the express business of TNT N.V. prior to demerger, the shareholders' equity of TNT Express N.V. increased from €1 million at 31 December 2010 to €3,078 million at 1 January 2011 as pursuant to the demerger agreement all of the express business transferred to TNT Express N.V. were, upon consummation of the demerger, deemed to have been for the risk and account of the company as of 1 January 2011. The increase represents contribution in kind, which includes €2,994 million as capital of TNT Express Holdco B.V. and the receivable of €84 million from TNT Mail Finance B.V.

The difference of €2,994 million between equity according to the corporate balance sheet and equity according to the combined balance sheet as per 31 December 2010 relates to the net investments of the combined entities.

For additional details on equity, see note 9.

40 Wages and salaries

(No corresponding financial statement number)

TNT Express N.V. does not have any employees other than the Executive Board. Hence no salary and social security costs were incurred besides those disclosed in note 18. In accordance with IAS 19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT Express N.V. For further information on defined benefit pension costs, see note 38. For the remuneration of the Executive Board and Supervisory Board, see note 18.

41 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

At 31 December 2011, 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 Fashion Group B.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, 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, Book 2 of the Dutch Civil Code: €570 million relating to committed revolving credit facilities, a €500 million commercial paper programme, a €250 million 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 Express 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 €228 million (2010: 139) were issued for credit and foreign exchange facilities for its subsidiaries: TNT (China) Holdings company Ltd., TNT Express Worldwide (China) Ltd and Mach++ Express Worldwide 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.

Parental support in the form of an indemnity has been provided by TNT Express N.V. to its indirect subsidiary TNT Holdings (UK) Ltd and its subsidiaries in connection with the acquisition of TNT PTY Ltd. in 1996 and the financing of this acquisition and as a result of the restructuring of the Group in the course of 1997 as a direct consequence of this acquisition.

The cross guarantee arrangement between TNT Express and PostNL regarding pensions is described in note 28.

42 Subsidiaries and associated companies at 31 December 2011

(No corresponding financial statement number)

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

Hoofddorp, 21 February 2012

EXECUTIVE BOARD

M.C. Lombard (Chairman)
B.L. Bot

SUPERVISORY BOARD

A. Burgmans (Chairman)
L.W. Gunning
M.E. Harris
R. King
S. Levy
M. Scheltema

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 of TNT Express N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of TNT Express N.V., Hoofddorp as set out on pages 72 to 137 of the Annual Report. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of the financial position as at 31 December 2011, the consolidated income statement, the consolidated statements of comprehensive income, changes in cash flows and equity for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The corporate financial statements comprise the corporate balance sheet as at 31 December 2011, the corporate income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Executive Board's responsibility

The Executive Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board as set out on pages 9 to 28, pages 43 to 53 and pages 61 to 70 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements as set out on pages 72 to 131 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2011, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the corporate financial statements as set out on pages 132 to 137 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2011, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Executive Board as set out on pages 9 to 28, pages 43 to 53, and pages 61 to 70, 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 under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Executive Board as set out on pages 9 to 28, pages 43 to 53 and pages 61 to 70, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 21 February 2012
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R. Dekkers RA

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 EURTBOR (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 dividend out of the distributable part of the shareholder's equity. The proposed final dividend is €0.004 per share. The €0.04 per share interim dividend together with the proposed final dividend represents a 2011 pay-out of 40% of normalised net income, in line with TNT Express' stated 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 13 April 2012 to 2 May 2012, inclusive.

To the extent that the 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 2 May 2012, 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 27 April 2012 to 2 May 2012, 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 13 April 2012, the record date 17 April 2012 and the dividend will be payable as from 7 May 2012.

APPROPRIATION OF PROFIT

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to appropriate the loss of €270 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.

	2011
Profit/(loss) attributable to the shareholders	(270)
Appropriation in accordance with the articles of association:	
Reserves adopted by the Executive Board and approved by the Supervisory Board (article 30, par.2)	270
Profit at disposal of the General Meeting of shareholders	0

(in € millions)

GROUP COMPANIES OF TNT EXPRESS N.V.

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

SUBSEQUENT EVENTS

Information relating to subsequent events is disclosed in note 35.

II. CORPORATE RESPONSIBILITY STATEMENTS

CONSOLIDATED STATEMENT OF INTERNATIONAL STANDARDS

Year ended at 31 December (excluding Hoau)	Notes		2011	variance %	2010
OHSAS 18001 (% of total FTEs)	(1)	♦	83%	1.2	82%
SA 8000 in non-OECD countries (% of total FTEs in non-OECD countries)	(2)	♦	52%	(1.9)	53%
Investors in People (% of total headcount)	(3)	♦	83%	3.8	80%
ISO 14001 (% of total FTEs)	(4)	♦	84%	1.2	83%
ISO 9001 (% of total FTEs)	(5)	♦	89%	4.7	85%

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

CONSOLIDATED STATEMENT OF SOCIAL DATA

Year ended at 31 December (excluding Hoau)	Notes		2011	variance %	2010
Employee engagement	(6)		ND[2]		69%
Gender profile (% of females of total headcount)	(7)		30%	0.0	30%
Gender profile of management (% of females of total management)	(7)		28%	0.0	28%
Employees with a disability (% of total headcount)	(7)		1%	0.0	1%
Absenteeism (% of total standard working hours)	(8)		3.3%	0.0	3.3%
Voluntary turnover (% of total headcount)	(9)		9%	0.0	9%
Internal promotion (% of total management vacancies)	(10)		70%	22.8	57%
Training hours per FTE	(11)		18	(10.0)	20
Fatal accidents involving TNT Express employees[1]	(12)		11	(15.4)	13
Fatal accidents involving subcontractors[1]	(12)		38	65.2	23
Serious accidents	(13)	♦	34	25.9	27
Lost time accidents	(14)	♦	1,953	(4.0)	2,035
Lost time accidents per 100 FTEs	(14)	♦	2.90	(6.1)	3.09
Blameworthy road traffic incidents / collisions per 100,000 kilometres	(15)		0.81	(5.8)	0.86

[1] Including Hoau
[2] No data
Figures with a (♦) fall within the reasonable assurance scope

CONSOLIDATED STATEMENT OF ENVIRONMENTAL DATA

Year ended at 31 December (excluding Hoau)	Notes		2011	variance %	2010
CO_2 emissions absolute of own operations (scope 1 and 2) (ktonnes)	(16)	♦	1,121	6.3	1,055
CO_2 emissions absolute of subcontracted operations (ktonnes)	(16)		1,445	(3.5)	1,497
CO_2 efficiency index	(17)	♦	92.2	(0.6)	92.8
CO_2 efficiency network flights (EAN + Domestic) (g CO_2/tonne km)	(18)	♦	1,578	2.2	1,544
CO_2 efficiency longhaul air (g CO_2/tonne km)	(18)	♦	513	(3.6)	532
CO_2 efficiency small trucks and vans (g CO_2/km)	(19)	♦	341	(1.7)	347
CO_2 efficiency large trucks (g CO_2/km)	(19)	♦	722	(2.0)	737
CO_2 efficiency buildings (kg CO_2/m^2)	(20)	♦	25.9	(7.2)	27.9
Energy efficiency buildings (MJoules/m^2)	(20)	♦	400	(3.6)	415
Sustainable electricity (% of total electricity)	(20)	♦	47%	9.3	43%
Euro 4 and Euro 5 small trucks and vans (% of total number of vehicles in EU countries)	(21)		70%	16.7	60%
Euro 4 and Euro 5 large trucks (% of total number of vehicles in EU countries)	(21)		56%	7.7	52%
Waste (in tonnes per FTE)	(22)		0.75	2.7	0.73
Recycling of waste (% of total waste)	(22)		68%	1.5	67%
Noise (number of complaints)	(23)		7	(36.4)	11
Environmental incidents (number of reported on and off site incidents)	(24)		10	(61.5)	26

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

CONSOLIDATED STATEMENT OF OTHER DATA

Year ended at 31 December	Notes	2011	variance %	2010
Customer satisfaction score	(25)	92%	0.0	92%
Moving the World contribution (€millions)	(26)	3.5	(16.7)	4.2

NOTES TO THE CORPORATE RESPONSIBILITY STATEMENTS

Notes to the international standards

1 OHSAS 18001 certification

OHSAS 18001 sets the minimum health and safety standards TNT Express expects in its operations. It also creates a platform for on-going work-related health and safety performance improvement at entity level. This allows local focus and ownership for monitoring and implementing these improvements.

OHSAS 18001 — GRI indicators: 4.12 & LA6

(in percentage of total FTEs working in certified sites)		2011	2010
Europe & MEA	♦	99%	99%
Asia Pacific		77%	70%
Asia Pacific (excluding Hoau)	♦	98%	98%
Americas	♦	19%	18%
Other Networks	♦	98%	59%
Non-allocated	♦	95%	90%
Total TNT Express		78%	75%

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

The increase in Other Networks is due to the implementation of OHSAS 18001 certificates in TNT Innight Germany, TNT Innight Slovakia and TNT Innight Czech Republic.

Support is provided from head office to the local management teams to assist in further development and implementation of effective workplace and road safety risk controls.

In China, for example, training in fire safety risk assessment and food hygiene practices were provided to regional teams. The aim was to improve management of these elements within the main depots. A workshop on safety culture and leadership was provided to the senior management team, and provided insight into the development of road safety awareness within the organisation. Also a €2.7 million depot improvement project was initiated, to improve the physical working and living conditions within the main depot locations. In the first phase of the project, 36 depots were evaluated with major renovation items identified and agreed upon. Improvement areas include fire safety, electrical safety, welfare facilities, canteen facilities, building structure, and lighting. A cross-functional project working group is leading and managing the programme, with completion planned for February 2013.

2 SA 8000 certification

SA 8000 sets standards to ensure transparent and acceptable working conditions with respect to human rights. To comply with the United Nations Universal Declaration of Human Rights, the International Labour Organisation (ILO) Conventions and OECD guidelines, TNT Express aims to certify all its entities in non-OECD countries to the SA 8000 standard. TNT Express is confident that this approach not only provides a framework to support compliance with the laws and regulations in the countries in which it operates by preventing the use of child labour and forced labour, but also improves health and safety, promotes freedom of association, prevents discrimination, implements performance management processes and sets fair and adequate compensation and working hours.

As part of this programme, TNT Express also encourages all its suppliers and subcontractors to support the TNT Express Business Principles and its commitment to social accountability.

SA 8000 in non-OECD countries

(in percentage of total FTEs working in certified sites in non-OECD countries)		2011	2010
Europe & MEA	♦	78%	90%
Asia Pacific		43%	41%
Asia Pacific (excluding Hoau)	♦	95%	95%
Americas	♦	0%	0%
Other Networks	♦	NA[1]	NA[1]
Non-allocated	♦	100%	100%
Total TNT Express		35%	35%

[1]Not applicable

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

A decline occurred in Europe & MEA due to the loss of TNT Express Russia's SA 8000 certification during their re-organisation process. The objective is to reassess TNT Express Russia after the re-organisation to regain SA 8000 certification. This has a relatively large impact on the indicator because of the limited number of countries in Europe & MEA that are not members of OECD. In Other Networks, all countries are OECD countries and therefore this indicator is not applicable.

3 Investors in People certification

The Investors in People (IiP) standard sets out the minimum criteria for continuous operational performance, through management and employee development. Living up to this standard ensures that TNT Express employees receive the necessary development opportunities and attention, to be successful and thus create value for TNT Express and all employees. Each year, progress evaluations are held with all employees, with a focus on their performance, behaviour and personal development.

Investors in People

GRI indicator: 4.12

(in percentage of total headcount working in certified sites)		2011	2010
Europe & MEA	♦	96%	95%
Asia Pacific		55%	53%
Asia Pacific (excluding Hoau)	♦	99%	98%
Americas	♦	27%	12%
Other Networks	♦	58%	55%
Non-allocated	♦	93%	91%
Total TNT Express		72%	67%

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

TNT Express is the recipient of a Global Investors in People certification, and was re-accredited in 2010 for a period of three years. All countries are assessed once every three years by an accredited independent external body.

4 ISO 14001 certification

TNT Express has adopted the international standard ISO 14001 to manage its environmental performance.

ISO 14001 certification

GRI indicator: 4.12

(in percentage of total FTEs working in certified sites)		2011	2010
Europe & MEA	♦	99%	99%
Asia Pacific		56%	56%
Asia Pacific (excluding Hoau)	♦	98%	99%
Americas	♦	19%	18%
Other Networks	♦	100%	59%
Non-allocated	♦	95%	90%
Total TNT Express		71%	70%

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

The increase in the percentage of total FTEs working in ISO 14001 certified sites to 71%, is as a result of the full certification of TNT Fashion and TNT Innight (Other Networks).

5 ISO 9001 certification

TNT Express' objective is to offer its customers excellent service. As such, it adheres to a number of strict quality standards. TNT Express' customer management approach is fully aligned with the ISO 9001 standard. The standard sets requirements for continuous quality improvement at entity level, challenging all entities on the service and quality they provide, and allows for a customised approach in implementing improvements.

ISO 9001 certification

GRI indicators: 4.12, PR3 & PR5

(in percentage of total FTEs working in certified sites)		2011	2010
Europe & MEA	♦	98%	98%
Asia Pacific		77%	70%
Asia Pacific (excluding Hoau)	♦	98%	99%
Americas	♦	50%	34%
Other Networks	♦	100%	97%
Non-allocated	♦	97%	62%
Total TNT Express		83%	78%

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

Notes to the social performance

6 Employee engagement

TNT Express continues to seek means to improve employee engagement, and utilizes the Employee Value Proposition (EVP). Progress is measured with the Global Engagement Survey – VOICE. The Global Engagement Survey is performed biennially, and for the years in between the VOICE Pulse is conducted. The VOICE Pulse is a short pulse survey that measures the improvement on the key priorities identified from the VOICE 2010 survey. The VOICE Pulse survey was not designed to measure engagement and no data is available for 2011.

The VOICE Pulse survey consisted of eight opinion questions: five global questions (covering issues important for the business as a whole such as staffing levels, training and the link between reward and performance), and three local questions (covering key areas identified for each region or business area such as support between departments, two-way communication between employees and line managers and the efficiency of the processes). The results show that TNT Express has made significant improvement in most areas. In 2011, all entities took part in the survey with the exception of Brazil and TNT Innight, and a response rate of 87% was achieved.

Follow-up actions are aimed to be identified and implemented during 2012 and a full VOICE engagement survey is aimed to be conducted to maintain focus on improving employee engagement across the business.

7 Diversity

Gender profile

GRI indicator: LA13

	2011		2010	
(in percentage of headcount)	Male	Female	Male	Female
Europe & MEA	67%	33%	66%	34%
Asia Pacific	74%	26%	75%	25%
Asia Pacific (excluding Hoau)	70%	30%	71%	29%
Americas	84%	16%	84%	16%
Other Networks	70%	30%	70%	30%
Non-allocated	68%	32%	66%	34%
Total TNT Express	72%	28%	72%	28%

Gender profile of management

GRI indicator: LA13

	2011		2010	
(in percentage of headcount of total management)	Male	Female	Male	Female
Europe & MEA	72%	28%	72%	28%
Asia Pacific	80%	20%	83%	17%
Asia Pacific (excluding Hoau)	67%	33%	67%	33%
Americas	78%	22%	76%	24%
Other Networks	81%	19%	83%	17%
Non-allocated	86%	14%	79%	21%
Total TNT Express	76%	24%	77%	23%

The gender profile for TNT Express remained unchanged from 2010. The percentage of women at management positions increased in 2011 to 24% compared with 23% in 2010.

Employees with a disability

GRI indicator: LA13

(in number and percentage of headcount)	2011 Number in headcount	2011 Percentage of headcount	2010 Number in headcount	2010 Percentage of headcount
Europe & MEA	549	1.5%	466	1.3%
Asia Pacific	182	0.7%	111	0.4%
Asia Pacific (excluding Hoau)	101	0.7%	23	0.2%
Americas	101	0.9%	120	1.1%
Other Networks	3	0.0%	3	0.0%
Non-allocated	0	0.0%	0	0.0%
Total TNT Express	835	1.1%	700	0.9%

The absolute number and percentage of employees with a disability increased compared with 2010.

TNT Express supports various networks aimed at creating more awareness of diversity, including TNT Express Pride (dedicated to gay, lesbian, bisexual and transgender employees), TNT Express Link (dedicated to the professional development of women in TNT Express) and TNT Express Unity (dedicated to cultural diversity within TNT Express).

8 Absenteeism

The approach to absenteeism is to provide absent employees with a safe and timely return to work, irrespective of the cause of the absence. A ‘return to work interview’ is held as an open discussion about the employee’s long-term absence. Its purpose is to establish whether management is able to support the employee and improve the situation. In many cases, the employee’s return to work is also closely managed by a registered medical practitioner if required.

Absenteeism

GRI indicator: LA7

(in percentage of total standard working hours)	2011	2010
Europe & MEA	3.9%	3.9%
Asia Pacific	1.5%	1.6%
Asia Pacific (excluding Hoau)	1.7%	1.6%
Americas	3.1%	3.7%
Other Networks	6.5%	5.4%
Non-allocated	2.0%	2.3%
Total TNT Express	3.0%	3.1%

9 Voluntary turnover

Voluntary turnover

GRI indicator: LA2

(in percentage of headcount)	2011	2010
Europe & MEA	7%	7%
Asia Pacific	37%	32%
Asia Pacific (excluding Hoau)	15%	14%
Americas	13%	12%
Other Networks[1]	3%	3%
Non-allocated	11%	6%
Total TNT Express	18%	16%

¹Only includes TNT Fashion

Voluntary turnover in Europe & MEA remained stable compared to 2010. The voluntary turnover in Asia Pacific is high, and can be attributed to Hoau, and is partly due to the economic transition toward a market system as well as an evolving labour market. TNT Express is carefully monitoring this complex situation and is taking action to improve the retention of its employees.

10 Internal promotion

Internal promotion

GRI indicator: LA2

(in percentage of total management vacancies)	2011	2010
Europe & MEA	77%	67%
Asia Pacific	69%	80%
Asia Pacific (excluding Hoau)	58%	46%
Americas	78%	63%
Other Networks[1]	57%	57%
Non-allocated	58%	38%
Total TNT Express	73%	76%

[1]Only includes TNT Fashion

11 Learning and development

As of 2012, all development activities related to trainings are aimed to be centrally driven within Europe, by the TNT Express Learning Centre. This will be achieved by using dedicated development resources from all European operating units. However, the delivery of all trainings will be coordinated in local delivery units.

The TNT Express Learning Centre aims to continue with a pan-European approach to provide learning services such as functional and behavioural trainings plus other learning interventions and consulting, by combined delivery activities with own employees or external suppliers. Trainings for other regions within the TNT Express organisation will be provided on request.

Training hours per FTE in 2011 were 21 hours (reflecting 97% of all TNT Express FTEs in 2011) compared with 18 hours in 2010 (reflecting 91% of all TNT Express FTEs in 2010).

12 Fatal accidents

Fatal accidents are divided into workplace fatal accidents, road traffic fatal accidents involving a TNT Express employee and road traffic fatal accidents involving a subcontractor. A fatal accident can lead to multiple fatalities.

Workplace fatal accidents

GRI indicators: LT12 & LA7

(in numbers)		2011	2010
Europe & MEA	♦	0	0
Asia Pacific		3	1
Asia Pacific (excluding Hoau)	♦	0	0
Americas	♦	0	0
Other Networks	♦	0	0
Non-allocated	♦	0	0
Total TNT Express		3	1

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

All workplace fatal accidents occurred in China in 2010 and 2011.

Road traffic fatal accidents

GRI indicators: LT12 & LA7

(in numbers)		2011	2010
Europe & MEA	♦	1	2
Asia Pacific		6	9
Asia Pacific (excluding Hoau)	♦	0	0
Americas	♦	1	1
Other Networks	♦	0	0
Non-allocated	♦	0	0
Total TNT Express		8	12

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

Road traffic fatal accidents involving a TNT Express employee can also be subdivided into blameworthy and non-blameworthy accidents. In 2011, four out of the eight road traffic fatal accidents were blameworthy and occurred in China (2010: 2 out of 12).

Subcontractor road traffic fatal accidents

GRI indicators: LT12 & LA7

(in numbers)	2011	2010
Europe & MEA	9	5
Asia Pacific	20	11
Asia Pacific (excluding Hoau)	20	11
Americas	5	5
Other Networks	4	2
Non-allocated	0	0
Total TNT Express	38	23

For subcontractor road traffic fatal accident information, TNT Express relies on subcontractors to report fatal accidents involving their drivers and third parties. Due to legal obligations and the requirements of local authorities, TNT Express is unable to distinguish between blameworthy and non-blameworthy road traffic fatal accidents involving subcontractors.

In 2011, the majority of subcontractor road traffic fatal accidents occurred in India.

TNT Express continues to provide focused support from head office to the local management teams and assists in road safety performance improvements with a number of positive actions being implemented.

This support consists, for example, of effective deployment of the TNT Express India road safety management system and assistance in the effective management of vendors through Fleet Forum. Regular vendor and driver meetings are held to discuss and resolve any road safety or operational issues. The driver training programme continues to operate to improve driving skills and behaviour. A GPS vehicle tracking system has been installed for subcontractor linehaul vehicles in India to monitor operational and road safety performance. The road safety action plan has been refreshed with a continued focus on driver, vehicle, journey and vendor management.

13 Serious accidents

TNT Express believes that monitoring and reporting serious accidents provides insights into accident patterns before accidents become fatal. Serious accidents are divided into workplace and road traffic accidents. The analysis of the increase in workplace serious accidents has not revealed any common or consistent underlying cause.

Workplace serious accidents

GRI indicator: LA7

(in numbers)		2011	2010
Europe & MEA	♦	12	7
Asia Pacific		10	8
Asia Pacific (excluding Hoau)	♦	7	8
Americas	♦	2	1
Other Networks	♦	1	2
Non-allocated	♦	0	0
Total TNT Express		25	18

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

Road traffic serious accidents

GRI indicator: LA7

(in numbers)		2011	2010
Europe & MEA	♦	5	2
Asia Pacific		8	7
Asia Pacific (excluding Hoau)	♦	6	3
Americas	♦	1	2
Other Networks	♦	0	1
Non-allocated	♦	0	1
Total TNT Express		14	13

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

14 Lost time accidents

Lost time accidents (LTA) are reported as an absolute number, but also as a frequency rate to show the relative change. The average number of days lost per accident provides an indication of the severity of the accidents.

Lost time accidents

GRI indicator: LA7

(in numbers)		2011	2010
Europe & MEA	♦	1,270	1,350
Asia Pacific		466	499
Asia Pacific (excluding Hoau)	♦	283	282
Americas	♦	336	324
Other Networks	♦	62	77
Non-allocated	♦	2	2
Total TNT Express		2,136	2,252

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

Lost time accidents frequency rate

GRI indicator: LA7

(in lost time accidents per 100 FTEs)		2011	2010
Europe & MEA	♦	3.62	3.90
Asia Pacific		1.70	1.84
Asia Pacific (excluding Hoau)	♦	1.80	1.84
Americas	♦	2.65	2.68
Other Networks	♦	2.74	3.43
Non-allocated	♦	0.13	0.13
Total TNT Express		2.71	2.90

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

Both absolute LTAs and the LTA frequency rate show an improvement compared to 2010. The downward trend is a result of the implemented measures to eliminate or minimise health and safety risks to employees.

Average number of days lost due to a lost time accident

GRI indicator: LA7

(in days)		2011	2010
Europe & MEA	♦	24.4	21.3
Asia Pacific		36.7	31.0
Asia Pacific (excluding Hoau)	♦	17.7	13.5
Americas	♦	12.8	15.2
Other Networks	♦	12.3	16.0
Non-allocated	♦	22.0	3.5
Total TNT Express		24.9	22.4

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

15 Road traffic incidents/collisions

The road traffic incident rate provides an indication of the driving performance of TNT Express' drivers. A road traffic incident is defined as a crash or collision involving an operational vehicle.

Road traffic incidents can also be subdivided into blameworthy and non-blameworthy road traffic incidents. 72% of all operational vehicle road traffic incidents are classified as blameworthy.

Blameworthy road traffic incident rate

GRI indicator: LA7

(in number of blameworthy road traffic incidents of operational vehicles per 100,000 kilometres)	2011	2010
Europe & MEA	0.80	0.92
Asia Pacific	0.70	0.74
Asia Pacific (excluding Hoau)	1.16	1.20
Americas	0.50	0.46
Other Networks	0.98	1.07
Non-allocated	NA[1]	NA[1]
Total TNT Express	0.71	0.76

[1]Not applicable

Notes to the environmental performance

16 CO_2 emissions absolute

For sector comparison purposes, the CO_2 footprint, according to the Greenhouse Gas Protocol Corporate Standard (revised edition: 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 consequences of the company's activities but occur from sources not owned or controlled by the company.

CO_2 emissions according to the Greenhouse Gas Protocol

GRI indicators: LT2, EN3, EN4 & EN16

(in ktonnes)	2011	2010
Emission Source		
Scope 1		
Small trucks and vans	89	94
Large trucks	190	190
Other operational vehicles	9	8.20
Total operational vehicles	288	292
European Air Network (EAN) and Domestic flights	304	316
Longhaul flights	507	401
Other flights	4	20
Total aviation	815	737
Gas	13	15
Heating fuel	2	2
Total Heating	15	18
Total Scope 1	1,118	1,047
Scope 2		
District heating	2	1
Electricity	71	71
Total Scope 2	73	72
Scope 3		
Company cars	23	22
Business travel by air	12	12
Subcontractors	1,557	1,602
Total Scope 3	1,592	1,636
Total TNT Express own CO_2 footprint (scope 1 and 2)	1,191	1,119
Total TNT Express CO_2 footprint (Scope 1, 2 and subcontractors)	2,748	2,720

CO_2 emissions of own operations (in ktonnes)	2011	2010
Europe & MEA	952	882
Asia Pacific	147	140
Americas	77	80
Other Networks	14	15
Non-allocated	1	1
Total TNT Express	1,191	1,119

CO_2 emissions of subcontracted operations (in ktonnes)	2011	2010
Europe & MEA	1,149	1,191
Asia Pacific	278	272
Americas	40	40
Other Networks	90	98
Non-allocated	0	0
Total TNT Express	1,557	1,602

Total CO_2 emissions of own operations (scope 1 and 2) was 1,191 ktonnes in 2011 compared with 1,119 in 2010. The increase of 6.4% is mainly caused by the increased use of longhaul flights in Europe & MEA.

The CO_2 emissions of subcontractors operations decreased by 2.8% compared with 2010. TNT Express is working with subcontractors to continually improve operational efficiencies.

Ratio of own and subcontractor CO_2 emissions

CO_2 emissions of own and subcontracted operations

(in ktonnes)	Year	Own operations	Subcontractor operations	% Own	% Subcontractors
Road transport	2011	288	1,126	20%	80%
	2010	292	1,124	21%	79%
Air transport	2011	815	431	65%	35%
	2010	737	478	61%	39%
Buildings	2011	88	0	100%	0%
	2010	90	0	100%	0%
Total TNT Express	2011	1,191	1,557	43%	57%
	2010	1,119	1,602	41%	59%

In 2011, 52% of the total CO_2 emissions (own and subcontractors) was related to road transport, 45% was related to air transport and 3% to buildings. TNT Express is reliant on subcontractors in its business activities. Capturing the data related to their activities is one of the biggest challenges in environmental reporting. The subcontracted CO_2 emissions is calculated based on secondary indicators, such as kilometres driven and costs, because of the unavailability of primary data (fuel consumption) of subcontracted activities. In 2011, 57% of the CO_2 footprint can be attributed to subcontractors.

CO_2 emissions of other operations

TNT Express also emits CO_2 as a result of business travel. The CO_2 emissions of company cars and business travel by air are reported and in 2011, TNT Express offset these emissions.

Company cars

The lease contracts of TNT Express' company cars in the Netherlands, includes a requirement to offset CO_2 emissions. In 2011, a total of 1.9 ktonnes was offset, which is the same amount as in 2010. The total CO_2 emission of all TNT Express company cars was 23 ktonnes in 2011 (2010: 22).

Business travel by air

In 2011, TNT Express offset the CO_2 emissions of business travel by air booked via the preferred supplier. This was discontinued in August 2011, as the contract was not extended, with TNT Express focusing on reducing CO_2 emissions instead of offsetting. In 2011, TNT Express offset 2.5 ktonnes for business travel by air booked with the preferred travel agency. The total CO_2 emission of all TNT Express' business travel by air was 12 ktonnes in 2011 (2010: 12).

17 CO_2 efficiency index

The CO_2 efficiency index is based on the operational CO_2 performance indicators of TNT Express' core activities (excluding Hoau) in:

- air transport;
- road transport; and
- buildings.

The CO_2 efficiency index does not include subcontractor emissions as there is insufficient data available.

CO_2 efficiency index performance

	2011	2010	2009	2008	2007
TNT Express	92.2	92.8	98.2	102.7	100.0

Excluding Hoau

The CO_2 efficiency index score of 92.2 points in 2011 is an improvement of 7.8% compared to the base year 2007. In 2011, an improvement of 0.6 points was achieved. The improvement in 2011 can be attributed to road transport efficiency (+0.4 points), building efficiency (+0.6 points) and air transport efficiency (-0.4 points).

Operational CO_2 efficiency performance indicators

GRI indicator: EN16

			2011	2010	2009	2008	2007
Network flights (EAN + Domestic)	g CO_2/tonne km	♦	1,578	1,544	1,690	1,790	1,700
Longhaul flights	g CO_2/tonne km	♦	513	532	529	560	527
Small trucks and vans	g CO_2/km	♦	341	347	344	325	349
Large trucks	g CO_2/km	♦	722	737	691	648	659
Buildings	kg CO_2/m^2	♦	25.9	27.9	37.6	40.1	41.2

Excluding Hoau

Long-term trend shows that the CO_2 efficiency of buildings improved the most in comparison with the other efficiency KPIs. Implementation of sustainable energy within TNT Express buildings is mainly responsible for the improvement.

18 CO_2 efficiency air transport

CO_2 efficiency air transport

GRI indicator: EN16

(in g CO_2 / tonne km)		2011	2010
Network flights (EAN + Domestic)	♦	1,578	1,544
Longhaul flights	♦	513	532

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

The CO_2 efficiency for network flights deteriorated in 2011, while it improved for longhaul flights. The slight volume decrease in network flights resulted in lower aircraft utilisation and therefore a higher CO_2 efficiency compared with 2010.

The CO_2 efficiency of longhaul flights improved as a result of a review and restructuring of the longhaul schedule, which resulted in higher load factors and operational efficiency improvements.

In 2011, TNT Express added three Boeing 777 freighters to its fleet. The Boeing 777 freighters fly longer distances, and provide TNT Express with more control on its strategic intercontinental routes. These freighters are also the most fuel efficient freighter aircraft available on the market, and result in more economical and environmentally friendly flights.

At the end of 2011, TNT Express operated 52 aircraft, which can be separated into five operational categories: European Air Network (EAN), domestic, longhaul (intercontinental), charter (not included in the CO_2 efficiency index) and passenger (not included in the CO_2 efficiency index).

As of 2012, aviation of TNT Express aims to be included in the EU Emission Trading Scheme (EU ETS). The EU ETS includes all flights arriving at or departing from any European Union airport and addresses CO_2 emissions. Pursuant to article 3e of Directive 2003/87/EC, the European Commission published on

26 September 2011, the values used to allocate greenhouse gas emission allowances free of charge to aircraft operators. For 2012, TNT Express received a free allowance of almost 576 ktonnes CO_2.

19 CO_2 efficiency road transport

The efficiency indicator, CO_2 per kilometre, does not reflect all improvement efforts, such as better network optimisation and changes in capacity load factors. TNT Express recognises that the efficiency indicator needs to be adjusted to properly reflect network efficiencies.

CO_2 efficiency small trucks and vans

The number of small trucks and vans decreased from 7,026 in 2010 to 6,334 in 2011. More than 6% of this fleet is powered by alternative fuels (refer to Annex II for definition).

CO_2 efficiency of small trucks and vans — GRI indicator: EN16

(in g CO_2 / km)		2011	2010
Europe & MEA	♦	322	323
Asia Pacific		377	381
Asia Pacific (excluding Hoau)	♦	340	344
Americas	♦	393	410
Other Networks	♦	322	226
Non-allocated	♦	NA[1]	NA[1]
Total TNT Express		364	369

[1]Not applicable

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

CO_2 efficiency large trucks

The number of large trucks (mainly linehaul vehicles) increased from 4,408 in 2010 to 4,612 in 2011. Almost 2% of this fleet is powered by alternative fuels (refer to Annex II for definition).

CO_2 efficiency of large trucks — GRI indicator: EN16

(In g CO_2 / km)		2011	2010
Europe & MEA	♦	639	655
Asia Pacific		750	773
Asia Pacific (excluding Hoau)	♦	793	800
Americas	♦	844	868
Other Networks	♦	662	667
Non-allocated	♦	NA[1]	NA[1]
Total TNT Express		719	736

[1]Not applicable

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

The CO_2 efficiencies of both small and large trucks have improved. This had a positive impact on the CO_2 efficiency index.

20 CO_2 efficiency buildings

CO_2 efficiency of buildings — GRI indicator: EN16

(in kg CO_2 / m^2)		2011	2010
Europe & MEA	♦	19.4	21.7
Asia Pacific		30.1	30.0
Asia Pacific (excluding Hoau)	♦	57.1	59.9
Americas	♦	11.6	11.4
Other Networks	♦	19.5	19.5
Non-allocated	♦	27.5	61.1
Total TNT Express		23.0	24.0

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

In 2011, the CO_2 efficiency of buildings in Non-allocated declined significantly, due to the relocation of the TNT Express head office to a building, which uses sustainable energy, and is completely CO_2 neutral (the Green Office).

Energy efficiency of buildings

GRI indicators: LT4 & EN4

(in Mjoules / m^2)		2011	2010
Europe & MEA	♦	454	463
Asia Pacific		152	151
Asia Pacific (excluding Hoau)	♦	293	307
Americas	♦	208	220
Other Networks	♦	386	382
Non-allocated	♦	1,758	2,250
Total TNT Express		320	332

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

Sustainable electricity

GRI indicators: LT4 & EN4

(in percentage of total electricity)		2011	2010
Europe & MEA	♦	60%	53%
Asia Pacific		2%	2%
Asia Pacific (excluding Hoau)	♦	3%	3%
Americas	♦	0%	0%
Other Networks	♦	62%	62%
Non-allocated	♦	90%	82%
Total TNT Express		44%	41%

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

In 2011, 44% of the electricity used is generated by sustainable sources, which resulted in 44 ktonnes of avoided CO_2 emissions.

TNT Express uses different types of facilities around the world, including depots, road hubs, air hubs and offices. TNT Express owns or leases approximately 3.8 million m^2 of buildings. The CO_2 efficiency and the energy efficiency metrics of buildings combines all types of energy consumed in buildings and covers electricity, gas, heating fuel and district heating. The total energy use of buildings within TNT Express in 2011 was 253.9 million kWh, 7.1 million m^3 of gas, 0.7 million litres of heating fuel and 0.06 million GJoules of district heating.

21 Other vehicle emissions

The objective of the European emission standards (Euro 4 and 5) is to reduce emissions of:
- particular matters (PM10);
- nitrogen oxides (NOx); and
- carbon monoxide (CO).

European emission standards for small trucks and vans

GRI indicator: LT2

(in percentage of total small trucks and vans in European Union countries)	2011	2010
Vehicles complying with Euro 5	42%	22%
Vehicles complying with Euro 4	28%	38%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)	3%	5%
Vehicles older than 5 years	27%	35%

European emission standards for large trucks

GRI indicator: LT2

(in percentage of total small trucks and vans in European Union countries)	2011	2010
Vehicles complying with Euro 5	41%	35%
Vehicles complying with Euro 4	15%	17%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)	2%	18%
Vehicles older than 5 years	42%	31%

In 2011, the composition of the fleet for small and large trucks in European Union countries changed to include more Euro 5 compliant vehicles and therefore cleaner vehicles.

22 Waste

Waste

GRI indicators: EN22 & EN27

(in tonnes per FTE)	2011	2010
Europe & MEA	0.89	0.91
Asia Pacific	0.41	0.40
Asia Pacific (excluding Hoau)	0.41	0.40
Americas	0.33	0.30
Other Networks	2.50	1.64
Non-allocated	0.29	0.17
Total TNT Express	0.75	0.73

Waste recycling

GRI indicators: EN22 & EN27

(in percentage of total waste)	2011	2010
Europe & MEA	70%	67%
Asia Pacific	55%	60%
Asia Pacific (excluding Hoau)	55%	60%
Americas	38%	57%
Other Networks	86%	83%
Non-allocated	91%	33%
Total TNT Express	68%	67%

The total amount of waste per FTE slightly increased in 2011, though at the same time the percentage of recycled waste increased from 67% in 2010 to 68% in 2011.

TNT Express had 305 tonnes of hazardous waste in 2011 that required appropriate disposal. Hazardous waste is mainly confined to the maintenance of vehicles and aircraft.

All waste figures for 2011 are reported with an FTE coverage of 75% (2010: 73%).

23 Noise

TNT Express received seven noise complaints in 2011, compared to 11 in 2010. Of these, a significant portion is attributed to noise at depots.

Directive 2002/30/EC, known as the 'Airport Noise Management Directive', was adopted in 2003 and establishes rules and procedures with regard to introducing noise-related operating restrictions at EU airports. The Directive requires member states to follow the 'balanced approach to aircraft noise management' of the International Civil Aviation Organisation.

Member states must first identify the noise problem and subsequently analyse the various measures using four principles, namely:

- reduction of noise at source (i.e. quieter aircraft);
- land-use planning and management around airports;
- noise abatement operating procedures; and
- local operating restrictions relating to noise problems.

24 Environmental incidents

A total of seven on-site environmental incidents (2010: 20) and three off-site environmental incidents (2010: 6) were reported in 2011. The majority of the environmental incidents were caused by minor fuel leakages or spillages, all of which were dealt with appropriately to prevent further environmental impact. All environmental incidents for 2011 are reported with an FTE coverage of 92% (2010: 83%).

Additional notes

25 Customer satisfaction score

TNT Express conducted its annual worldwide customer satisfaction survey and received over 32,000 completed surveys from customers across all customer segments. TNT Express met its customer expectations according to 92% of those customers (2010: 92%), of which 41% rated TNT Express' service as exceeding expectations (2010: 40%).

26 Moving the World contribution

Moving the World contribution

GRI indicator: EC8

(in € thousands)	2011	2010
Learning & Development	625	398
Partnership building	1,146	825
Engagement & Advocacy	974	945
Support World Food Programme	372	1,792
Management & Office	403	236
Total TNT Express	3,520	4,196

In 2011, total expenditure of Moving the World (MtW) was €3.5 million (2010: 4.2). Compared to 2010, expenditure increased for contributions to learning and development, partnership building, engagement and advocacy as well as general management and office operations, while it decreased for support provided to WFP.

Increases in expenditure were as a result of an increase in the number of projects and assignments (2011: 18; 2010: 10), as well as increased partnership involvement with Fleet Forum and North Star Alliance, particularly in India and Africa. The increase in management and office expenditure was due to an increase in direct support employees.

Due to a reduction in global emergencies requiring emergency response teams, there was a decrease in support for WFP operations.

During the demerger in 2011, it was decided to support WFP by connecting the operating units and functions in the regions and countries in which TNT Express operates, to the various WFP local offices. This is part of the CR strategy in using core skills and knowledge as well as engaging more employees in global and local activities in support of WFP.

OTHER INFORMATION

Corporate Responsibility reporting and assurance scope

Corporate Responsibility reporting criteria

The corporate responsibility data are prepared in accordance with the reporting criteria and guidelines of the A+ application level of the Global Reporting Initiative (GRI) G3.1 and the GRI Logistics and Transportation sector supplement as far as relevant to TNT Express (refer to Annex 1). TNT Express is also a signatory of the UN Global Compact and therefore reports on the 10 principles therein. A bridge between the GRI G3.1 indicators and the principles of the UN Global Compact is made in the GRI G3.1 index in Annex 1. Definitions used for 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 Express' operations.

CR data is gathered monthly via a questionnaire. All figures are based, accordingly, on the data provided by the reporting entities in TNT Express through the CR reporting and monitoring tool. Conversion factors are taken from internationally-acknowledged organisations such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Corporate Responsibility reporting scope

In accordance with TNT Express' policy on CR reporting, all companies acquired in any given year are required to report CR data as from the following year. TNT Express entities that are divested (full or partial sale whereby TNT Express no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place.

The 2011 annual report includes only CR data from entities that are fully-owned or majority-owned and from those joint ventures where TNT Express has a controlling interest with respect to corporate responsibility. The joint ventures in Luxembourg and Switzerland are included in the CR reporting scope, whereas PNG Airfreight and X Air Services are excluded. However, TNT Express does rely on a large number of subcontractors to perform daily activities. TNT Express acknowledges its responsibility and therefore reports on the road traffic fatal accidents of its subcontractors, as well as absolute subcontractor CO_2 emissions, which are estimated.

To enable readers to benchmark the 2011 CR data with the 2010 CR data, the 2010 reported figures have been restated to include LIT Cargo and Expresso Araçatuba. As both entities were not included in the 2010 assurance scope, the external assurance provider is not able to provide assurance on the 2010 data. HuayuHengye Logistics Company Limited (Hoau) is sometimes excluded from the reported figures as Hoau is not part of the assurance scope. Comparative 2010 FTE and headcount figures are restated and therefore all FTE and headcount related KPIs for 2010 are not comparable to the 2010 TNT Express Supplement.

Figures are presented in a relative way (using percentages and ratios) to make it possible for readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed. Figures related to absolute CO_2 emissions are all extrapolated to reflect TNT Express, unless stated otherwise. Extrapolation for building related indicators is done on the basis of square metres. CO_2 efficiency indicators are also presented relative to the baseline year of 2007, to show progress made towards long-term objectives for CO_2 efficiency improvements. Wherever applicable, the coverage is defined as the number of FTEs working in entities that report data, divided by the total number of FTEs. TNT Express has taken all reasonable steps to ensure that the CR information in the 2011 annual report is accurate.

Labour force CR reporting scope

(in number of FTE and headcount)		2011 FTE	2011 Headcount	2010 FTE	2010 Headcount
Europe & MEA	♦	35,090	37,946	34,683	36,795
Asia Pacific		27,389	24,825	27,180	27,152
Asia Pacific (excluding Hoau)	♦	15,709	13,815	15,308	14,698
Americas	♦	12,688	11,255	12,293	11,081
Other Networks	♦	2,265	2,534	2,242	2,434
Non-allocated	♦	1,532	1,534	1,563	1,612
TNT Express in CR reporting scope		78,964	78,094	77,961	79,074
Out of CR reporting scope		419	416	435	455
Total TNT Express (including joint ventures)		79,383	78,510	78,396	79,529

Certain comparative figures have been reclassified to conform to the current year's CR statement presentation
Figures with a (♦) fall within the reasonable assurance scope

Corporate Responsibility assurance scope

TNT Express has engaged PricewaterhouseCoopers Accountants N.V. (PwC) to provide reasonable assurance on certain 2011 CR metrics (see assurance report 2011) and limited assurance on all other 2011 CR metrics, excluding Hoau. All indicators related to reasonable assurance have been audited and are marked with 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.

TNT Express' policy is to include acquired companies in the assurance scope three years after the year of acquisition. This policy is intended to ensure that these entities can develop their processes to report CR data to the high standards required by TNT Express, and to give them time to become sufficiently aligned with operational and other systems. Although Hoau was acquired in 2007, other business priorities have prevented Hoau from fully implementing TNT Express' CR reporting requirements. Hoau is therefore excluded from the assurance scope.

The assurance work is performed in accordance with the Assurance Standard 3410N 'Assurance Engagements Relating to Sustainability Reports' as drawn up by the professional body of Dutch Accountants (Royal NBA).

As part of the external assurance engagement, PwC also makes use of the capacity of the internal audit department of TNT Express. PwC reviews the findings of all internal audit reports and meets regularly with the management of the internal audit department to discuss any findings.

An internal control framework has been designed for CR reporting processes, for the capture and reporting of reliable CR data. In 2010, the framework was implemented at head office level and in 2011 it was rolled-out at country level. An implemented internal control framework will not only increase the reliability of CR data, but will also enable PwC in its audits, to rely on internal controls more and to reduce purely data-oriented audit activities.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED CR STATEMENTS TNT EXPRESS N.V.

To: the Executive Board of TNT Express N.V.

Engagement and responsibilities

As explained in section II of chapter 5, 'corporate responsibility statements', we have examined the content of chapters 3 and section II of chapter 5 and the annexes in the Annual Report of TNT Express N.V., Hoofddorp ('TNT Express') (hereafter referred to as: 'CR chapters') in which TNT Express renders account of the performance related to Corporate Responsibility ('CR') in 2011.

Our examination consisted of the following combination of audit and review procedures:

- audit of all data and tables related to the following key performance indicators:
  - the number of employees and full time equivalents employed;
  - the percentage of TNT Express workforce at certified sites;
  - the number of workplace fatal accidents and road traffic fatal accidents (excluding subcontractor fatal accidents);
  - the number of serious accidents;
  - the number of lost time accidents and the ratio of lost time accidents per 100 FTE;
  - the absolute CO_2 footprint of owned operations (scope 1 and 2);
  - CO_2 efficiency index;
  - CO_2 efficiency of buildings;
  - CO_2 efficiency of fleet, split into small trucks, large trucks, European Air Network flights (including domestic flights) and longhaul flights; and
  - the percentage of sustainable electricity.
- review of all the other elements of the CR chapters not excluded from our assurance scope.

The Executive Board of TNT Express is responsible for the preparation of the CR chapters. We are responsible for providing an assurance report on the CR chapters.

Reporting criteria

TNT Express developed its reporting criteria on the basis of the G3.1 Guidelines of the Global Reporting Initiative (GRI) as explained on pages 158-159 'corporate responsibility reporting and assurance scope'. These reporting criteria contain certain inherent limitations which may influence the reliability of the information.

The CR chapters do not cover the information for all entities of TNT Express as the CR chapters only include data from entities that are fully-owned or majority-owned and from those joint ventures where TNT Express has a controlling interest with respect to CR. Detailed information on the reporting scope is given on page 158 'corporate responsibility reporting and assurance scope'. We consider the reporting criteria to be relevant and appropriate for our examination.

Scope and work performed

We planned and performed our work in accordance with Dutch law, including Standard 3410N 'Assurance engagements relating to sustainability reports'.

Audit procedures focus on obtaining reasonable assurance, substantiated by sufficient and appropriate supporting audit evidence. The audited data are marked with a rhombus (♦). Review procedures focus on obtaining limited assurance which does not require exhaustive gathering of evidence, therefore providing less assurance than audit procedures. Consequently, we report our conclusions with respect to the audit and review procedures separately. We believe these combined procedures fulfill a rational objective.

We do not provide any assurance on the assumptions and feasibility of prospective information, such as targets, expectations and ambitions, included in the CR chapters.

Audit procedures

With regard to the audited data, among other things we have gathered audit evidence as follows:

- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing and testing the systems and processes used for data gathering, consolidation and validation, including the methods used for calculating and estimating results;

- testing the design, existence and the effectiveness of the relevant internal control measures during the reporting period;
- reconciling reported data to internal and external source documentation;
- examining the existence and validity of certificates issued in respect of the management system standards which have been adopted by TNT Express; and
- performing analytical procedures, relation checks and detailed checks.

Review procedures

Our most important review procedures were:

- assessing the acceptability and consistent application of the reporting policies in relation to the information requirements of TNT Express' stakeholders;
- reviewing internal and external documentation to determine whether the information in the CR chapters is substantiated adequately;
- validating and testing of the model used for estimating the CO_2 emissions of subcontractors;
- evaluating the overall presentation of the CR chapters, in line with TNT Express' reporting criteria; and
- assessing the application level according to the G3.1 Guidelines of GRI.

We believe that the evidence obtained from our examination is sufficient and appropriate to provide a basis for our conclusions.

Limitations in our examination

For comparative purposes TNT Express has restated the 2010 figures to include the information for the entities LIT Cargo (Chile) and Araçatuba (Brazil). Because these entities were excluded from our assurance scope last year, we do not provide assurance on the 2010 comparative figures.

The data from Huayu Hengye Logistics Company Ltd (Hoau, China) is excluded from our assurance scope. This is adequately disclosed on pages 158-159 'corporate responsibility reporting and assurance scope'. We have accepted this limitation in our scope, because providing assurance on data from this reporting entity would not provide a rational objective at this stage as TNT Express is still in the progress of integrating this entity into its business.

Conclusions

Opinion based on our audit procedures

In our opinion all data and tables marked with a rhombus, as mentioned under 'Engagement and responsibilities', are in all material respects presented reliably and adequately, in accordance with TNT Express' reporting criteria.

Conclusion based on our review procedures

With respect to the other elements of the CR chapters not excluded from our assurance scope, nothing has come to our attention that would cause us to conclude that the CR chapters, in all material respects, do not provides a reliable and adequate presentation of the CR policy of TNT Express or of the CR related performance during the reporting year, in accordance with TNT Express' reporting criteria.

Amsterdam, 21 February 2012
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

CHAPTER 6 INVESTOR RELATIONS AND SHARE PRICE PERFORMANCE

I. INTERACTING WITH THE CAPITAL MARKETS

During 2011, TNT Express maintained a close dialogue with the capital markets through:

- Day-to-day contacts via the Investor Relations department
- Road show meetings after results releases
- Ad hoc meetings
- Capital Markets Day
- Investor Relations page on TNT Express' corporate website (www.tnt.com/corporate)

TNT Express' Investor Relations department participates in meetings with analysts and investors, conference calls, road shows and investor conferences. The CFO has the principal responsibility for investor relations, with the active involvement of the CEO. The Investor Relations department ensures timely, consistent and accurate disclosure of information to the financial community. TNT Express' policy is to provide the financial community with equal and simultaneous information about matters that may be price sensitive.

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 Express' performance and the issues faced by the business. In addition, TNT Express communicates with the financial community through press releases, the annual report, General Meetings and the company's corporate website.

Contacts between the Executive Board and the investment community are carefully handled and structured. TNT Express 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 factually by TNT Express. In 2011, TNT Express visited investors in major financial cities in Europe, the United States and Asia. An inaugural Capital Markets Day was held in May 2011.

The corporate website provides all relevant information with regard to the dates of analyst meetings and webcast procedures. For further information, visit TNT Express' corporate website (www.tnt.com/corporate).

TNT Express 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.

Contacts with the financial community are dealt with by the members of the Executive Board, TNT Express' investor relations professionals and, less frequently, by the chairman of the Supervisory Board and other TNT Express employees specifically mandated by the Executive Board.

II. DIVIDEND

POLICY

TNT Express aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividends. TNT Express aims to pay dividends of around 40% of normalised net income. Also, on an incidental basis, TNT Express may make tax-exempt share repurchases or other returns of excess cash.

INTERIM PAYMENT

In August 2011, TNT Express paid an interim dividend of €0.04 per ordinary share, which represented a pay-out of approximately 43% of normalised net income over the first half of 2011. This is in line with TNT Express' stated dividend guidelines. The interim dividend was payable at the shareholder's election, either wholly in ordinary shares or wholly in cash. As a result, the number of issued and outstanding ordinary shares increased from 542,033,181 on 26 May 2011 "as-if-and-when-issued" to 543,202,420 as of 31 December 2011. No preference shares B were issued or outstanding. For more information on TNT Express' equity, refer to note 9 to the consolidated financial statements.

FINAL PAYMENT (PROPOSED)

TNT Express has proposed to compensate the loss out of the distributable part of the shareholders' equity and to pay a final dividend out of the distributable part of the shareholders' equity. The proposed final dividend is €0.004 per share, to be received in stock or in cash. The €0.04 per share interim dividend, together with the proposed final dividend represents a 2011 pay-out of 40% of normalised net, and will be payable as from 7 May 2012. This dividend will be proposed to shareholders at the Annual General Meeting of Shareholders to be held on 11 April 2012.

III. SHARE PRICE PERFORMANCE

The 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 usually consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover, and free-float adjusted market capitalisation.

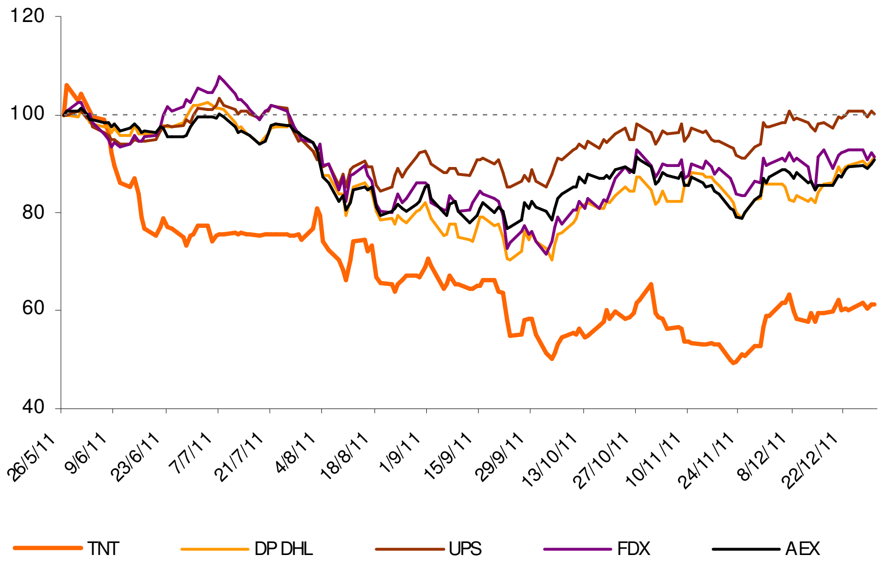
TNT Express N.V. also has a sponsored level 1 American Depository Receipts (ADR) programme. The ADRs trade in the over-the-counter marketplace (ticker symbol: TNTEY; CUSIP US87262N1090).

Share price performance (ticker: TNTE)

Share price (€)		
	High	10.0
	Low	4.6
	Close	5.8
Number of issued or shares at year end (m)		543,202,420
Percentage of which held as ADRs		*4.6%*
Market capitalisation (€m)		3,151

TNT Express' share price decreased by 38.9% in 2011, from the closing price of the initial day of trading, underperforming the AEX and selected peers. The share price performance relative to the AEX and peers is shown below.

TNT Express share price performance since demerger (rebased)[6]



[6] Source: Thomson Reuters

IV. MAJOR SHAREHOLDERS

Pursuant to the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), shareholders must disclose percentage holdings in capital and/or voting rights in the company when such holdings reach, exceed or fall below: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. Such disclosures must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The company is notified by the AFM.

The register of AFM shows PostNL, Her Majesty the Queen in right of Alberta and B. Rosenstein as major shareholders as per 31 December 2011.

V. CREDIT RATING

Management seeks to optimise the cost of capital while preserving the company's financial stability and flexibility. In that effect, TNT Express maintains a strong and efficient capital structure targeted at a BBB+/Baa1 credit rating.

TNT Express' rating per 31 December 2011 was BBB+ 'stable' / Baa1 'negative'. On 13 January 2012, Moody's downgraded its credit rating to Baa2 'negative'. These credit ratings result from an evaluation and analysis of a variety of factors, which TNT Express monitors closely. These ratios and the ranges per ratio as indicated by the rating agencies may change over time, depending on market conditions and analytical considerations.

Financial calendar for 2012

21 February	Publication of 4Q11 and full year results
11 April	Annual General Meetings of Shareholders
13 April	Ex dividend
02 May	Publication of 1Q12 results
30 July	Publication of 2Q12 and half year results
29 October	Publication of 3Q12 results

ANNEXES

ANNEX 1 – GLOBAL COMPACT AND GRI G3.1 INDEX

GLOBAL COMPACT

Marie-Christine Lombard, CEO of TNT Express, confirms continued support to the Global Compact, and as a signatory, TNT Express is committed to all of the 10 principles regarding human, rights, labour, environment and anti-corruption. In the GRI index table the GRI indicators on which TNT Express reports are linked to the numbers corresponding to the ten principles mentioned below.

Human Rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
10	Businesses should work against corruption in all its forms.

GRI G3.1 INDEX

This GRI Index table is based on the G3.1 guidelines of the Global Reporting Initiative (GRI). This index includes the core indicators of the G3.1 and complementary sector supplement indicators. The table below includes TNT Express' management approach per theme. Additionally a reference is made to the 10 Principles of the Global Compact which are mentioned in a table in the next section.

The GRI G3.1 index is based on the guidelines for sustainability reporting from the Global Reporting initiative (GRI). TNT Express believes that the A+ level is applicable to this report. This has been validated by GRI and the external assurance provider.

Nr	G3.1 INDICATOR	Disclosure Page number/reference	Extent of reporting	Global Compact Principles
Strategy and analysis				
1.1	CEO statement	Message from the CEO p. 6	Fully reported	
1.2	Key impacts, risks, and opportunities	At a glance p. 2 Chapter 1, p. 20; Embed corporate responsibility in all activities Chapter 3, p. 30; Corporate responsbility framework Chapter 4; p. 61; Risk management	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 1, p. 17; Building on strengths	Fully reported	
2.2	Products, and/or services	Chapter 1, p. 17; Building on strenghts	Fully reported	
2.3	Operational structure	Chapter 2, p. 23; General markets and business characteristics Chapter 4, p. 43 Corporate governance	Fully reported	
2.4	Headquarter location	Chapter 1, p. 16; Executive board compliance statement Chapter 2, p. 23; Business performance	Fully reported	
2.5	Countries in operations/ TNT geographic spread	Chapter 2, p. 24: Overview	Fully reported	
2.6	Nature of ownership	Chapter 1, p. 17; Context Chapter 4, p. 43; Corporate governance Chapter 4, p. 51; Shareholders Chapter 6, p. 165; Major shareholders	Fully reported	
2.7	Markets served	Chapter 2, p. 23-28; General market and business characteristics	Fully reported	
2.8	Scale of the organisation	Chapter 2, p. 24: Overview At a glance, p. 2 Chapter 1, p 10; Overview 2011 and strategy, volumes	Fully reported	

Nr	G3.1 INDICATOR	Disclosure Page number/reference	Extent of reporting	Global Compact Principles
2.9	Significant operational changes	Chapter 1, p. 17; Building on strenghts	Fully reported	
2.10	Awards received	Chapter 3, p. 30 Corporate responsibility framework	Fully reported	
Report profile				
3.1	Reporting period	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.2	Previous report	Chapter 5, p. 143; Consolidated statements	Fully reported	
3.3	Reporting cycle	Chapter 1, p 9; Report of the executive broad	Fully reported	
3.4	Contact point for questions	Contact information, p. 179	Fully reported	
Report scope and boundary				
3.5	Content definition	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.6	Boundary of the report	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.7	Limitations on the reporting scope	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.8	Reporting basis	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.9	Data measurement techniques	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.10	Re-statements of information	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
3.11	Significant changes from previous reports	Chapter 5, p. 158; CR Reporting Scope	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1, p. 167	Fully reported	
Assurance				
3.13	Assurance	Chapter 5, p. 159; CR assurance scope	Fully reported	
Governance				
4.1	Governance structure	Chapter 4, p. 43; Corporate governance	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	Chapter 4, p. 40; Report of the supervisory board	Fully reported	
4.3	Independence of Board of Management	TNT Express does not have a unitary board structure. TNT Express has a large company regime and is therefore required to adopt a two-ties system of corporate governance	Not applicable	
4.4	Shareholder feedback mechanisms	Chapter 4, p. 51; Shareholders	Fully reported	
4.5	Executive remuneration and performance	Chapter 4, p. 54-60; Remuneration	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 4, p. 47; conflict of interest Chapter 4, p. 45; Integrity and Dutch corporate governance code	Fully reported	
4.7	Board of Management expertise on sustainability	Chapter 4, p. 40; Report of the supervisory board	Fully reported	
4.8	Mission and value statements	Chapter 4, p. 43; Corporate governance Chapter 1, p. 17; Building on strenghts	Fully reported	
4.9	Board of Management governance	Chapter 4, p. 43; Corporate governance Chapter 4, p. 40; Report of the supervisory board	Fully reported	
4.10	Evaluation of the Board of Management	Chapter 3, p. 30; Corporate responsbility framework Chapter 4, p. 39-42; Supervisory board	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	Annex 1, p. 167; Global Compact Principles	Fully reported	
4.12	External charters, principles or initiatives	Chapter 3, p. 34; Building win-win relationships	Fully reported	
4.13	Associated memberships	Chapter 3, p. 37; Memberships	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 1, p. 20-21; Embed CR in all activities	Fully reported	
4.15	Stakeholder identification	Chapter 1, p. 20-21; Embed CR in all activities	Fully reported	
4.16	Stakeholder engagement	Chapter 1, p. 20-21; Embed CR in all activities	Fully reported	
4.17	Stakeholders' key issues	Chapter 1, p. 20-21; Embed CR in all activities	Fully reported	
Economic performance indicators				
DMA	Economic performance	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Market presence	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Indirect economic impact	Chapter 1, p. 20-21;Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure Page number/reference	Extent of reporting	Global Compact Principles
EC1	Direct economic value	Chapter 1, p. 9; Report of the executive board Chapter 5, p. 74; consolidated statements Chapter 5, CR Statements, note 26	Fully reported	
EC 2	Financial implications of climate change	Chapter 4, p. 61; Risk management	Partially reported*	7
EC 3	Benefit plan	Chapter 5, p. 98; provisions for pension liabilities	Fully reported	
EC 4	Financial governmental assistance	TNT Express does not receive significant financial assessment from governments	Fully reported	
EC6	Local suppliers	Chapter 1, p. 20-21; Embed CR in all activities Chapter 3, p. 36; local and international communities Chapter 4, p 64. Operational risks Chapter 5, CR Statements, note 2	Partially reported*	
EC 7	Local recruitment	Chapter 1, p. 20-21; Embed CR in all activities Chapter 3, p. 36; local and international communities Chapter 4, p 64. Operational risks Chapter 5, CR Statements, note 2	Partially reported*	6
EC 8	In kind or pro bono engagement	Chapter 3, p. 36; Local and international communities	Fully reported	
Environmental management approach				
DMA	Materials	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Energy	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Water	TNT Express' core business does not require significant water use. The indicator therefore is not material for TNT Express	Not reported	
DMA	Biodiversity	TNT Express does not own land in protected areas or areas with high bio diversity	Not reported	
DMA	Emissions, effluents and waste	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Products and services	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Compliance	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Transport	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Overall	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
EN 1	Volume of materials used	Chapter 5, CR Statements, note 16, 21, 22	Fully reported	8
EN 2	Recycled materials	Chapter 5, CR Statements, note 22	Fully reported	8,9
EN 3	Direct primary energy consumption	TNT Express total direct energy consumption is 15,4 million Gjoules. Chapter 5, CR Statements, note 16 and 20	Fully reported	8
EN 4	Indirect primary energy consumption	TNT Express total indirect energy consumption is 0.97 million Gjoules. Chapter 5, CR Statements, note 16 and 20	Fully reported	8
EN 5	Efficiency improvements	Chapter 5, CR Statements, note 17	Fully reported	9
EN 6	Energy reductions	Chapter 5, CR Statements, note 17, Chapter 3, p. 33; Maximising operational efficiency	Fully reported	10
EN 7	Efficiency improvements indirect energy	Chapter 5, CR Statements, note 17	Fully reported	11
EN 8	Water withdrawal	TNT Express' core business does not require significant water use. The indicator therefore is not material for TNT Express	Not reported	8
EN 11	Land assets in sensitive areas	TNT express does not own land assets in sensitive areas	Not reported	8
EN 12	Biodiversity within lands owned	TNT Express does not own land in protected areas or areas with high bio diversity	Not reported	8
EN 16	Greenhouse gas emissions	Chapter 5, CR Statements, note 16	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 5, CR Statements, note 16	Fully reported	8
EN 18	Emission reduction initatives	Chapter 1, p. 20-21; Embedded corporate responsibilty in all activities Chapter 3, p. 33; Maximising operational efficiency	Fully reported	9

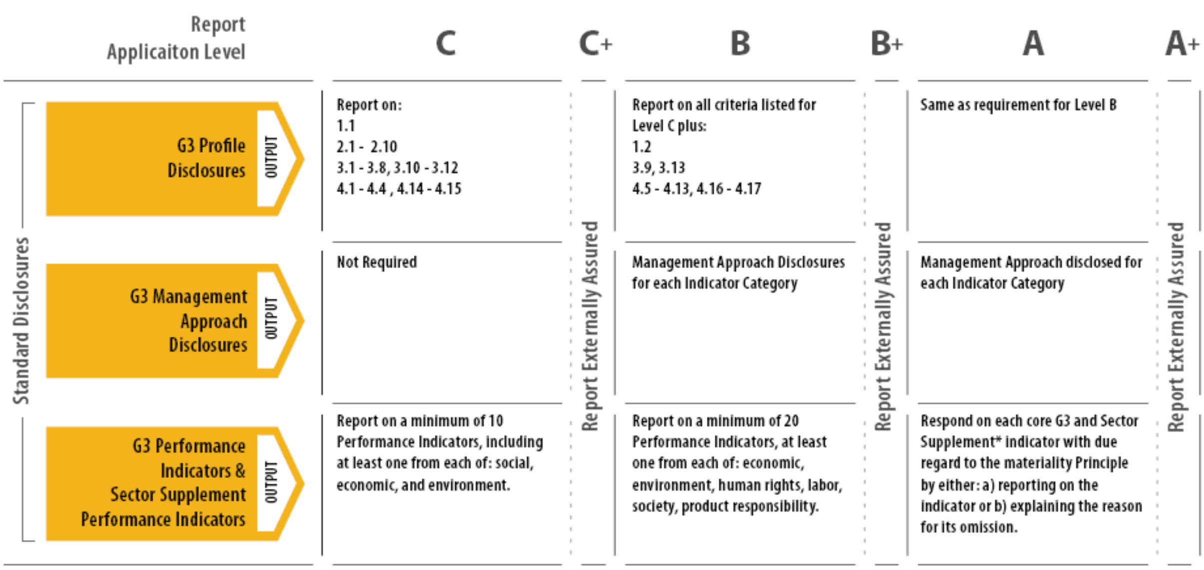
Nr	G3.1 INDICATOR	Disclosure Page number/reference	Extent of reporting	Global compact Principles
EN 19	Ozone-depleting substance emissions	The emission of ozone-depleting substances within TNT Express is very limited and not measured. Due to the limited materiality TNT Express has no plans to measure this in the future	Not reported	8
EN 20	NOx, SOx emissions	NOx and SOx emissions are not measured. TNT Express strives to reduce these emissions by increasing the number of Euro 4 and Euro 5 vehicles. See Chapter 5 CR Statements note 21. TNT Express is considering measurement methos to be implemented in 2016	Not reported	8
EN 21	Water discharge by quality and destination	TNT Express' total water discharge is limited to domestic sewage. This indicator is not material for TNT Express	Not reported	8
EN 22	Waste by disposal method	Chapter 5, CR Statements, note 22	Partially reported*	8
EN 23	Significant spills	Chapter 5, CR Statements, note 24	Fully reported	8
EN 26	Environmental impact mitigation	Chapter 3, p. p. 33; Maximising operational efficiency	Fully reported	7,8,9
EN 27	Packaging materials	Chapter 5, CR Statements, note 22	Fully reported	8,9
EN 28	Non compliance sanctions	Chapter 4, p. 61; Risk management Chapter 5, p. 118; Contingent legal liabilities	Fully reported	8
Labour practices and decent work performance indicators				
DMA	Employment	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Labor/management relations	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Occupational health and safety	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Traning and education	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Diversity and equal opportunity	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Equal remuneration	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Partially reported*	
LA 1	Breakdown of workforce	Chapter 5, CR Statements, note 7 Chapter 5, p. 105, Financial statements Chapter 5, p. 158; CR Reporting scope	Partially reported*	
LA 2	Employee turnover	Chapter 5, CR Statements, note 9	Partially reported*	6
LA 15	Retention after parental leave	Information is available at local level	Not reported	
LA 4	Collective bargaining agreements	Within TNT Express the entities are responsible for collective bargaining agreements. The percentage of employees covered by collective bargaining agreements is available at entity level	Not reported	1,3
LA 5	Minimum notice periods	Chapter 3, p. 31; Protecting our people	Partially reported*	3
LA 6	Monitor health and safety programs	Chapter 5, CR Statements, note 1,3,12 Chapter 3, p. 31; Protecting our people	Fully reported	
LA 7	Health and safety and absenteeism	Chapter 5, CR Statements, note 8	Fully reported	1
LA 8	Education to assist workforce	Chapter 3, p. 31; Investors in people Chapter 5, CR Statements, note 3, 11	Fully reported	1
LA 10	Training per employee	Chapter 5, CR Statements, note 3, 11 Chapter 3, p. 31; Investor in people	Fully reported	
LA 11	Employability	Chapter 3, p. 31; Protecting our people	Fully reported	
LA 12	Performance review	Chapter 3, p. 31; Protecting our people Chapter 5, CR Statements, note 11	Partially reported*	
LA 13	Employee diversity & governance	Chapter 5, CR Statements, note 7	Fully reported	1,6
LA 14	Remuneration by gender	TNT Express does not report on this for the entire organisation. Only the remuneration of the executive board. Chapter 4, p. 59	Partially reported*	1,6
Human rights performance indicators				
DMA	Investment, procurement practices	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Non-discrimination	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure Page number/reference	Extent of reporting	Global Compact Principles
DMA	Association and collective bargaining	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Child labor	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Prevention of forced labor	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Security practices	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Indigenous rights	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Assessment	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Remediation	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
HR 1	Human rights clauses in investment	Chapter 4, p. 45; Integrity	Partially reported*	1,2,3,4,5,6
HR 2	Supplier screening on human rights	Chapter 4, p. 45; Integrity Chapter 3, p. 34; Building win-win relationships	Fully reported	1,2,3,4,5,6
HR 4	Discrimination	Chapter 4, p. 45; Integrity	Partially reported*	1,2,4,6
HR 5	Association and collective bargaining	Chapter 1, p. 20-21; Embed CR in all activities Chapter 4, p. 45; Integrity Chapter 5, CR Statements, note 2	Partially reported*	1,2,3
HR 6	Child labour	Chapter 1, p. 20-21; Embed CR in all activities Chapter 4, p. 45; Integrity Chapter 5, CR Statements, note 2	Partially reported*	1,2,5
HR 7	Forced labour	Chapter 1, p. 20-21; Embed CR in all activities Chapter 4, p. 45; Integrity Chapter 5, CR Statements, note 2	Partially reported*	1,2,4
HR 10	Impact assessment	Chapter 1, p. 20-21; Embed CR in all activities Chapter 4, p. 45; Integrity Chapter 5, CR Statements, note 2	Partially reported*	
HR 11	Grievance mechanism	Chapter 1, p. 20-21; Embed CR in all activities Chapter 4, p. 45; Integrity Chapter 5, CR Statements, note 2	Partially reported*	
Society performance indicators				
DMA	Local communities	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Corruption risks	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Public policy	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Anti-competitive behavior	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Compliance	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
SO 1	Impact on communities	Chapter 1, p. 20-21; Embed CR in all activities Chapter 3, p. 30; local and international communities Chapter 4, p. 44; governance and compliance	Fully reported	
SO 9	Impact on local communities	Chapter 5, CR Statements, note 21, 22, 23, 24	Partially reported*	
SO 10	Prevention of impacts on local communities	Chapter 5, CR Statements, note 21, 22, 23, 25	Partially reported*	
SO 2	Corruption risks	Chapter 4, p. 45; Integrity	Fully reported	10
SO 3	Anti-corruption training	Chapter 4, p. 45; Integrity	Fully reported	10
SO 4	Actions against corruption	Chapter 4, p. 45; Integrity	Fully reported	10
SO 5	Lobbying	Chapter 4, p. 45; Integrity Chapter 3, p. 37; Memberships	Partially reported*	1,2,3,4
SO 8	Regulatory non-compliance sanctions	Chapter 4, p. 45; Integrity	Fully reported	
Product responsibility performance indicators				
DMA	Customer Health and safety	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Product and service labelling	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure Page number/ reference	Extent of reporting	Global Compact Principles
DMA	Marketing communications	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Customer privacy	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
DMA	Compliance	Chapter 1, p. 20-21; Embed CR in all activities, Chapter 4, p. 44; governance and compliance	Fully reported	
PR 1	Product life cycle	Chapter 2, p. 23; General markets and business characteristics	Fully reported	1
PR 3	Product information	Chapter 2, p. 23; General markets and business characteristics	Fully reported	8
PR 6	Communication programmes	TNT Express marketing communication does not conflict with generally accepted ethical or cultural standards, neither is a vulnerable group targeted	Not reported	
PR 9	Product non-compliance	Chapter 5, p. 118; Contingent legal liabilities	Fully reported	
Sector supplement indicators				
LT 2	Fleet composition	Chapter 5, CR Statements, note 19	Fully reported	
LT 3	Environmental reduction	Chapter 5, CR Statements, note 16, 17	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 5, CR Statements, note 20	Fully reported	
LT 5	Renewable indirect energy sources and energy efficiency	Chapter 5, CR Statements, note 20	Fully reported	
LT 7	Noise management and abatement	Chapter 5, CR Statements, note 23	Fully reported	
LT 8	Environmental impact of real estate	Chapter 5, CR Statements, note 20	Fully reported	
LT 9	Work patterns of mobile worker	Chapter 3, p. 31; Protecting our people	Fully reported	
LT 10	Personal communication	Chapter 3, p. 31; Protecting our people	Fully reported	
LT 11	Substance abuse	Chapter 3, p. 31; Protecting our people	Fully reported	
LT 12	Road fatalities per kilometres driven	Chapter 5, CR Statements, note 12	Fully reported	
LT 15	Humanitarian Programmes	Chapter 3, p. 36; local and international communities	Fully reported	
LT 16	Labour providers	Chapter 3, p. 31; Protecting our people	Partially	
LT 17	Continuity of employment	Chapter 3, p. 31; Protecting our people	Partially	

*These indicators have been found to be partially immaterial or immaterial for TNT Express' operations. For the purpose of this Annual Report is was decided to report in a way that was better suited to TNT Express' operations and suites the expectations of our stakeholders

GRI G3.1 APPLICATION LEVELS



*Sector supplement in final version

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that TNT Express has presented its report "TNT Express Annual Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, the 15th of February 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because TNT Express has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on the 1st of February 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

ANNEX 2 – GLOSSARY AND DEFINITIONS

Absenteeism
Total days absence versus potential working days, calculated at year-end.

All training hours
All training hours are the number of hours spent on training by the total of employees on payroll (including social responsibility training hours) during the reporting period (both on-and off-job and both internal and external programmes).

Alternative fuels
Fuels included in the category of alternative fuels are biofuels and CNG (compressed natural gas). Alternative fuels also include 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 CO_2 that has recently been extracted from the atmosphere as a result of growing of plants and trees and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by TNT Express as a crash or collision involving a TNT Express 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 Express 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 Express 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 Express 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 Express driver is at fault.

Business travel
Business travel refers to all business-related air flights.

Carbon Disclosure Project
The Carbon Disclosure Project is an independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. For further information, see www.cdproject.net.

Carbon dioxide emissions
Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO_2) is referred to as a greenhouse gas.

Civil society
As part of our stakeholder dialogues, 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.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of TNT Express' business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2-neutral
Carbon-neutral is where the net CO_2 equivalent emissions from activities are zero.

Company cars
Company-owned or leased vehicles made at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion reasons (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (see reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure 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.

Customer satisfaction score
Annual worldwide customer satisfaction survey conducted by TNT Express to measure customer satisfaction on all customer touch points and across all customer segments expressed in one overall score distinguishing TNT Express' performance between 'meeting customer expectations' and 'exceeding customer expectations' in the reporting period.

Disabled employees
Disabled employees are employees on payroll whose medical condition is recognised by the relevant authorities as a disability.

Dow Jones Sustainability Indexes
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information, see www.sustainability-indexes.com.

Employee engagement
Employee engagement relates to the number of employees (employed by TNT Express for 3 months or more) who stated in the employee engagement survey that they were engaged or more than engaged by TNT Express as an employer.

Environmental incident
An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks, leakages and so forth. The environmental incidents are divided in onsite and offsite incidents. Onsite incidents occurred on depots, hubs, offices and other locations owned, leased, rented or operated directly by TNT Express. Offsite incidents occurred away from depots, hubs, offices and other locations owned, leased, rented or operated directly by TNT Express.

European emission standards
Euro 4 and Euro 5 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like NOx and particulate matter (PM).

European Union
The European Union consists of the following countries: Austria, Belgium, Bulgaria, 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.

Full time equivalents (FTEs)
FTEs are the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

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 in1997, 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. For more information, see www.globalreporting.org.

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.

Hazardous waste
Hazardous waste is waste that could prove harmful to human health or the natural environment.

Headcount
Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Internal promotion
The number of TNT Express 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. For further information, see www.iso.org.

Investors in People (IiP)
Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. For further information see, www.investorsinpeople.co.uk.

ISO 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.

Lost time accident
For the purpose of CR reporting lost time accidents 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).

Noise complaints
Noise complaints are the number of written or documented verbal expression of grievance and/or dissatisfaction from external parties received during the reporting period relating to noise caused by an operation onsite or offsite.

Non-blameworthy road traffic incident
A road traffic incident is defined by TNT Express as a crash or collision involving a TNT Express 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 Express 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-blameworthy road traffic fatal accident
A non-blameworthy road traffic fatal accident is where a TNT Express employee or third party is fatally injured. This means that the employee or third party died because of the accident of any person driving a company-owned or operated vehicle. Non-blameworthy road traffic fatal 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 non-blameworthy when the TNT Express driver is not at fault. Non-blameworthy road traffic accidents at subcontractors are not included.

Non-OECD countries
Please refer to the definition below for the OECD. Non-OECD countries in which TNT Express 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.

NOx
NOx (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperature.

Organisation for Economic Co-Operation and Development (OECD)
The Organisation for Economic Co-Operation and Development (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. For further information, see www.oecd.org.

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. For further information, see www.ohsas-18001-occupational-health-and-safety.com.

PACI (Partnering Against Corruption Initiative) Principles
The PACI's mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. The PACI places the private sector in a unique position to guide governments' and international organisations' strategies and policies on anti-corruption and has built strong relationships with the key players and institutions from the global anti-corruption landscape. For more information, see www.weforum.org/en/initiatives/paci.

PM10
Particulates, alternatively known to as particulate matter (PM), 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.

Road traffic fatal accident
A road traffic fatal accident is one where a TNT Express 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 included also. Road traffic fatal accidents with TNT Express employees involved that are still under investigation are reported as non-blameworthy fatal road traffic accidents until proof is provided to the contrary.

Road traffic serious accident
A road traffic serious accident is defined as a physical injury to a TNT Express employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related road traffic accident.

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 Express.

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.

Transparency Benchmark
The Transparency benchmark provides the Dutch Ministry of Economic Affairs a transparent view on the way Dutch companies externally report on their CR activities. For further information, see www.transparantiebenchmark.nl.

Voluntary turnover
Voluntary turnover is the number of TNT Express 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 Express employee due to a work-related accident or the death of a third party whilst working at a TNT Express facility.

Workplace serious accident
A workplace serious accident is defined as a physical injury to a TNT Express employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related workplace accident.

World Economic Forum
The World Economic Forum is an independent international organisation committed to improving the state of the world. It provides a collaborative framework for the world’s leaders to address global issues and engage its corporate members in global citizenship. For further information, see www.weforum.org.

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