CHAPTER 5 STATEMENTS

I. FINANCIAL STATEMENTS

Consolidated statement of financial position

	Notes	31 December 2012	variance %	31 December 2011
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		1,340		1,483
Other intangible assets		117		146
Total		1,457	(10.6)	1,629
Property, plant and equipment	(2)			
Land and buildings		482		485
Plant and equipment		207		241
Aircraft		40		50
Other		87		100
Construction in progress		20		23
Total		836	(7.0)	899
Financial fixed assets	(3)			
Investments in associates		10		20
Other loans receivable		3		3
Deferred tax assets	(22)	209		244
Other financial fixed assets		15		17
Total		237	(16.5)	284
Pension assets	(10)	57		34
Total non-current assets		2,587	(9.1)	2,846
Current assets				
Inventory	(4)	13		15
Trade accounts receivable	(5)	1,026		1,117
Accounts receivable	(5)	88		139
Income tax receivable	(22)	14		29
Prepayments and accrued income	(6)	129		159
Cash and cash equivalents	(7)	397		250
Total current assets		1,667	(2.5)	1,709
Assets classified as held for disposal	(8)	235		146
Total assets		4,489	(4.5)	4,701
Liabilities and equity				
Equity	(9)			
Equity attributable to the equity holders of the parent		2,710		2,806
Non-controlling interests		7		6
Total equity		2,717	(3.4)	2,812
Non-current liabilities				
Deferred tax liabilities	(22)	31		26
Provisions for pension liabilities	(10)	43		46
Other provisions	(11)	109		101
Long-term debt	(12)	191		219
Accrued liabilities		3		4
Total non-current liabilities		377	(4.8)	396
Current liabilities				
Trade accounts payable		439		435
Other provisions	(11)	66		88
Other current liabilities	(13)	297		309
Income tax payable	(22)	44		31
Accrued current liabilities	(14)	504		630
Total current liabilities		1,350	(9.6)	1,493
Liabilities related to assets classified as held for disposal	(8)	45		0
Total liabilities and equity		4,489	(4.5)	4,701

(in € millions, except percentages)

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

Consolidated income statement

Year ended at 31 December	Notes	2012	variance %	2011
Net sales	(15)	7,162		7,156
Other operating revenues	(16)	165		90
Total revenues		7,327	1.1	7,246
Other income/(loss)	(17)	(11)		7
Cost of materials		(480)		(482)
Work contracted out and other external expenses		(3,880)		(3,809)
Salaries and social security contributions	(18)	(2,302)		(2,238)
Depreciation, amortisation and impairments	(19)	(291)		(494)
Other operating expenses	(20)	(274)		(335)
Total operating expenses		(7,227)	1.8	(7,358)
Operating income		89		(105)
Interest and similar income		16		21
Interest and similar expenses		(50)		(66)
Net financial (expense)/income	(21)	(34)	24.4	(45)
Results from investments in associates	(3)	(8)		(22)
Profit before income taxes		47		(172)
Income taxes	(22)	(128)		(100)
Profit/(loss) for the period		(81)		(272)
Attributable to:				
Non-controlling interests		2		(2)
Equity holders of the parent		(83)		(270)
Earnings per ordinary share (in € cents)[1]		(15.3)		(49.7)
Earnings per diluted ordinary share (in € cents)[1]		(15.3)		(49.7)

[1]In 2012 based on an average of 543,248,166 outstanding ordinary shares (2011: 542,748,930). Refer to note 31.

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

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

Consolidated statement of comprehensive income

Year ended at 31 December	2012	variance %	2011
Profit/(loss) for the period	(81)		(272)
Gains/(losses) on cash flow hedges, net of tax	2		(12)
Currency translation adjustment, net of tax	(13)		13
Other comprensive income for the period	(11)		1
Total comprehensive income for the period	(92)		(271)
Attributable to:			
Non-controlling interests	2		(2)
Equity holders of the parent	(94)		(269)

(in € millions, except percentages)

The 2012 tax impact on the cash flow hedges is €-2 million (2011: 10). There is no tax impact on the currency translation adjustment.

Consolidated statement of cash flows

Year ended at 31 December	Notes	2012	variance %	2011
Profit before income taxes		47		(172)
Adjustments for:				
Depreciation, amortisation and impairments		291		494
Amortisation of financial instruments/ derivatives		2		1
Share-based compensation		0		19
Investment income:				
(Profit)/loss of assets held for disposal	(17)	15		(2)
(Profit)/loss on sale of group companies/joint ventures		(1)		
Interest and similar income		(16)		(21)
Foreign exchange (gains) and losses		4		6
Interest and similar expenses		46		60
Results from investments in associates		8		22
Changes in provisions:				
Pension liabilities		(26)		(31)
Other provisions		(22)		11
Cash from/(used in) financial instruments/derivatives		0		(20)
Changes in working capital:				
Inventory		1		0
Trade accounts receivable		76		(40)
Accounts receivable		18		25
Other current assets		4		20
Trade accounts payable		4		24
Other current liabilities excluding short-term financing and taxes		(68)		(37)
Cash generated from operations		383	6.7	359
Interest paid		(46)		(58)
Income taxes received/(paid)		(66)		(110)
Net cash from operating activities	(23)	271	41.9	191
Interest received		17		21
Acquisition of subsidiairies and joint ventures		0		3
Disposal of associates		2		0
Capital expenditure on intangible assets		(24)		(38)
Disposal of intangible assets		0		0
Capital expenditure on property, plant and equipment		(121)		(151)
Proceeds from sale of property, plant and equipment		21		7
Cash from financial instruments/derivatives		19		0
Other changes in (financial) fixed assets		2		0
Net cash used in investing activities	(24)	(84)	46.8	(158)
Share-based payments		0		(9)
Proceeds from long-term borrowings		1		4
Repayments of long-term borrowings		(8)		(15)
Proceeds from short-term borrowings		57		162
Repayments of short-term borrowings		(66)		(171)
Repayments of finance leases		(18)		(20)
Dividends paid		(2)		(14)
Financing related to PostNL		0		(526)
Net cash used in financing activities	(25)	(36)		(589)
Total changes in cash	(26)	151		(556)

(in € millions, except percentages)

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

Consolidated statement of changes in equity

	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 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
Total comprehensive income				(11)		(83)	(94)	2	(92)
Final dividend previous year			(2)				(2)		(2)
Legal reserves reclassifications				(17)	17			(1)	(1)
Total direct changes in equity			(2)	(17)	17		(2)	(1)	(3)
Balance at 31 December 2012		43	3,019	(4)	5	(353)	2,710	7	2,717

(in € millions)

Refer to 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 312 section 2 under f and article 334f section 2 under i of Book 2 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.

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 technology, automotive, industrial, healthcare and lifestyle (fashion).

The consolidated financial statements have been authorised for issue by TNT Express' Executive Board and Supervisory Board on 18 February 2013 and are subject to adoption at the Annual General Meeting of Shareholders on 10 April 2013.

Segment information

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

Our Brazilian Domestic operations, which comprise the merged acquisitions of TNT Mercúrio and Expresso Araçatuba, started to deteriorate in 2011. As part of the immediate actions in 2011 certain changes in key management positions occurred and a temporary direct reporting line of the Brazilian domestic operations to the CEO was created. Although originally meant to be a temporary reporting line only, the subsequent developments have resulted that this direct reporting line has continued in 2012 and likely will continue in 2013. As a consequence the Brazilian domestic operations are deemed to qualify as a separate reporting segment under IFRS. The reporting segment Americas, in which the Brazilian domestic operations were reported previously, has been renamed Other Americas and comparative numbers have been adjusted to reflect the new reporting segment. In addition, for the goodwill impairment test, the previous cash-generating unit (CGU) South Americas has been split into the CGU Brazil and the CGU Other South Americas.

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 and assets held for disposal.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying TNT Express' 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.

Changes in accounting policies and disclosures

a) New and amended standards adopted by TNT Express

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2012 that would be expected to have a material impact on the Group.

b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2012 and not early adopted by TNT Express. None of these is expected to have a significant effect on the consolidated financial statement of TNT Express, except the following:

- Amendment to IAS 1, *'Financial Statement Presentation'* regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 19, *'Employee Benefits'*, was amended in in June 2011. TNT Express intends to adopt the revised IAS 19 on 1 January 2013. 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). Had the revised IAS 19 been applied as at 31 December 2012, the employer pension expense would have been €3 million higher (net of tax), the opening equity position would have been €40 million lower (net of tax) and the closing equity position would have been €96 million lower (net of tax).

- 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 2014.

- 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 consolidation method. Had IFRS 11 been applied as at 31 December 2012, TNT

Express would have applied the equity method instead of the proportionate consolidation method to account for joint ventures. The reported net sales and operating income for 2012 would have decreased by €87 million and €11 million respectively while profit attributable to shareholders would remain constant. Refer to note 32 for the disclosure on joint ventures. TNT Express intends to adopt IFRS 11 on 1 January 2014.

- 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 2014.

- 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 with 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 IFRS or US GAAP. TNT Express intends to adopt IFRS 13 on 1 January 2013 and does not expect significant impact on the consolidated financial statements.

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

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 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 income statement using the equity method. The carrying value of TNT Express' share in associates includes goodwill on acquisition and 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 other 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 consolidation 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 non-controlling 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 income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if TNT Express had directly disposed of the related assets or liabilities. This could lead to a reclassification of amounts previously recognised in other comprehensive income to the income statement.

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) with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate;
- income and expenses are translated at average exchange rates; and
- the resulting exchange differences based on the different ways of translation between the 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 recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

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

Intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

Property, plant and equipment

Property, plant and equipment are valued at historical cost using a component approach, less depreciation and impairment losses. In addition to the costs of acquisition, the company also includes costs of bringing the asset to 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 (CGU), the lowest level at which there are separately identifiable cash flows. For impairment testing of goodwill, the group of CGUs is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment.

If the recoverable value of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific CGUs before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the CGU under review. Goodwill following the acquisition of associates 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 based on the following fair value measurement hierarchy:
- Level 1: Quoted prices (unadjusted) in active markets.
- Level 2: Inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from prices).
- Level 3: Inputs not based on observable market data.

‘Financial assets and financial liabilities at fair value through profit or loss’ are initially recorded at fair value and subsequently remeasured at fair value 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 income statement (for example, when the forecasted sale that is hedged takes place). However, when the forecasted transaction that is hedged, results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

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

Loans 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 financial assets or liabilities. 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 income statement 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 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.

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

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

Equity

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

Where any Group company purchases TNT 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, mortality and disability) 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 income statement 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 12 months after the end of the period, profit-sharing, bonuses and deferred compensation. The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and changes in actuarial assumptions are charged or credited to income in the period 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

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

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

Other operating revenue

Other operating revenue relates to the sale of goods and rendering of services not related to the normal trading activities of TNT 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 income statement 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 the income statement 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 consolidated statement of cash flows. Receipts and payments with respect to taxation on profits are included in cash flows from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the consolidated statement of cash flows in the same category as those of the hedged item.

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, Brazil, Other Americas and Other Networks. In 2012, Brazil was identified as a separate operating segment. For comparison purposes, the 2011 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, property, plant and equipment and financial fixed assets, management must make significant judgments and estimates to determine whether the fair value of the cash flows generated by those assets is less than their carrying value. Determining cash flows requires the use of judgments and estimates that have been included in the strategic plans and long-range forecasts of TNT 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, refer to note 1.

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

Property, plant and equipment 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.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Intangible assets: 1,457 million (2011: 1,629)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%- 35%	0%- 35%	
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
Changes in 2012				
Additions		6	18	24
Disposals				
Internal transfers/reclassifications		25	(25)	0
Amortisation		(49)	(2)	(51)
Impairments	(94)	(1)		(95)
Transfers to assets held for disposal	(50)	(2)	(1)	(53)
Exchange rate differences	1	1	1	3
Total changes	(143)	(20)	(9)	(172)
Historical cost	1,908	444	100	2,452
Accumulated amortisation and impairments	(568)	(341)	(86)	(995)
Balance at 31 December 2012	1,340	103	14	1,457

(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, Brazil, Other South Americas and Other Networks.

In 2012, as a result of management's decision to divest the China Domestic operation, the business is classified as asset held for disposal. As a disposal group, China Domestic was measured at the lower of its carrying amount or fair value less cost to sell, which resulted in a write down of its carrying amount by €75 million. Refer to note 8 for the disclosure information related to assets held for disposal.

China Domestic was part of CGU Asia Pacific. Of the total goodwill amount of CGU Asia Pacific, €125 million was allocated to China Domestic as part of its carrying amount, being its allocated goodwill. Consequently, the write down of its carrying amount was accounted for as a goodwill impairment of €75 million, with the remaining €50 million being classified as held for disposal.

In 2012, the exit of the Indian Domestic business and the liquidation of the related legal entity was finalised. Consequently, a goodwill impairment of €19 million was recorded relating to the allocated goodwill of the Indian Domestic business. The goodwill of €19 million was allocated to the CGU Asia Pacific.

In 2011, the goodwill impairment of €209 million was related to the Brazil operations as a result of revenue losses and performance pressure. The addition of €-3 million was 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).

Total goodwill balance at 31 December 2012 amounted to €1,340 million (2011: 1,483) which is allocated to Northern Europe for €659 million (2011: 659), Southern Europe & MEA for €571 million (2011: 571), Asia Pacific for €23 million (2011: 168), North America for €0 million (2011: 0), Brazil for €0 million (2011: 0), Other South Americas for €29 million (2011: 27) and Other Networks for €58 million (2011: 58).

Based on the 2012 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 the basis of the present value of future cash flows taking into account cost to sell. For CGU Asia Pacific, the recoverable amount and the carrying value applied exclude the China Domestic operation as a result of it being classified as assets held for disposal.

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 10.4% to 18.2% pre-tax (post-tax 7.8% to 12.0%) 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. A sensitivity analysis has been applied for all CGUs. This sensitivity analysis included the individual impact of the following items which are considered to be the most critical when determining the recoverable value:
- increase of the discount factor by 1% and 2%;
- increase of capital expenditure by 5% per year; and
- decrease of operating income by 5% per year.

Compared to the impairment test of 2011 the headroom for CGU Southern Europe & MEA has reduced from around €400 million to around €300 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 €30 million.

Software and other intangible assets

At 31 December 2012, the software balance of €103 million (2011: 123) included internally generated software with a book value of €88 million (2011: 102). The addition to software of €6 million is related to purchased software. The reclassification of €25 million to software is related to finalised IT projects. In 2012, software impairment of €1 million is related to software development projects that are no longer deemed viable.

At 31 December 2012, the other intangible assets balance of €14 million (2011: 23) is related to customer relationships of €5 million (2011: 8) and software under construction of €9 million (2011: 15). The addition to other intangibles of €18 million is mainly related to software development projects.

The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2013: €33 million, 2014: €26 million, 2015: €21 million, 2016: €13 million, 2017: €10 million and thereafter: €14 million. Besides software development, TNT Express does not conduct significant research and development and therefore does not incur research and development costs.

Software and other intangible assets of €3 million are included in assets classified as held for disposal relating to China Domestic.

2 Property, plant and equipment: 836 million (2011: 899)

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	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		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
Changes in 2012						
Capital expenditure in cash	6	18		22	75	121
Capital expenditure in financial leases/other		2			2	4
Disposals		(4)		(2)		(6)
Exchange rate differences	6	(8)	1	1	(1)	(1)
Depreciation	(34)	(53)	(11)	(46)		(144)
Impairments		(1)				(1)
Transfers to assets held for disposal	(4)	(23)		(5)	(4)	(36)
Internal transfers/reclassifications	23	35		17	(75)	0
Total changes	(3)	(34)	(10)	(13)	(3)	(63)
Historical cost	743	625	317	471	20	2,176
Accumulated depreciation and impairments	(261)	(418)	(277)	(384)		(1,340)
Balance at 31 December 2012	482	207	40	87	20	836

(in € millions)

Land and building mainly relate to depots, hubs and other production facilities. TNT Express does not hold freehold office buildings for long-term investments or for long-term rental income purposes. Land and building of €9 million (2011: 0) are pledged as security to third parties in Other Americas.

Plant and equipment primarily relate to investments in vehicles, sorting machinery and other depot equipments. Plant and equipment of €6 million (2011: 7) are pledged as security to third parties in Brazil and Other Americas. Other property, plant and equipment mainly relate to furniture, fittings, IT equipment and other office equipment.

Aircraft and (spare) engines are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term to estimated residual values of 20%. 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 19 owned aircraft (2011: 22), 16 (2011: 16) are classified as property, plant and equipment and 3 (2011: 6) are classified as assets held for disposal.

Of the €36 million transfers to assets held for disposal, €32 million is related to China Domestic. Refer to note 8 for discussion on China Domestic. The remaining €4 million is related to vehicles transferred to assets held for disposal, mainly in Brazil, for which €1 million impairment was recorded.

In 2011, an impairment of €45 million is related to four aircraft that were transferred to assets held for disposal with a carrying 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.

Finance leases included in the property, plant and equipment balance at 31 December 2012 are:

Finance leases

At 31 December	Land and buildings	Plant and equipment	Aircraft	Other	Total 2012	Total 2011
Total	8	10	0	0	18	24
Europe & MEA	8	3			11	14
Asia Pacific		1			1	
Brazil						
Other Americas		6			6	10

(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 is €8 million (2011: 10), comprising a historical cost of €25 million (2011: 25), with accumulated depreciation of €17 million (2011: 15).

Leasehold and ground rents expiring:
- within one year amount to €1 million (2011: 1);
- between one and five years amount to €4 million (2011: 2); and
- between five and 20 years amount to €3 million (2011: 7).

There are no leasehold and ground rents contracts with indefinite terms. Leasehold rights and ground rent for land and buildings are in Belgium for €7 million (2011: 7) and in France for €1 million (2011: 3).

There was no material temporarily idle property, plant and equipment at 31 December 2012 (2011: 0).

3 Financial fixed assets: 237 million (2011: 284)

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 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
Changes in 2012						
Acquisitions/additions			23			23
Disposals/decreases	(2)		(56)			(58)
Impairments and other value adjustments	(8)					(8)
Withdrawals/repayments					(2)	(2)
Transfers to assets held for disposal			(2)			(2)
Total changes	(10)		(35)		(2)	(47)
Balance at 31 December 2012	10	3	209	1	14	237

(in € millions)

Investments in associates

At 31 December 2012, investments in associates amounted to €10 million (2011: 20) and related 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 2012, the underlying investments in these entities are adjusted for a fair value adjustment of €8 million (2011: 22) 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 (2011: 0).

In 2012, the disposal of €2 million (2011: 0) is related to the unwinding and divestment of Logispring investments.

Deferred tax assets

Deferred tax assets are further explained in note 22.

4 Inventory: 13 million (2011: 15)

Specifcation of inventory

At 31 December	2012	2011
Raw materials and supplies	11	12
Finished goods	2	3
Total	13	15

(in € millions)

Total inventory of €13 million (2011: 15) is valued at historical cost for an amount of €16 million (2011: 22) and is stated net of provisions for obsolete items amounting to €3 million (2011: 7). There are no inventories pledged as security for liabilities at 31 December 2012 (2011: 0). In 2012 and 2011, no material write-offs relating to inventories occurred. The balance of inventories that are expected to be recovered after 12 months is nil (2011: 0).

Inventory of €1 million is included in assets classified as held for disposal relating to China Domestic.

5 (Trade) accounts receivable: 1,114 million (2011: 1,256)

Specification of (trade) accounts receivable

At 31 December	2012	2011
Trade accounts receivable - total	1,090	1,186
Allowance for doubtful debt	(64)	(69)
Trade accounts receivable	1,026	1,117
VAT receivable	11	12
Accounts receivable from associates	1	
Other accounts receivable	76	127
Accounts receivable	88	139

(in € millions)

At 31 December 2012, the total trade accounts receivable amounted to €1,090 million (2011: 1,186), of which €406 million (2011: 424) were 'past due date' but not individually impaired. The balance of trade accounts receivable that is expected to be recovered after 12 months is €5 million (2011: 9). The standard payment term for customers of TNT Express is around seven days. The total allowance for doubtful debt amounted to €64 million (2011: 69) of which €36 million (2011: 36) is related 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 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 €14 million (2011: 22). 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 2012 (2011: 3%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: Europe & MEA €711 million (2011: 736), Asia Pacific €192 million (2011: 240), Brazil €46 million (2011: 57), Other Americas €27 million (2011: 27) and Other Networks €50 million (2011: 57). For the non-trade accounts receivables no allowance for doubtful debt is required.

(Trade) accounts receivable of €15 million is included in assets classified as held for disposal relating to China Domestic.

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

Ageing analyses of trade accounts receivable At 31 December	2012	2011
Up to 1 month	293	292
2-3 months	72	82
3-6 months	22	29
Over 6 months	19	21
Total	406	424

(in € millions)

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

Allowance for doubtful debt	2012	2011
Balance at 1 January	69	74
Provided for during financial year	34	20
Receivables written off during year as uncollectable	(30)	(25)
Unused amounts reversed	(9)	
Balance at 31 December	64	69

(in € millions)

6 Prepayments and accrued income: 129 million (2011: 159)

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 2012, total prepayments amounted to €64 million (2011: 64). The balance of prepayments and accrued income that is expected to be recovered after 12 months is nil (2011: 0).

Prepayments and accrued income also includes outstanding short-term foreign exchange forward contracts that amounted to €3 million (2011: 17). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2012. For the notional principal amount of the outstanding foreign exchange forward contracts refer to note 30.

Prepayments and accrued income of €7 million is included in assets classified as held for disposal relating to China Domestic.

7 Cash and cash equivalents: 397 million (2011: 250)

Cash and cash equivalents comprise of cash at bank and cash in hand of €66 million (2011: 55) and short-term bank deposits of €331 million (2011: 195). The effective interest rate during 2012 on short-term bank deposits was 0.1% (2011: 0.6%) and the average outstanding amount was €128 million (2011: 277). The individual deposits have an average maturity of 1.5 days (2011: 1.4). Included in cash and cash equivalents is €1 million (2011: 1) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

Cash and cash equivalents of €4 million is included in assets classified as held for disposal relating to China Domestic.

8 Assets classified as held for disposal: 235 million (2011: 146) and liabilities related to Assets classified as held for disposal: 45 million (2011: 0)

The assets classified as held for disposal amounted to €235 million (2011: 146) and are related to aircraft of €117 million (2011: 140), vehicles of €4 million (2011: 6) and to China Domestic of €114 million (2011: 0). The liabilities related to assets classified as held for disposal of €45 million (2011: 0) are fully related to China Domestic.

All assets classified as held for disposal and liabilities related to assets classified as held for disposal are expected to be disposed of within one year.

At 31 December 2012, there are three aircraft classified as asset held for disposal. Two of these aircraft are Boeing 747 freighters under finance lease with a carrying value of €117 million (2011: 134). In 2012, an impairment of €17 million was recorded relating to the Boeing 747 freighters as a result of a fair value adjustment.

As at 31 December 2011, there were six aircraft classified as assets held for disposal. Of these six aircraft, three were sold in 2012 for a profit of €0 million.

China Domestic

On 21 February 2012, TNT Express announced its '*Building on Strengths'* strategy, with an objective to achieve profitable growth by focusing on Europe and connecting the rest of the world. As part of this strategy, TNT Express announced its intention to explore partnership opportunities for the domestic activities in China Domestic (Hoau).

In 2012, various alternatives were explored and based on management's evaluation, a decision was made to explore divestment opportunities for China Domestic. Consequently, China Domestic is classified as asset held for disposal at December 2012.

As a disposal group, China Domestic was measured at the lower of its carrying amount or fair value less cost to sell, which resulted in a write down of its carrying amount by €75 million. The write down was accounted for by a goodwill impairment of €75 million. The remaining purchased goodwill of China Domestic amounted to €50 million, which formed part of its carrying amount.

The major classes of assets and liabilities classified as held for disposal relating to China Domestic are presented below:

Assets and liabilities as held for disposal China Domestic

At 31 December	2012
Intangible assets	53
Property, plant and equipment	32
Financial fixed assets	2
Current assets	27
Total assets	114
Non-current liabilities	1
Current liabilities	44
Total Liabilities	45

(in € millions)

In 2012 the revenue for China Domestic was €261 million and operating income, excluding the goodwill impairment of €75 million was €-13 million.

TNT Airways and PanAir

On 21 June 2012, an Offer Memorandum by United Parcel Services, Inc. (UPS) and a Position statement by the Executive Board and Supervisory Board of TNT Express were published in connection with the recommended public cash offer by UPS for all issued and outstanding shares of TNT Express N.V. The Executive Board and the Supervisory Board of TNT Express fully supported and unanimously recommended the offer by UPS.

Under EU airline regulations, TNT Express' airlines, TNT Airways and PanAir, could lose full EU market access rights as soon as TNT Express would be acquired by a non-EU company such as UPS. To ensure that the airline operations would be able to continue despite the change in ownership and control of TNT Express, TNT Express and UPS had agreed to implement an independent European ownership and control structure for TNT Airways and PanAir.

Consequently, TNT Airways and Pan Air were actively marketed for sale to third parties and these entities were reported as assets held for disposal in TNT Express' interim financial statements as at June 2012 and September 2012. At December 2012, TNT Express ceased to classify TNT Airways and PanAir as assets held for disposal as clearance from the European Commission was no longer highly probable.

On 14 January 2013, UPS and TNT Express announced that they anticipate the prohibition of the merger by the European Commission. On 30 January 2013, UPS announced the withdrawal of its offer for TNT Express in response to the formal decision by the European Commission prohibiting the proposed merger with TNT Express.

9 Equity: 2,717 (2011: 2,812)

At 31 December 2012 equity consisted of equity attributable to equity holders of TNT Express N.V. of €2,710 million (2011: 2,806) and non-controlling interests of €7 million (2011: 6). Equity attributable to the equity holders of TNT Express N.V. consists of the following items:

Issued share capital

At 31 December 2012 issued share capital amounted to €43 million (2011: 43). The number of authorised, issued and outstanding shares by class of share is presented in the table below:

Authorised, issued and outstanding shares

Before proposed appropriation of profit	2012	2011
Authorised by class		
Ordinary shares	750,000,000	750,000,000
Preference shares	750,000,000	750,000,000
Total authorised	1,500,000,000	1,500,000,000
Issued and outstanding		
per 1 January of the reported year	543,202,420	0
issued for additional public offering	0	542,033,181
issued for stock dividend	70,054	1,169,239
per 31 December of the reported year	543,272,474	543,202,420
Issued and outstanding per 31 December by class		
Ordinary shares	543,272,474	543,202,420
Preference shares	0	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 2012, the number of TNT Express shares involved amounted to 558,546 (2011: 716,791) with a nominal value of €0.08 per share (2011: 0.08).

Additional paid-in capital

Additional paid-in capital amounted to €3,019 million (31 December 2011: 3,021). The amount of paid-in capital recognised for Dutch dividend withholding tax purposes was €797 million.

Legal reserve

The legal reserves related to translation, hedge and other legal reserves. At 31 December 2012, the legal reserves amounted to €-4 million (2011: 24).

At 31 December 2012, the translation reserve amounted to €-49 million (2011: -36). 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 2012, an amount of €1 million was released from equity to the income statement relating to the recycling of the translation reserve to the income statement as a result of the liquidation of a subsidiary in India.

At 31 December 2012, the hedge reserve amounted to €-32 million (2011: -34) and mainly contained the fair value timing difference of US$213 million (31 December 2011: US$226) of interest rate swaps and of US$412 million (31 December 2011: 412) of forward starting interest rate swaps that were unwound in 2011. The outstanding US dollar interest rate swaps have been entered into to mitigate the cash flow interest rate risk relating to the Boeing 747 freighters financial lease contracts which have variable interest conditions. The 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. The forward starting swaps have been unwound at the delivery of the aircraft during 2011.

Movements in the cash flow hedge reserve, net of taxation, amounted to €2 million (2011: -12) of which €4 million (2011: -12) is related to the outstanding and unwound interest rate swaps and the remainder to foreign exchange cash flow hedges.

The net cash payments relating to the unwinding of these swaps will be recycled from equity to the income statement or to investments based on the duration of the underlying hedged items. In 2012, an amount of €-2 million (2011: -1) was recycled from the hedge reserve to the income statement. For further information on interest rate swaps, refer to 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 2012, the other reserves amounted to €5 million (31 December 2011: -12). In 2012, the other reserves increased by €17 million. This increase is related to reclassification of €17 million from the legal reserves, mainly following the amortisation of self-produced software.

Retained earnings

At 31 December 2012, the retained earnings amounted to €-353 million, including €-83 million relating to the loss for the period.

10 Pension assets: 57 million (2011: 34) and provisions for pension liabilities: 43 million (2011: 46)

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 benefit 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 benefit 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 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 2012, 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 years and reflected as an additional profit or expense in TNT Express' income statement in the next year.

In 2012, TNT Express' expense for post-employment benefit plans was €20 million (2011: 2). The 2011 net expense of €2 million included €18 million expense, offset by €16 million settlement gain as a consequence of the demerger from PostNL N.V. Total cash contribution for post employment benefit plans in 2012 amounted to €46 million (2011: 33), of which €9 million is related to recovery payment for the defined benefit plan in the Netherlands. Total cash contribution for 2013 is estimated to be around €34 million, of which €3 million is related to a recovery payment for the defined benefit plan in the Netherlands.

Specification of changes in net pension asset/(liability)

	Balance at 1 January 2012	Employer pension expense	Contributions / Other	Balance at 31 December 2012
Provision for pension liabilities	15	(20)	44	39
of which pension and transitional plans in the Netherlands	13	(16)	39	36
of which other pension plans in Europe	2	(2)	4	4
of which pension plans outside Europe	0	(2)	1	(1)
Other post-employment benefit plans	(27)	0	2	(25)
Total post-employment benefit plans	(12)	(20)	46	14

(in € millions)

The total net pension asset of €14 million at 31 December 2012 (net pension liability in 2011: -12) consist of a pension asset of €57 million (2011: 34) and a pension liability of €43 million (2011: 46).

The funded status of the TNT Express' post-employment benefit plans at 31 December 2012 and 2011 and the employer pension expense for 2012 and 2011 are presented in the table below.

Pension disclosures

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	(499)	(111)
Service costs	(21)	(19)
Interest costs	(25)	(24)
Foreign currency effects	(1)	(1)
Actuarial (loss)/gain	(93)	(10)
Benefits paid	14	13
Settlements	0	(347)
Benefit obligation at end of year	(625)	(499)
Change in plan assets		
Fair value of plan assets at beginning of year	460	68
Actual return on plan assets	47	11
Contributions	44	30
Other movements	1	0
Foreign currency effects	0	1
Benefits paid	(14)	(13)
Settlements	0	363
Fair value of plan assets at end of year	538	460
Funded status at 31 December		
Funded status	(87)	(39)
Unrecognised net actuarial loss	126	54
Pension assets/liabilities	39	15
Other employee benefit plans	(25)	(27)
Net pension asset(liability)	14	(12)
Components of employer pension expense		
Service costs	(21)	(19)
Interest costs	(25)	(24)
Expected return on plan assets	29	28
Amortisation of actuarial loss	(3)	(2)
Settlement gain	0	16
Employer pension expense	(20)	(1)
Other post-employment benefit plan expenses	0	(1)
Total post-employment benefit expenses	(20)	(2)
Weighted average assumptions as at 31 December		
Discount rate	3.9%	4.9%
Expected return on plan assets	6.2%	6.3%
Rate of compensation increase	2.1%	2.1%
Rate of benefit increase	1.5%	1.5%

(in € millions, except percentages)

In 2011, the settlement in the benefit obligation and plan assets were 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 resulted 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 years if they exceed the corridor.

IAS 19 '*Employee Benefits'* requires an entity to determine the rates used to discount employee benefit obligations with reference to market yields on high quality corporate bonds. The first step of the process is to identify a set of bonds that accurately reflects the relationship between yield and remaining time to maturity for high quality corporate bonds. For this, TNT Express uses the iBoxx AA rated corporate bond universe. Using the bond selection, regression analysis is used to find the best-fitting curve that states yield-to-maturity as a function of remaining time to maturity. In 2012, the Nelson-Siegel model is applied to fit the curve towards TNT Express' 22 year duration. The resulting discount rate per 31 December 2012 is 3.9%.

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 63 is 22 years (2011: 20). The equivalent expectancy for women is 24 years (2011: 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 €25 million (2011: 27).

Statement of financial position calculations

At 31 December	2012	2011
Present value of funded benefit obligations	(590)	(470)
Fair value of plan assets	538	460
(Un)funded status	(52)	(10)
Present value of unfunded benefit obligations	(35)	(29)
Unrecognised liability	126	54
Other employee benefit plans	(25)	(27)
Net pension asset(liability)	14	(12)
of which included in pension assets	57	34
of which included in provisions for pension liabilities	(43)	(46)

(in € millions)

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

Sensitivity of assumptions

	%-change in assumptions	change in employer pension expense
Employer pension expense 2012		(20)
Discount rate	+ 0.5%	4
Expected return on plan assets	+ 0.5%	3
Rate of compensation increase	+ 0.5%	(5)
Rate of benefit increase	+ 0.5%	0
Employer pension expense 2012		(20)
Discount rate	- 0.5%	(2)
Expected return on plan assets	- 0.5%	(2)
Rate of compensation increase	- 0.5%	6
Rate of benefit increase	- 0.5%	2

(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. The experience adjustment is the difference between the expected and actual position at the end of the year.

Status of funding

At 31 December	2012	2011
Funded and unfunded defined benefit obligation	(625)	(499)
Experience adjustment gain/(loss)	-17.6%	1.9%
Fair value of plan assets	538	460
Experience adjustment gain/(loss)	3.5%	-3.6%
(Un)funded status	(87)	(39)

(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
2013	22
2014	21
2015	22
2016	24
2017	25

(in € millions)

11 Other provisions: 175 million (2011: 189)

Specification of other provisions

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
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
Changes in 2012					
Additions	8	9	28	25	70
Withdrawals	(5)	(14)	(26)	(14)	(59)
Exchange rate differences				(4)	(4)
Reclassification			(1)	1	0
Other/releases		(1)	(7)	(13)	(21)
Total changes	3	(6)	(6)	(5)	(14)
Balance at 31 December 2012	53	11	41	70	175
of which included in other provisions (non-current)	36	6	21	46	109
of which included in other provisions (current)	17	5	20	24	66

(in € millions)

At 31 December 2012, other employee benefit obligations consisted of provisions relating to jubilee payments of €20 million (2011: 17), long-service benefits of €10 million (2011: 9) and other employee benefits of €23 million (2011: 24). Short-term employee benefits, such as salaries, profit-sharing and bonuses are discussed in note 18.

At 31 December 2012, the restructuring provision amounted to €11 million (2011: 17), of which €4 million (2011: 15) is related to restructuring projects in Europe, €1 million (2011: 2) in Asia Pacific and €6 million (2011: 0) in Brazil.

The total restructuring-related charge for 2012 amounted to €9 million (2011: 25) and is mainly related to redundancy programmes in Europe for €1 million, Asia Pacific for €2 million and Brazil for €6 million. The withdrawals from the restructuring provisions of €14 million (2011: 18) are related to settlement payments following restructuring programmes for an amount of €12 million in Europe, €1 million in Asia Pacific and €1 million in Other Americas.

In 2012, around 1,600 employees (2011: 305) were made redundant mainly in Europe, Asia Pacific and Brazil.

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 2012, provision for claims and indemnities of €41 million (2011: 47) is related to Europe for €21 million (2011: 25), Asia Pacific for €17 million (2011: 15) and Brazil for €3 million (2011: 7).

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 2012, other provisions amounted to €70 million (2011: 75), of which €38 million (2011: 26) in Europe & MEA, €6 million (2011: 6) in Asia Pacific, €24 million (2011: 42) in Brazil, €1 million (2001: 0) in Other Americas and €1 million (2011: 1) in Other Network.

The estimated utilisation in 2013 is €66 million, in 2014 €30 million, in 2015 €7 million and in 2016 and beyond €72 million.

12 Long-term debt: 191 million (2011: 219)

Specification of long-term debt

	2012		2011	
At 31 December	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	159	163	177	181
Other loans	6	5	14	14
Interest rate swaps	26	26	28	28
Total long-term debt	191	194	219	223

(in € millions)

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

The 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
2013	17	8		20	45
2014	16	2			18
2015	14	1			15
2016	69	1	12		82
2017	60	1	14		75
Thereafter		1			1
Total borrowings	176	14	26	20	236
of which included in long-term debt	159	6	26		191
of which included in other current liabilities	17	8		20	45

(in € millions)

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

13 Other current liabilities: 297 million (2011: 309)

Specification of other current liabilities

	31 December 2012	31 December 2011
Short-term bank debt	20	15
Other short-term debt	25	28
Total current borrowings	45	43
Taxes and social security contributions	118	121
Expenses to be paid	24	35
Other	110	110
Total	297	309

(in € millions)

Total current borrowings

Other short-term debt includes short-term bank facilities of €8 million (2011: 10) and the current portion of outstanding finance lease liabilities of €17 million (2011: 18). There are no balances as of 31 December 2012, which are expected to be settled after 12 months (2011: 0).

Other includes outstanding short-term foreign exchange forward contracts amounting to €29 million (2011: 12). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2012. For the notional principal amount of the outstanding foreign exchange forward contracts refer to note 30.

Other current liabilities of €21 million are included in liabilities related to assets classified as held for disposal relating to China Domestic.

14 Accrued current liabilities: 504 million (2011: 630)

Specification of accrued liabilities

At 31 December	2012	2011
Amounts received in advance	19	25
Expenses to be paid	327	429
Vacation days/vacation payments	74	75
Other accrued current liabilities	84	101
Total	504	630

(in € millions)

An amount of €7 million is expected to be settled after 12 months (2011: 8).

Accrued current liabilities of €17 million are included in liabilities related to assets classified as held for disposal relating to China Domestic.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

15 Net sales: 7,162 million (2011: 7,156)

The net sales of TNT Express relate to the trading activities of the reporting segments Europe & MEA, Asia Pacific, Brazil, Other 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 revenue: 165 million (2011: 90)

Other operating revenue is related to the tendering of services not related to TNT Express' core trading activities, and mainly includes the sale of unutilised air cargo space to third parties €95 million (2011: 40), operation of aircraft for third parties (including charters and wet leases) for €45 million (2011: 28) and other services including customs clearance, maintenance and groundhandling for €25 million (2011: 22).

17 Other income/(loss): -11 million (2011: 7)

Other income/(loss) in 2012 included a fair value adjustment of €-17 million (2011: 0) relating to two Boeing 747 freighters held for disposal, net proceeds from the sale of property, plant and equipment for a net amount of €2 million (2011: 2) and other miscellaneous income of €4 million (2011: 5).

18 Salaries and social security contributions 2,302 million (2011: 2,238)

Specification of salaries and social security contributions

Year ended at 31 December	2012	2011
Salaries	1,889	1,839
Share-based compensation	0	19
Pension charges:		
Defined benefit plans	20	2
Defined contribution plans	41	37
Social security charges	352	341
Total	2,302	2,238

(in € millions)

The share-based compensation in 2011 of €19 million, included €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 €20 million, refer to note 10.

Labour force	2012	2011[4]
Employees[1]		
Europe & MEA[4]	35,407	36,262
Asia Pacific	18,671	24,825
Brazil	7,461	8,040
Other Americas	3,133	3,215
Other Networks	2,584	2,534
Non-allocated[2]	1,372	1,534
Total at year-end	68,628	76,410
Employees of joint ventures[3]	1,006	1,032
External agency staff at year end	13,131	8,132
Average full-time equivalents (FTEs)[1]		
Europe & MEA[4]	33,889	34,281
Asia Pacific	20,648	27,389
Brazil	8,457	9,632
Other Americas	3,045	3,056
Other Networks	2,408	2,265
Non-allocated[2]	1,367	1,532
Total year average	69,814	78,155
FTEs of joint ventures[3]	902	920

[1] Including temporary employees on TNT Express' 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.
[4] For comparative purposes 2011 numbers have been restated.

The average number of FTEs working in TNT Express during 2012 was 69,814, which decreased by 8,341, mainly due to outsourcing of certain activities in China, the closure of the domestic air network in India and restructuring in Brazil.

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 2012, the remuneration of the current members of the Supervisory Board amounted to €535,000.

At the 2012 Annual General Meeting of Shareholders a few amendments to the remuneration policy for the Supervisory Board were adopted. As of 2012, meeting fees will also be paid for Supervisory Board meetings over and above the usual business calendar in order to compensate the additional workload. In 2012, there were 17 additional Supervisory Board meetings. The fees relating to these additional meetings amounted in total to €159,500.

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

Remuneration of Supervisory Board					2011	
	Base compensation[1]	Additional meetings compensation[2]	Other payments[3]	Total remuneration 2012	Total remuneration[4]	membership
Mr Burgmans[5]	60,000	42,500	7,500	110,000	41,000	7 months
Mr Gunning[5]	45,000	22,500	8,500	76,000	30,750	7 months
Ms Harris	45,000	25,500	17,500	88,000	65,500	12 months
Mr King	45,000	22,500	22,000	89,500	58,500	12 months
Mr Levy	45,000	24,000	27,500	96,500	72,000	12 months
Ms Scheltema[5]	45,000	22,500	7,500	75,000	29,250	7 months
Total	285,000	159,500	90,500	535,000	297,000	

[1] Base fees include payments for membership of Supervisory Board.
[2] Payments relating to attended meetings over and above the usual business calendar.
[3] Payments relating to number of attended committee meetings for Supervisory Board, including travel allowance for foreign members.
[4] Includes payments for membership and attended meetings of the Supervisory Boards of TNT N.V. and TNT Express N.V.
[5] Joined the Supervisory Board after the demerger from TNT N.V.
(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. Moreover, the members of the

Supervisory Board do not receive any severance payments in the event of termination nor will they be entitled to a contractual severance payment in the event of removal by the General Meeting.

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

Remuneration of members of the Executive Board

At the 2012 Annual General Meeting of Shareholders the new TNT Express remuneration policy was approved.

In 2012, the total remuneration of the Executive Board consisted of:

- base salary
- temporary allowance for the ad interim appointed CEO and CFO
- other periodic paid compensation
- variable compensation:
  - accrued short-term incentive
  - accrued long-term incentive (suspended, due to the intended merger with UPS)
- pension

In the paragraphs below, the 2012 values of each of these remuneration elements are reported per member of the Executive Board.

Total remuneration

In 2012, the total remuneration, including base salary, temporary allowance for the ad interim assignments of Mr Bot as CEO and Mr Seyger as CFO, short-term incentive and pension costs amounted to €1,016,064 (2011: 892,354).

Effective 1 October 2012, Ms Lombard resigned from the company; the disclosed amounts refer to her income during the period January through September. In line with the remuneration policy and the terms of her employment agreement, the actual payout to Ms Lombard was adjusted for the amounts forfeited (€2,187) relating to rights on unvested shares and she did not receive any severance payment following her termination of her employment agreement.

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

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.

Remuneration of Executive Board

	Base salary	Temporary allowance	Other periodic paid compensation	Pension costs	Accrued for short-term incentive	Accrued for long-term incentive [3]	Total 2012	Total 2011 [4]
Bernard Bot [1]	500,000	62,500	52,258	134,582	114,876	0	864,216	892,354
Jeroen Seyger [2]	53,479	67,243	8,877	11,598	10,651	0	151,848	0
Total current members	553,479	129,743	61,135	146,180	125,527	0	1,016,064	892,354
Marie-Christine Lombard	562,500		159,378	211,140	0	0	933,018	1,388,372
Total former member	562,500		159,378	211,140	0	0	933,018	1,388,372

[1] In 2012, Mr Bot was CFO from January through 23 September, from 24 September Mr Bot was assigned CEO a.i.
[2] As of 8 October 2012 Mr Seyger was assigned CFO a.i., the reported amounts relate to his income as CFO a.i.
[3] Due to the UPS offer the 2012 grant for performance shares was suspended.
[4] 2011 costs are included unwinding costs related to the demerger from TNT N.V.
(in €)

According to Dutch tax law; a one-off employer tax charge was applied on the portion of 2012 employees' salaries exceeding €150,000. This charge amounted for Mr Bot and Mr Seyger to €67,133 and €9,091, respectively and for Ms Lombard to €69,168.

Base salary

The total base salary for 2012 paid to Mr Bot was €500,000 and to Mr. Seyger was €53,479. The total base salary for 2012 paid to Ms Lombard was €562,500. The annual base salaries for Mr Bot and Ms Lombard remained unchanged in 2012.

Temporary allowance for the ad interim appointed CEO and CFO

As Ms Lombard resigned and in light of the intended merger with UPS, Mr Bot was appointed CEO and Mr Seyger was appointed CFO, both on an interim basis.

The Supervisory Board has decided that the existing contracts and terms of both Mr Bot and Mr Seyger remain as they are with the exception of the payment of a temporary quarterly allowance for the duration of this interim appointment, all subject to the prevailing corporate governance rules.

The temporary allowance for Mr Bot and for Mr Seyger amounted to €62,500 gross per quarter and €67,243 gross per quarter, respectively.

The amount of the temporary allowance for Mr Bot equals the difference between the base salary of the former CEO, Ms Lombard and the base salary of Mr Bot as CFO, for Mr Seyger the allowance equals the difference between the base salary of the former CFO, Mr Bot and Mr Seyger's base salary in his position prior to his assignment as CFO a.i.

The temporary allowance will not be included in the calculation of the short-term incentive payout or the pension provision.

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 it also includes 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. For Mr Seyger, his existing pension scheme (final pay scheme for employees with an employment contract before 1 January 2007) remains applicable during the period of his ad interim appointment. For Ms Lombard, a contribution is made available for a retirement provision.

Variable compensation

The table below shows the total accrued variable compensation in 2012 to the members of the Executive Board. In line with the remuneration policy, due to her resignation, Ms Lombard does not qualify for a payout under the 2012 short-term incentive scheme.

Total variable compensation

	Accrued for short-term	Accrued for long-term	Total variable compensation 2012
Bernard Bot	114,876	0	114,876
Jeroen Seyger	10,651	0	10,651
Total current members	125,527	0	125,527

(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 2012 costs relating to the one-off TNT Express N.V. investment/matching plan, launched at the demerger of TNT N.V. In line with the remuneration policy, due to her resignation, Ms Lombard's rights on investment/matching shares were forfeited. In 2011, the members of the Executive Board fully waived their entitlements to any 2011 short-term incentive payout; as a result there was no accrual for bonus/matching shares in 2012.

The 2012 accrued short-term incentive amounts for the Executive Board are as set out below.

For Mr Bot the accrued 2012 bonus would amount to €78,375. However, taking into account his outstanding performance as CEO ad interim under the exceptional circumstances in the last quarter of 2012, the Supervisory Board used its discretion to adjust the bonus upwards to €100,000.

Total short-term incentive

	Accrued for 2012 bonus	Accrued for bonus/matching shares	Accrued for investment matching shares	Accrued for short-term incentive 2012
Bernard Bot	100,000	0	14,876	114,876
Jeroen Seyger	9,053	0	1,598	10,651
Total current members	109,053	0	16,474	125,527

(in €)

One-off investment/matching plan

To align the objectives of members of the Executive Board and (senior) management with long-term value creation and the interests of shareholders, before the demerger, 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 the participant sold 50% or fewer of his/her investment shares, the number of phantom shares comprising the matching right will be reduced proportionally.

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

One-off investment/matching plan	Investment/matching Plan: Number of matching rights on phantom shares		
	Outstanding 1 January 2012	Vested or forfeited during 2012	Outstanding 31 December 2012
Bernard Bot	4,656	0	4,656
Jeroen Seyger	2,275	0	2,275
Total current members	6,931	0	6,931
(in €)			

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

At the Annual General Meeting of Shareholders held in April 2012, the Supervisory Board announced the suspension of the launch of the new TNT Express 2012 performance share plan for the Executive Board and senior management, due to the intended merger with UPS. Hence, in 2012 there was no grant of performance shares.

Senior Management

Bonus/matching plan - Senior Management

Members of a selected group of managers may on a voluntary basis participate in the bonus/matching plan. In such case, they can convert 25% of their bonus paid in cash in 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 with the interests of shareholders and long-term value creation.

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.

In 2012, due to the intended merger with UPS, there was no grant of bonus/matching shares.

The table below shows the number of phantom shares comprising the matching rights.

Bonus/matching plan	Bonus/matching Plan: Number of matching rights on shares			
	Outstanding 1 January 2012	Granted during 2012	Vested or forfeited during 2012	Outstanding 31 December 2012
Senior management	74,339	0	2,742	71,597
Total	74,339	0	2,742	71,597

One-off investment/matching plan - Senior Management

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). The following table shows the number of phantom shares granted to senior management, excluding the matching rights granted to Mr Seyger before his appointment as CFO a.i.

One-off investment/matching plan	Investment/matching Plan: Number of matching rights on phantom shares		
	Outstanding 31 December 2011	Vested or forfeited during 2012	Outstanding 31 December 2012
Senior management	64,468	5,452	59,016
Total	64,468	5,452	59,016

Hedging

At 31 December 2012, TNT Express held no shares for the purpose of covering any obligations under the TNT Express equity compensation plans. At that date the company did not operate any equity-settled schemes.

19 Depreciation, amortisation and impairments: 291 million (2011: 494)

Specification of depreciation, amortisation and impairments		
Year ended at 31 December	2012	2011
Amortisation of intangible assets	51	52
Depreciation property, plant and equipment	144	157
Impairment of intangible assets	95	240
Impairment of property, plant and equipment	1	45
Total	291	494

(in € millions)

The amortisation of intangible assets of €51 million (2011: 52) is related to software for €49 million (2011: 48) and other intangibles for €2 million (2011: 4).

In 2012, the impairment of intangible assets of €95 million is related to €75 million goodwill impairment related to China Domestic, €19 million for India Domestic and €1 million for software development projects that are no longer deemed viable. The goodwill impairment of €75 million for China Domestic is related to the write down of its carrying amount as a result of it being classified as assets held for disposal. Refer to note 8 for discussion on China Domestic. The goodwill impairment of €19 million for India Domestic is related to the finalisation of the exit of the Indian Domestic business and the liquidation of the related legal entity.

In 2012, impairment of property, plant and equipment of €1 million is related to vehicles classified as assets held for disposal.

In 2011, the impairment of intangibles assets of €240 million is related to €209 million goodwill impairment in Brazil, €16 million of software development projects that are no longer deemed viable and €15 million customer relationship in Brazil.

In 2011, impairment of property, plant and equipment of €45 million is related to four aircraft that are reclassified as assets held for disposal.

20 Other operating expenses: 274 million (2011: 335)

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

In 2012, fees for audit services included the audit of TNT Express' annual financial statements, procedures on interim financial statements, statutory audits and UPS' offer memorandum.

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. The audit related service also included preparations for the UPS transaction.

The fees can be divided into the following categories:

Fees

Year ended at 31 December	2012	2011
Audit fees	4	5
Audit-related fees	3	1
Tax advisory fees	0	1
Other fees	0	1
Total	7	8

(in € millions)

In accordance with the Dutch legislation, article 382(a), Book 2 of the Dutch Civil Code, the total audit and audit-related fees paid to PricewaterhouseCoopers Accountants N.V. seated in the Netherlands amounted to €3 million.

21 Net financial (expense)/income: -34 million (2011: -45)

Specification of net financial(expense)/income

Year ended at 31 December	2012	2011
Interest and similar income	14	21
Changes in fair value hedges	2	0
Total interest and similar income	16	21
Interest and similar expenses	(45)	(56)
Fair value change cash flow hedge recycled to profit and loss	(1)	(1)
Changes in fair value hedges	0	(3)
Net foreign exchange losses	(4)	(6)
Total interest and similar expenses	(50)	(66)
Net financial expenses	(34)	(45)

(in € millions)

TNT Express has financing relationships with external banks and in 2011 also had a financial relationship with the former parent TNT N.V. (PostNL). Related payables and receivables have been fully settled upon demerger in 2011. 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.

Total interest and similar income: 16 million (2011: 21)

The external interest and similar income of €14 million (2011: 21) is mainly related to interest income on banks, loans and deposits of €8 million (2011: 10) (of which €6 million (2011: 7) is related to interest on notional cash pools), interest on taxes of €0 million (2011: 2) and interest on foreign currency hedges of €5 million (2011: 3). In 2011, €5 million related to income from PostNL.

Total interest and similar expenses: 50 million (2011: 66)

The external interest and similar expense of €45 million (2011: 56) is mainly related to interest expense on bank overdrafts and bank loans of €10 million (2011: 15) (of which €6 million (2011: 7) is related to interest on notional cash pools), interest expenses on long-term borrowings of €11 million (2011: 11), interest on foreign currency hedges of €18 million (2011: 23), interest on taxes of €3 million (2011: 0) and interest on provisions of €1 million (2011: 1). The decrease in interest on foreign currency hedges was caused by lower interest rate differentials between currencies in foreign exchange forward contracts, mainly in the matured EUR/USD cross currency swap (refer to note 30 for further information on the cross currency swaps). In 2011, €6 million related to expenses to PostNL.

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 €6 million (2011: 7) 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 €5 million of interest income on hedges and €2 million change in fair value hedges (2011: 3 interest income and 0 change in fair value hedges) partly offsets the €18 million interest expense on hedges and €0 million change in fair value hedges (2011: 23 interest expense and 3 change in fair value hedges).

22 Income taxes: 128 million (2011: 100)

Income taxes amounted to €128 million (2011: 100), or 272.3% (2011: -58.1%) of income before income taxes of €47 million (2011: -172).

Income tax expense consists of the following:

Specification of income tax expense

Year ended at 31 December	2012	2011
Current tax expense/(income)	92	108
Deferred tax expense/(income)	36	(8)
Total income taxes	128	100

(in € millions)

In 2012, the current tax expense amounted to €92 million (2011: 108). The difference between the total income taxes in the income statement and the current tax expense is due to temporary differences. These temporary differences are recognised as deferred tax assets or deferred tax liabilities. The increase in total income tax expense is mainly because of the derecognition of previously recognised deferred taxes.

Effective income tax rate

Year ended at 31 December	2012	2011
Dutch statutory income tax rate	25.0	25.0
Adjustment regarding effective income tax rates other countries	(6.7)	(0.2)
Permanent differences:		
Non and partly deductible costs	18.7	(4.8)
Non and partly deductible impairments	55.0	(35.7)
Other	180.3	(42.4)
Effective income tax rate	272.3	(58.1)

(in percentages)

In 2012, the effective income tax rate was 272.3% (2011: -58.1%), which differs significantly from the statutory income tax rate of 25% in the Netherlands (2011: 25%). This difference is mainly caused by the impact of non-deductible impairments of 55.0 % (2011: -35.7%). The adverse impact of several non-deductible costs is 18.7 % (2011: -4.8%), while the effect of different income tax rates in other countries was -6.7% (2011: -0.2%).

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, resulted in an impact of 85.1 % (2011: -32.9%).
- Derecognition of previous recognised deferred tax assets impacted the effective tax rate by 77.4% (2011: -0.4%).
- Positive effects from several optimisation projects impacted the effective tax rate by -26.0% (2011: 7.6%).

– The remaining 'Other' impact of 43.8% (2011: -16.7%) reflects changes in accounting estimates relating to deferred tax balances, local taxes and the net impact of several other positive and negative effects.

At 31 December 2012, the income tax receivable amounted to €14 million (2011: 29) and the income tax payable amounted to €44 million (2011: 31). In 2012, TNT Express paid taxes for an amount of €66 million (2011: 110 million) related to current and prior years.

The following table shows the movements in deferred tax assets in 2012:

Movements in deferred tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
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
Transfers to assets held for disposal	(1)		(1)		(2)
Changes charged directly to equity	0	0	0	(2)	(2)
Changes via income statement	4	1	(31)	(5)	(31)
(De)consolidation/foreign exchange effects	0	0	0	0	0
Deferred tax assets at 31 December 2012	47	6	109	47	209

(in € millions)

Deferred tax assets of €2 million are included in assets classified as held for disposal.

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 €47 million (2011: 54) an amount of €16 million (2011: 24) is related to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2012 amounted to €1,372 million (2011: 1,085). With these losses carried forward, future tax benefits of €419 million could be recognised (2011: 331). 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 €310 million (2011: 190) of the potential future tax benefits and has recorded deferred tax assets of €109 million at the end of 2012 (2011: 141).

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

Expiration of total accumulated losses

2013	18
2014	34
2015	40
2016	21
2017 and thereafter	373
Indefinite	886
Total	1,372

(in € millions)

The following table shows the movements in deferred tax liabilities in 2012:

Movement in deferred tax liabilities

	Provisions	Property, plant and equipment	Other	Total
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
Changes via income statement	10	(5)		5
Deferred tax liabilities at 31 December 2012	16	17	(2)	31

(in € millions)

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The non-cash transactions in the consolidated statement of cash flows relate to depreciation, amortisation and impairment charges, share-based payment expenses, 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: 271 million (2011: 191)

In 2012, the net cash from operating activities increased by €80 million from €191 million in 2011 to €271 million.

Cash generated from operations

The cash generated from operations increased from €359 million in 2011 to €383 million in 2012. In 2012, the profit before income taxes contributed €47 million or €340 million (2011: 342) adjusted for the non-cash impact of depreciation, amortisation, impairments and share-based payments. This is in line with 2011.

The change in net pension liabilities of €-26 million in 2012 (2011: -31) reflects the total TNT Express non-cash employer pension expense for the post-employment defined benefit plans of €20 million (2011: 2) compared to the total TNT Express cash contributions to various post-employment defined benefit plans for a total amount of €46 million (2011: 33), of which €9 million relates to recovery payment for the defined benefit plans in the Netherlands.

In 2012, there was a net cash outflow of €22 million in other provisions compared to a net positive change of €11 million in 2011. This was mainly due to the utilisation of the restructuring provision and the utilisation of the provision for claims and indemnities in 2012.

In 2012, the net cash inflow related to working capital amounted to €35 million, which is an improvement of €43 million compared to 2011 (2011: -8), mainly due to higher net cash inflow from trade working capital as a result of improved days-sales-outstanding.

Interest paid

The total cash outflow for interest paid in 2012 is €46 million (2011: 58). In 2012, interest paid includes interest on TNT Express' financial leases of €11 million (2011: 11). In addition, interest payments of €10 million (2011: 18) are included for short-term debt (of which €6 million (2011: 7) is due to cash pools that is offset in the interest received) and for interest on foreign currency hedges of €19 million (2011: 23) and interest paid on taxes of €3 million (2011: 0). The decrease in interest on foreign currency hedges was mainly caused by lower interest rate differentials between currencies in foreign exchange forward contracts (mainly in the matured EUR/USD cross currency swap).

The interest paid and received on notional cash pools are reported on a gross basis in accordance with IFRS. From an economic and legal perspective the €6 million (2011: 8) 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 €6 million of interest received (2011: 3) is offset against the €19 million (2011: 23) of interest paid on hedges. Interest paid in 2011 to PostNL of €6 million and interest received in 2011 from PostNL of €5 million is also reported on a gross basis in accordance with IFRS.

Income taxes paid

In 2012, TNT Express paid taxes for an amount of €66 million (2011: 110 million).

24 Net cash used in investing activities: -84 million (2011: -158)

Interest received

In 2012, interest received amounted to €17 million (2011: 21) and mainly includes interest relating to short-term bank balances and deposits of €8 million (2011: 11) (of which €6 million (2011: 7) is due to cash pools that are offset against the interest paid), realised interest on foreign currency hedges of €6 million (2011: 3) and interest received on taxes of €0 million (2011: 2).

Capital expenditure on other intangible assets and property, plant and equipment

In 2012, capital expenditures on property, plant and equipment amounted to €121 million (2011: 151), and mostly related to depot buildings, vehicles, IT equipment and depot equipments. The capital expenditures on intangible assets of €24 million (2011: 38), primarily related to software licence and software development costs. In 2012, capital expenditures were funded primarily by cash generated from operations.

Capital expenditure in 2012 was significantly lower than that in 2011, mainly due to strict investment control and review, in view of the pending merger with UPS and the then expected alignment of capital investment policies of the two companies.

Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2012 amounted to €21 million (2011: 7), of which €5 million is related to the sale of three aircraft previously held for sale. The remaining proceeds relate to the sale of vehicles and other depot equipments.

Cash from financial instruments/derivatives

In 2012, cash from financial instruments/derivatives amounted to €19 million (2011: 0), relating to settlement upon the maturity of cross currency swaps and settlement of foreign currency hedges. Cross currency swaps are further explained in note 30.

25 Net cash used in financing activities: -36 million (2011: -589)

Share-based payments

In 2012 no share-based payments occurred. The share-based payments in 2011 of €9 million included the cash payout 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 demerger.

Proceeds from and Repayments of long-term borrowings

In 2012, the total net repayments on long-term borrowings is related to net repayments of local bank debt for a total amount of €7 million (2011: 11).

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 (2011: 9).

Repayments to finance leases

The repayments relate to redemptions on the two Boeing 747 freighters of €10 million (2011: 9) and to redemptions on other finance lease contracts of €8 million (2011: 11).

Dividends paid

As part of the settlement of the final dividend over 2011, a payment was made in 2012 for an amount of €2 million. In 2011, an interim dividend of €14 million was paid.

Financing related to PostNL

The payment in 2011 related to TNT N.V. (PostNL) of €526 million represented 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 a reconciliation between the consolidated cash flow statements and the cash and cash equivalents as presented in the consolidated statement of financial position.

Reconciliation to cash and cash equivalents

Year ended at 31 December	2012	2011
Cash at the beginning of the year	250	807
Exchange rate differences		(1)
Total change in cash (as in consolidated cash flow statements)	151	(556)
Cash at the end of the year	401	250

(in € millions)

Cash and cash equivalents of €4 million is included in assets classified as held for disposal relating to China Domestic.

ADDITIONAL NOTES

27 Business combinations

(No corresponding financial statement number)

In 2012 and 2011, TNT Express did not perform any acquisitions.

28 Commitments and contingencies

(No corresponding financial statement number)

Off-balance sheet commitments

At 31 December	2012	2011
Rent and operating lease	1,140	1,231
Capital expenditure	5	4
Purchase commitments	40	45

(in € millions)

Of the total commitments indicated above, €327 million are of a short-term nature (2011: 299).

Guarantees

At the end of 2012, TNT Express, on behalf of TNT Express subsidiaries, had various parental and bank guarantees outstanding. However, none (2011: 0) resulted in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following its ordinary course of business.

Pension arrangements

Execution agreement with the pension funds

In 2011, TNT Express 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) were the same as those in the pre-demerger execution agreement between TNT N.V. and the pension funds. Arranged in this agreement were 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.
- The contractual agreement shall replace any rights under article 334t of Book 2 of the Dutch Civil Code.

Rent and operating lease contracts

In 2012, operational lease expenses (including rental) amounted to €436 million (2011: 384).

Rent and operating lease contracts relate mainly to aircraft, depots, hubs, vehicles and other depot equipments. Of the total rent and operating lease commitment, €403 million (2011: 450) is related to three Boeing 777 freighters.

Future payments on non-cancellable existing lease contracts are as follows:

Repayment schedule of rent and operating leases

At 31 December	2012	2011
Less than 1 year	290	262
Between 1 and 2 years	183	200
Between 2 and 3 years	136	156
Between 3 and 4 years	101	120
Between 4 and 5 years	77	92
Thereafter	353	401
Total	1,140	1,231
of which guaranteed by a third-party/customers	34	51

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure amounted to €5 million (2011: 4) and are primarily related to the commercial vehicle replacement programme.

Purchase commitments

At 31 December 2012, TNT Express had unconditional purchase commitments of €40 million (2011: 45), which primarily relate to short-term aircraft charter contracts and various service and maintenance contracts. These contracts for service and maintenance relate primarily to facilities management, security, cleaning, salary administration and IT support contracts.

Contingent tax liabilities

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 2012, total contingent tax liabilities for uncertainties are assessed to amount to between €70 million and €80 million (2011: 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 Express). 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 calendar for the exchange of written submissions between the parties was fixed. The defendant's ultimate response (including TNT Express) will have to be submitted by 17 May 2013. A total of 12 hearings have been scheduled by the Brussels Court of Appeal, however given the length of the debates no hearing will take place before 2014.

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 provide 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 volatility from movements in 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 significantly limit 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 2012, TNT Express gross interest bearing borrowings, including finance lease obligations, totalled €236 million (2011: 262), of which €187 million (2011: 203) 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 2012, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant the profit before income tax would have been €4 million higher (2011: 2). Equity would be impacted by €9 million (2011: 9), due to the outstanding interest rate swap(s) with a nominal value of US$213 million and the €4 million (2011: 2) impact on profit before income taxes, refer to 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 (non-euro) currencies of TNT Express are the British pound and US dollar, of which the 2012 exchange rates to the euro are shown below:

Principal exchange rates

	Year-end closing[1]	Annual Average[2]
US dollar	1.31940	1.28828
British pound	0.81610	0.81098

[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 their local 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 2012, 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 (2011: 0). The net income sensitivity to movements in EUR/USD exchange rates compared to 2011 has not changed. Impact on equity would have been nil (2011: 0).

At 31 December 2012, 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 (2011: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2011 has not changed. Impact on equity would have been nil (2011: 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 2012.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of undrawn committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT Express attempts to maintain flexibility in funding by keeping committed credit lines available.

TNT Express has central availability to the following undrawn committed facilities:

Undrawn committed facilities

At 31 December	2012	2011
Multi-currency revolving credit facilities	570	570

(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.

Liquidity risk schedule

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Outgoing flows based on the financial liablities 2012					
Other loans	8	3	2	1	14
Financial leases	17	30	129		176
Interest rate and cross currency swaps (outgoing)	19	38	135		26
Foreign exchange contracts (outgoing)	1,298				29
Short-term bank debt	20				20
Trade accounts payable	439				439
Other current liabilities	81				81
Mitigation incoming flows based on the financial liabilities 2012					
Interest rate and cross currency swaps (incoming)	11	25	129		
Foreign exchange contracts (incoming)	1,298				
Total liquidity risk	573	46	137	1	785
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

(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' credit ratings per January 2013 are BBB+ 'Stable' and Baa2 'Negative'. The positive outlooks on its ratings during most of 2012 reflected the expectation of the rating agents on the positive impact of the UPS merger on TNT Express' credit risk, but these have been removed due to the withdrawal of the offer. 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 return for shareholders and benefits to 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 accordance with IFRS 9 and IAS 39, the following categories of financial assets and financial liabilities can be identified.

Assets

At 31 December	Notes	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets as per balance sheet 2012				
Other loans receivable	(3)	3		3
Other financial fixed assets	(3)	14	1	15
Accounts receivable	(5)	1,114		1,114
Prepayments and accrued income	(6)	126	3	129
Cash and cash equivalents	(7)	397		397
Total		1,654	4	1,658
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

(in € millions)

Liabilities

At 31 December	Notes	Financial liabilties measured at amortised costs	Derivatives used for hedging	Total
Liabilities as per balance sheet 2012				
Long-term debt	(12)	165	26	191
Trade accounts payable		439		439
Other current liabilities	(13)	126	29	155
Total		730	55	785
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

(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:

Overview of finance leases

At 31 December	Nominal value	Fixed/floating interest	Hedge accounting	Carrying value	Fair value
Boeing 747 freighters	161	floating	Yes	161	165
Other leases	15	floating/fixed	No	15	15
Total outstanding finance leases 2012	176			176	180
Boeing 747 freighters	175	floating	Yes	175	179
Other leases	20	floating/fixed	No	20	20
Total outstanding finance leases 2011	195			195	199

(in € millions)

Interest rate swaps

TNT Express has US$213 million (2011: 226) 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 2012, net financial expense included an amortisation of €1 million from the hedge reserve.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounted to a result of €0 million (2011: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounted to result of €0 million (2011: 0).

Cross Currency swaps

During 2012 TNT Express had a €250 million (2011: 250) cross currency swap outstanding for which at maturity it paid €250 million and received US$335 million. This cross currency swap acted as a hedge on foreign exchange risk for TNT USA on an intercompany loan receivable. Both the loan and the cross currency swap matured in 2012.

During 2012 TNT Express had a SEK290 million (2011: 290) cross currency swap outstanding for which at maturity it paid SEK290 million and received €27 million. This cross currency swap acted as a hedge on foreign exchange risk for TNT Spain on intercompany loan receivable. Both the loan and the cross currency swap matured in 2012.

The fair value of the outstanding short-term cross currency swaps in 2011 was recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings'.

An overview of interest rate and cross currency swaps is presented below:

Overview of interest rate and cross current swaps

At 31 December

Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value	Settlement amount
Interest rate swaps 2012								
104	No	USD	Yes	fixed	floating	cash flow	(12)	
109	No	USD	Yes	fixed	floating	cash flow	(14)	
Cross currency swaps 2012								
250	No	EUR/USD	No	floating	floating	fair value		25
27	No	EUR/SEK	No	floating	floating	fair value		(6)
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)	

(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 details relating to outstanding foreign exchange contracts are presented below:

Outstanding foreign exchange contracts

At 31 December

	Notes	Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2012						
Asset	(6)	3	3	345	Fair value	
Liability	(12)/(13)	29	29	953	Fair value / Cash flow	
Foreign exchange contracts 2011						
Asset	(6)	17	17	905	Fair value / Cash flow	2
Liability	(12)/(13)	12	12	729	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 2012 amount to €0 million (2011: 2). These reserves are recognised in the income statement in the period or periods during which the hedged forecasted transaction affects the income statement. The total ineffective portion recognised in the income statement arose from the usage of fair value hedges amounted to a result of €0 million (2011: 0). The total ineffective portion recognised in the income statement that arose from the usage of cash flow hedges amounted to a result of €0 million (2011: 0).

31 Earnings per share

(No corresponding financial statement number)

At 31 December 2012, 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 543,248,166 ordinary shares.

The following table summarises the outstanding shares for TNT Express' computation related to earnings per share:

Outstanding shares information

Year averages and numbers at 31 December	2012	2011
Number of issued and outstanding ordinary shares	543,272,474	543,202,420
Average number of ordinary shares per year	543,248,166	542,748,930
Diluted number of ordinary shares per year	0	0
Average number of ordinary shares per year on fully diluted basis in the year	543,248,166	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 2012 is the 50% interest in TNT Swiss Post AG, which offers express services in Switzerland.

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%:

Key pro-rata information on joint ventures

Year ended at 31 December	2012	2011
Non-current assets	5	6
Current assets	41	47
Equity	19	23
Non-current liabilities	2	4
Current liabilities	25	26
Net sales	87	90
Operating income	11	16
Profit attributable to the shareholders	9	12
Net cash provided by operating activities	12	15
Net cash used in investing activities	(1)	(1)
Net cash used in financing activities	(8)	(13)
Changes in cash and cash equivalents	3	1

(in € millions)

33 Related party transactions and balances

(No corresponding financial statement number)

TNT Express has trading relationships at arm's length with a number of joint ventures and unconsolidated companies in which it holds minority shares. In some cases there are contractual arrangements in place under which the TNT Express entities source supplies from such undertakings, or such undertakings source supplies from TNT Express.

During 2012, purchases of TNT Express from joint ventures amounted to €25 million (2011: 26). Sales made by TNT Express companies to its joint ventures were immaterial. The net amounts due to the joint venture entities amounted to €31 million (2011: 39). At 31 December 2012, net amounts due to associated companies amounted to €1 million (2011: 0).

TNT Express is currently owned by PostNL for 29.8%. 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 the provision is reinforced when PostNL holds more than 10% of the ordinary shares.

Future ordinary share sale

As of the expiry of the lock-up period six months after the date the Demerger became effective, 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 (refer to 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 (refer to 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 29.8% 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 29.8% 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.

In respect of the offer by UPS, PostNL has honoured its obligations under the Relationship Agreement. On 19 March 2012, PostNL announced that it had irrevocably undertaken to tender all shares held by it in TNT Express under the offer subject to customary undertakings and conditions. In the context of the offer and the undertaking by PostNL, UPS and TNT Express agreed that TNT Express would not invoke certain provisions of the Relationship Agreement. The undertaking has terminated, inter alia, upon termination of the Merger Protocol between UPS and TNT Express. On 30 January 2013, UPS announced the withdrawal of its offer for TNT Express in response to the formal decision by the European Commission prohibiting the proposed Merger with TNT Express. In addition, UPS announced that UPS and TNT Express had entered into a separate agreement to terminate the Merger Protocol.

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 sources 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 amounted to nil.

The following transactions were carried out with PostNL companies.

Transactions with PostNL companies

	2012	2011
Direct operational services to PostNL companies	5	5
Direct operational services from PostNL companies[1]	(3)	(8)
Management fees[1, 2]	0	1
Licence fees[2]	0	3
Share-based payments[2]	0	3
Interest income	0	5
Interest expenses[1]	0	(6)

[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
- Brazil
- Other Americas
- Other Networks, which includes TNT Innight and TNT Fashion

The measure of income statement and assets and liabilities is in accordance 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:

Segment information relating to the income statement

Year ended at 31 December 2012	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks	Non-allocated	Total
Net sales	4,446	1,748	304	168	495	1	7,162
Intercompany sales	5			1	2	(8)	0
Other operating revenues	154	7		3	1		165
Total operating revenues	4,605	1,755	304	172	498	(7)	7,327
Other income/(loss)	2	(14)	1				(11)
Depreciation/impairment property, plant and equipment	(81)	(32)	(9)	(4)	(11)	(8)	(145)
Amortisation/impairment intangibles	(10)	(98)	(1)	(2)	(1)	(34)	(146)
Total operating income	289	(93)	(73)	(22)	14	(26)	89
Net financial income/(expense)							(34)
Results from investments in associates							(8)
Income tax							(128)
Profit/(loss) for the period							(81)
Attributable to:							
Non-controlling interests							2
Equity holders of the parent							(83)
Number of employees (headcount)	35,407	18,671	7,461	3,133	2,584	1,372	68,628

(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.

In 2012, other income/(loss) in Asia Pacific included a fair value adjustment of €-17 million (2011: 0) relating to two Boeing 747 freighters held for disposal.

Included in operating income are significant non-cash items related to depreciation, amortisation and impairment of €291 million, of which €94 million is related to goodwill impairment in Asia Pacific and €1 million is related to software impairment in Non-allocated.

In 2012, the impairment of intangible assets in Asia Pacific of €94 million is related to €75 million goodwill impairment related to China Domestic and €19 million for India Domestic. The goodwill impairment of €75 million for China Domestic is related to the write down of its carrying amount as a result of it being classified as assets held for disposal. Refer to note 8 for discussion on China Domestic. The goodwill impairment of €19 million for India Domestic is related to the exit of the Indian Domestic business and the liquidation of the related legal entity.

Segment information relating to the income statement

Year ended at 31 December 2011	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks	Non-allocated	Total
Net sales	4,441	1,790	306	158	459	2	7,156
Intercompany sales	6		3	(3)	2	(8)	0
Other operating revenues	78	7		3	2		90
Total operating revenues	4,525	1,797	309	158	463	(6)	7,246
Other income/(loss)		2	1		4		7
Depreciation/impairment property, plant and equipment	(102)	(69)	(8)	(6)	(10)	(7)	(202)
Amortisation/impairment intangibles	(10)	(5)	(226)		(1)	(50)	(292)
Total operating income	356	(76)	(332)	(28)	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)	36,262	24,825	8,040	3,215	2,534	1,534	76,410

(in € millions)

Non-allocated operating income

Year ended at 31 December	2012	2011
Demerger costs	0	(10)
Restructuring related charges	(1)	(28)
Projects	(3)	(6)
UPS offer-related	(6)	0
Pensions	0	14
Other costs	(16)	(15)
Total	(26)	(45)

(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 UPS offer-related costs, demerger (2011), restructuring and project costs. In accordance with IAS 19.34a, TNT Express N.V., as the sponsoring employer for the two Dutch pension funds, recognised in its corporate financial statements the contributions received from the relevant TNT 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 2011 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:

Segment information relating to the statement of financial position

At 31 December 2012	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks	Non-allocated	Total
Intangible assets	1,251	31	3	35	59	78	1,457
Property, plant and equipment	575	106	54	34	36	31	836
Trade accounts receivable	711	192	46	27	50		1,026
Other current assets[1]	296	179	27	14	19	341	876
Total assets	2,948	597	130	134	166	514	4,489
Cash out for capital expenditures	77	28	7	5	12	16	145
Trade accounts payable	323	44	15	10	27	20	439
Other current liabilities[2]	567	204	35	22	45	83	956
Total liabilities	1,148	277	81	39	76	151	1,772

[1]Other current assets include assets held for disposal relating to China Domestic (Hoau) in the segment of Asia Pacific.
[2]Other current liabilities include assets held for disposal relating to China Domestic (Hoau) in the segment of Asia Pacific.
(in € millions)

The balance sheet information at 31 December 2011 is as follows:

Segment information relating to the statement of financial position

At 31 December 2011	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks	Non-allocated	Total
Intangible assets	1,251	181	4	34	59	100	1,629
Property, plant and equipment	583	146	70	31	37	32	899
Trade accounts receivable	735	240	57	27	57	1	1,117
Other current assets	371	86	34	15	20	212	738
Total assets	3,077	747	166	156	175	380	4,701
Cash out for capital expenditures	83	35	9	6	13	43	189
Trade accounts payable	321	52	15	8	21	18	435
Other current liabilities	653	218	37	28	41	81	1,058
Total liabilities	1,248	297	99	46	67	132	1,889

(in € millions)

Geographical segment information

The segment information from a geographical perspective is derived as follows:

– The basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located.
– Segment assets and investments are allocated to the location of the assets, 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	2012	2011
Europe		
The Netherlands	488	462
United Kingdom	964	909
Italy	605	608
Germany	742	776
France	736	723
Belgium	186	190
Rest of Europe	1,054	1,086
Brazil	304	305
Other Americas		
US and Canada	67	62
South & Middle America	101	97
Africa & the Middle East	167	148
Australia & Pacific	726	654
Asia		
China and Taiwan	611	697
India	53	94
Rest of Asia	358	345
Total net sales	7,162	7,156

(in € millions)

Assets

At 31 December	2012 Intangible assets	2012 Property, plant and equipment	2012 Financial fixed assets	2011 Intangible assets	2011 Property, plant and equipment	2011 Financial fixed assets
The Netherlands	897	98	8	899	99	1
Rest of the world	560	738	229	730	800	283
Total	1,457	836	237	1,629	899	284

(in € millions)

Employees

At 31 December	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks	Non-allocated	2012	2011
Europe								
The Netherlands	1,642				824	679	3,145	3,212
United Kingdom	9,367				641	693	10,701	11,082
Italy	3,006						3,006	3,024
Germany	4,217				955		5,172	5,276
France	4,712						4,712	4,743
Belgium	2,591				48		2,639	2,712
Rest of Europe	7,582				116		7,698	7,963
Brazil			7,461				7,461	8,040
Other Americas								
US and Canada				825			825	845
South & Middle America				2,308			2,308	2,370
Africa & the Middle East	2,290						2,290	2,318
Australia & Pacific		4,568					4,568	4,722
Asia								
China and Taiwan		9,274					9,274	14,650
India		782					782	1,189
Rest of Asia		4,047					4,047	4,264
Total	35,407	18,671	7,461	3,133	2,584	1,372	68,628	76,410

Certain comparative figures have been reclassified to conform to the current year's segment presentation.

35 Subsequent events

(No corresponding financial statement number)

UPS offer

On 19 March 2012, UPS and TNT Express reached an agreement on a recommended all-cash offer by UPS of €9.50 per ordinary share for TNT Express. In the process of obtaining approval from the European Commission (EC), the EC identified competitive concerns. UPS, in cooperation with TNT Express, offered remedies to overcome these concerns. On 11 January 2013, TNT Express and UPS met with the EC's case team investigating the proposed merger with UPS. The case team informed the companies that on the basis of UPS' current remedy proposal it is working towards proposing a prohibition decision. Subsequently, UPS informed TNT Express that UPS sees no realistic prospect that EC clearance can be obtained and that UPS will not pursue the transaction on any other basis. On 30 January 2013, UPS announced the withdrawal of its offer for TNT Express in response to the formal decision by the European Commission prohibiting the proposed merger with TNT Express. In addition, UPS announced that UPS and TNT Express had entered into a separate agreement to terminate the Merger Protocol.

UPS paid the agreed €200 million termination fee on 13 February 2013.

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 2012	variance %	31 December 2011
Assets				
Non-current assets				
Investments in group companies		2,929		3,280
Total financial fixed assets	(37)	2,929	(10.7)	3,280
Pension asset	(38)	50		28
Total non-current assets		2,979	(9.9)	3,308
Current assets				
Accounts receivable from group companies		72		5
Other accounts receivable		28		17
Total current assets		100		22
Total assets		3,079	(7.5)	3,330
Liabilities and equity				
Equity	(9)(39)			
Issued share capital		43		43
Additional paid in capital		3,019		3,021
Legal reserves		(4)		24
Other reserves		5		(12)
Retained earnings		(353)		(270)
Total shareholders' equity		2,710	(3.4)	2,806
Non-current liabilities				
Deferred tax liabilities	(22)	13		7
Total non-current liabilities		13		7
Current liabilities				
Accounts payable to group companies		351		511
Accrued current liabilities		5		6
Total current liabilities		356		517
Total liabilities and equity		3,079	(7.5)	3,330

(in € millions, except percentages)

TNT Express N.V. Corporate income statement

Year ended at 31 December	2012	2011
Results from investments in group companies/associates after taxes	(69)	(247)
Other income and expenses after taxes	(14)	(23)
Profit/(loss) attributable to the shareholders	(83)	(270)

(in € millions)

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

NOTES TO THE CORPORATE BALANCE SHEET AND INCOME STATEMENT

ACCOUNTING POLICIES FOR VALUATION AND DETERMINATION OF RESULT TNT EXPRESS N.V.

The corporate financial statements for the year ended 31 December 2012 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: 2,929 million (2011: 3,280)

Statement of changes

	Investments in group companies
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	-
Total changes	(208)
Balance at 31 December 2011	3,280
Changes in 2012	
Results	(69)
Additions to capital	0
Dividend	(271)
Exchange rate differences	(13)
Other changes	2
Total changes	(351)
Balance at 31 December 2012	2,929

(in € millions)

At 31 December 2012, total investment in Group companies amounted to €2,929 million (2011: 3,280). In 2012 a dividend was received of €271 million. Other changes of €2 million consist of a gain on cash flow hedges.

As a result of internal structuring in 2011, TNT Express N.V. invested €312 million in Group companies while receiving €286 million in dividends during 2011.

38 Pension asset: 50 million (2011: 28)

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

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	(391)	0
Service costs	(18)	(15)
Interest costs	(20)	(18)
Actuarial (loss)/gain	(83)	(15)
Benefits paid	4	4
Settlements	-	(347)
Benefit obligation at end of year	(508)	(391)
Change in plan assets		
Fair value of plan assets at beginning of year	388	0
Actual return on plan assets	44	8
Employer contributions	35	21
Benefits paid	(4)	(4)
Settlements	-	363
Fair value of plan assets at end of year	463	388
Funded status at 31 December		
Funded status	(45)	(3)
Unrecognised net actuarial loss	95	31
Pension assets	50	28
Components of employer pension expense		
Service costs	(18)	(15)
Interest costs	(20)	(18)
Expected return on plan assets	26	24
Settlements	-	16
Total post employment benefit income/(expenses)	(12)	7
Weighted average assumptions as at 31 December		
Discount rate	3.9%	4.9%
Expected return on plan assets	6.5%	6.5%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.5%	1.5%

(in € millions, except percentages)

39 Equity: 2,710 million (2011: 2,806)

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 2010	0	0	0	1	0	1
Merger and related reclassifications	43	3,035	0	(1)	0	3,077
Balance at 1 January 2011	43	3,035	0	0	0	3,078
changes in 2011						
Legal reserves reclassifications			23	(23)		0
Total comprehensive income			1		(270)	(269)
Final dividend previous year						0
Appropriation of net income						0
Interim dividend 2011		(14)				(14)
Share-based compensation				11		11
Other	0	0		0	0	0
Total direct changes in equity	0	(14)	0	11	0	(3)
Balance at 31 December 2011	43	3,021	24	(12)	(270)	2,806
Changes in 2012						
Legal reserves reclassifications			(17)	17		0
Total comprehensive income			(11)		(83)	(94)
Final dividend previous year		(2)				(2)
Total direct changes in equity	0	(2)	0	0	0	(2)
Balance at 31 December 2012	43	3,019	(4)	5	(353)	2,710

(in € millions)

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 a consequence of the demerger from PostNL.

For additional details on equity, refer to 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, refer to note 38. For the remuneration of the Executive Board and Supervisory Board, refer to note 18.

41 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

At 31 December 2012, 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: a €570 million relating to committed revolving credit facilities, a €500 million commercial paper programme, a €280 million (2011: 250) 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 €205 million (2011: 228) 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.

The cross guarantee arrangement between TNT Express and PostNL regarding pensions is described in note 28.

42 Subsidiaries and associated companies at 31 December 2012

(No corresponding financial statement number)

The full list containing the information referred to in article 379 and article 414 of Book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in Amsterdam.

Hoofddorp, 18 February 2013

EXECUTIVE BOARD

B.L. Bot (Chairman)
J. Seyger

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 2012 of TNT Express N.V., Amsterdam as set out on pages 71 to 136 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 2012, the consolidated income statement, the consolidated statements of comprehensive income, cash flows and changes in 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 2012, 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 4 to 22, pages 41 to 52 and pages 60 to 69, 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 71 to 131 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2012, 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 corporate financial statements

In our opinion, the corporate financial statements as set out on pages 132 to 136 give a true and fair view of the financial position of TNT Express N.V. as at 31 December 2012, 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 4 to 22, pages 41 to 52 and pages 60 to 69, 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 4 to 22, pages 41 to 52 and pages 60 to 69, 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, 18 February 2013
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 EURIBOR (EURO Interbank Offered Rate) - weighted to reflect the number of days for which the payment is made - plus a premium, to be determined by the Executive Board, subject to the approval of the Supervisory Board, of at least one percentage point and at most three percentage points, depending on the prevailing market conditions. In the event the relevant preference shares are issued in the course of a financial year the dividend shall be calculated as a proportion of the time lapsed. If at any time the twelve monthly EURIBOR is no longer fixed, the dividend percentage shall be equal to the arithmetic mean of the average effective yields of the five longest-dated state loans, as calculated by the Central Bureau of Statistics *(Centraal Bureau voor de Statistiek)* and published in the Official Price List, over the last twenty stock-exchange business days before the date of issue, plus a premium, to be determined by the Executive Board and subject to the approval of the Supervisory Board, of at least one quarter of a percentage point and at most one percentage point, depending on the prevailing market conditions.

If the distribution on the preference shares for any financial year as referred to in the preceding paragraph cannot be made or cannot be made in full because the profit does not permit it, the deficit shall be distributed as a charge to the distributable part of the shareholders' equity. The dividend on preference shares shall be calculated on the paid up part of the nominal value.

30.2 The Executive Board shall then subject to the approval of the Supervisory Board determine what part of the profit remaining after the application of article 30.1 is to be appropriated to reserves.

30.3 The part of the profit remaining after the appropriation to reserves shall be at the disposal of the general meeting, except that no further distributions can be made on the preference shares.

30.4 If a loss is sustained in any year, no dividend shall be distributed for that year. No dividend may be paid in subsequent years until the loss has been compensated by profits. The general meeting may, however, resolve on a proposal of the Executive Board which has received the approval of the Supervisory Board to compensate the loss out of the distributable part of the shareholders' equity or also to distribute a dividend out of the distributable part of the shareholders' equity.

30.5 The Executive Board may resolve to distribute an interim dividend. Such a resolution shall be subject to the approval of the Supervisory Board. 30.6 No dividend shall be paid on the shares held by the company in its own capital. For the computation of the profit distribution, the shares on which according to this article 30.6 no dividend shall be paid, shall not be included. The provisions laid down before in this article 30.6 shall not be applicable in the event that the Executive Board resolves otherwise, which resolution shall be subject to the approval of the Supervisory Board.

30.7 Sections 104 and 105 of Book 2 of the Dutch Civil Code shall also be applicable to distributions to shareholders.

Article 31. Distributions in shares and distributions charged to the reserves.

31.1 The Executive Board may resolve that all or part of the dividend on ordinary shares shall be paid in shares in the company instead of cash. In case of an interim distribution the Executive Board may also resolve that the payments shall take place to the debit of the distributable part of the shareholders' equity. These resolutions of the Executive Board shall be subject to the approval of the Supervisory Board.

31.2 The general meeting may resolve, on a proposal of the Executive Board which has received the approval of the Supervisory Board, to charge distributions to holders of ordinary shares to the distributable part of the shareholders' equity. All or part of these distributions may also be paid in shares in the company instead of cash.

DIVIDEND PROPOSAL

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro-forma dividend out of the distributable part of the shareholders' equity. The proposed dividend is €0.03 per share. As no interim dividend was paid over 2012, the proposed dividend relates to the full year 2012 and represents a payout of 39% of normalised net income, in line with TNT Express' stated dividend guidelines. The dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash. The election period is from 12 April 2013 to 2 May 2013, 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 2013, 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 29 April 2013 to 2 May 2013, 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 12 April 2013, the record date 16 April 2013 and the dividend will be payable as from 7 May 2013.

APPROPRIATION OF PROFIT

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to appropriate the loss of €83 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.

	2012
Profit/(loss) attributable to the shareholders	(83)
Appropriation in accordance with the articles of association:	
Reserves adopted by the Executive Board and approved by the Supervisory Board (article 30, par.2)	83
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	2012	variance %	2011
OHSAS 18001 (% of total FTEs)	(1) ♦	84%	1.2	83%
SA 8000 in non-OECD countries (% of total FTEs in non-OECD countries)	(2) ♦	52%	0.0	52%
Investors in People (% of total headcount)	(3) ♦	82%	(1.2)	83%
ISO 14001 (% of total FTEs)	(4) ♦	83%	(1.2)	84%
ISO 9001 (% of total FTEs)[1]	(5) ♦	85%	(1.2)	86%

[1] For comparative purposes 2011 numbers have been restated.

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

CONSOLIDATED STATEMENT OF SOCIAL DATA

Year ended at 31 December (excluding Hoau)	Notes	2012	variance %	2011
Employee engagement	(6)	71%		ND[1]
Gender profile (% of females of total headcount)	(7)	30%	0.0	30%
Gender profile of management (% of females of total management)	(7)	29%	3.6	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)[2]	(9)	10%	0.0	10%
Internal promotion (% of total management vacancies)	(10)	62%	(11.4)	70%
Training hours per FTE	(11)	17	(5.6)	18
Fatal accidents involving TNT Express employees[3]	(12)	9	(18.2)	11
Fatal accidents involving subcontractors[3]	(12)	21	(44.7)	38
Serious accidents	(13) ♦	13	(61.8)	34
Lost time accidents	(14) ♦	1,827	(6.5)	1,953
Lost time accidents per 100 FTEs[2]	(14) ♦	2.87	(1.7)	2.92
Blameworthy road traffic incidents / collisions per 100,000 kilometres	(15)	0.74	(8.6)	0.81

[1] No data.

[2] For comparative purposes 2011 numbers have been restated.

[3] Including Hoau.

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

CONSOLIDATED STATEMENT OF ENVIRONMENTAL DATA

Year ended at 31 December (excluding Hoau)	Notes	2012	variance %	2011
CO_2 emissions absolute of own operations (scope 1 and 2) (ktonnes)	(16) ♦	1,043	(7.0)	1,121
CO_2 emissions absolute of subcontracted operations (ktonnes)	(16)	1,277	(11.6)	1,445
CO_2 efficiency index	(17) ♦	89.9	(2.5)	92.2
CO_2 efficiency network flights (EAN + Domestic) (g CO_2/tonne km)	(18) ♦	1,590	0.8	1,578
CO_2 efficiency longhaul air (g CO_2/tonne km)	(18) ♦	431	(16.0)	513
CO_2 efficiency small trucks and vans (g CO_2/km)	(19) ♦	343	0.6	341
CO_2 efficiency large trucks (g CO_2/km)	(19) ♦	731	1.2	722
CO_2 efficiency buildings (kg CO_2/m^2)	(20) ♦	24.0	(7.3)	25.9
Energy efficiency buildings (MJoules/m^2)	(20) ♦	405	1.3	400
Sustainable electricity (% of total electricity)	(20) ♦	50%	6.4	47%
Euro 4 and Euro 5 small trucks and vans (% of total number of vehicles in EU countries)	(21)	78%	11.4	70%
Euro 4 and Euro 5 large trucks (% of total number of vehicles in EU countries)	(21)	70%	25.0	56%
Waste (in tonnes per FTE)[1]	(22)	0.79	3.9	0.76
Recycling of waste (% of total waste)	(22)	73%	7.4	68%
Noise (number of complaints)	(23)	2	(71.4)	7
Environmental incidents (number of reported on and off site incidents)	(24)	20	100.0	10

[1] For comparative purposes 2011 numbers have been restated.

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

CONSOLIDATED STATEMENT OF OTHER DATA

Year ended at 31 December	Notes	2012	variance %	2011
Change in net customer satisfaction	(25)	+19%		-2%
Partnership investment and support (€ million)	(26)	1.7	(51.4)	3.5

NOTES TO THE CORPORATE RESPONSIBILITY STATEMENTS

Notes to the international standards

1 OHSAS 18001 certification

OHSAS 18001 provides a framework to establish 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)		2012	2011
Europe & MEA	♦	98%	99%
Asia Pacific		78%	77%
Asia Pacific (excluding Hoau)	♦	99%	98%
Brazil	♦	14%	15%
Other Americas	♦	30%	31%
Other Networks	♦	98%	98%
Non-allocated	♦	95%	95%
Total TNT Express		79%	78%

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

TNT Express' Asia Pacific Regional Office (ARO) obtained the OHSAS 18001 certificate in 2012. TNT Express' operations in Egypt, Kenya and Slovenia plan to obtain the OHSAS 18001 certification in 2013.

2 SA 8000 certification

SA 8000 sets standards to ensure transparent and acceptable working conditions with respect to human rights.

In 2012, TNT Express developed a human rights policy and 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)		2012	2011
Europe & MEA	♦	81%	78%
Asia Pacific		53%	43%
Asia Pacific (excluding Hoau)	♦	98%	95%
Brazil	♦	0%	0%
Other Americas	♦	0%	0%
Other Networks	♦	NA[1]	NA[1]
Non-allocated	♦	NA[1]	NA[1]
Total TNT Express		39%	35%

[1] Not applicable.

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

In 2012, no additional countries obtained SA 8000 certification compared to 2011. The difference in percentages is due to the variance of FTEs per country. In Other Networks and Non-allocated, all entities are based in 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. To be compliant, TNT Express focuses on the development of its employees, and establishes individual career development plans, which in turn creates 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)		2012	2011
Europe & MEA	♦	92%	96%
Asia Pacific		68%	55%
Asia Pacific (excluding Hoau)	♦	100%	99%
Brazil	♦	0%	0%
Other Americas	♦	100%	93%
Other Networks	♦	59%	58%
Non-allocated	♦	92%	93%
Total TNT Express[1]		75%	71%

[1] For comparative purposes 2011 numbers have been restated.

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

In Europe & MEA, all operations are IiP certified with the exception of TNT Express Ireland, TNT Express Document Services, TNT Express Liège, TNT Airways, TNT Express Namibia, TNT Express Kenya and TNT Express South Africa. In Asia Pacific, only Hoau and TNT Express Fiji are not IiP certified.

4 ISO 14001 certification

TNT Express adopts the ISO 14001 management system standard within its operations to provide a consistent and structured approach to the management of environmental aspects and the subsequent impact. The objective is to obtain ISO 14001 certification for all operations.

ISO 14001 certification			GRI indicator: 4.12
(in percentage of total FTEs working in certified sites)		2012	2011
Europe & MEA	♦	97%	99%
Asia Pacific		67%	56%
Asia Pacific (excluding Hoau)	♦	99%	98%
Brazil	♦	14%	15%
Other Americas	♦	30%	31%
Other Networks	♦	100%	100%
Non-allocated	♦	95%	95%
Total TNT Express		75%	71%

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

In Europe & MEA, TNT Airways and operations in Egypt, were not ISO 14001 certified in 2012, while in Asia Pacific, TNT Express Asia Pacific Regional Office obtained ISO 14001 certification.

5 ISO 9001 certification

TNT Express' objective is to offer its customers excellent service, and aligns its customer management approach to 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 enables a customised approach to implement improvements.

ISO 9001 certification			GRI indicators: 4.12, PR3 & PR5
(in percentage of total FTEs working in certified sites)		2012	2011
Europe & MEA	♦	98%	98%
Asia Pacific		78%	77%
Asia Pacific (excluding Hoau)	♦	99%	98%
Brazil	♦	14%	15%
Other Americas	♦	61%	100%
Other Networks	♦	100%	100%
Non-allocated	♦	99%	97%
Total TNT Express[1]		80%	81%

[1] For comparative purposes 2011 numbers have been restated.

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

Operations in Brazil and Chile (Other Americas) were partially ISO 9001 certified in 2012.

Notes to the social performance

6 Employee engagement

The Global Engagement Survey (VOICE), conducted once every two years, measures TNT Express' engagement across nine dimensions: customer focus, fair treatment, teamwork, immediate management, employee engagement, employee development, integration, efficiency and recognition. In 2012, the survey consisted of 23 questions. TNT Express improved in all dimensions, with 'customer focus' the highest scoring dimension. In 2012, TNT Express' score on 'employee engagement' was 71%, compared to 69% in 2010.

The results of the survey indicate that employees believe improvement opportunities exist in the two dimensions: integration' and 'efficiency'. With regard to 'integration', employees are of the view that communication could be more effective and frequent, while with regard to 'efficiency', employees would appreciate improved distribution of current and future workload.

All entities participated in the survey with the exception of Hoau and Brazil Domestic. The global response rate was 83%.

Processes and practices that differentiate and recognise good performance need to be consistently deployed at all levels to add value and to stimulate the discretionary effort and good performance of each employee.

7 Diversity

Gender profile

GRI indicator: LA13

(in percentage of headcount)	2012 Male	2012 Female	2011 Male	2011 Female
Europe & MEA	67%	33%	67%	33%
Asia Pacific	70%	30%	74%	26%
Asia Pacific (excluding Hoau)	69%	31%	70%	30%
Brazil	85%	15%	87%	14%
Other Americas	76%	24%	77%	23%
Other Networks	70%	30%	70%	30%
Non-allocated	67%	33%	68%	32%
Total TNT Express	70%	30%	72%	28%

Gender profile of management

GRI indicator: LA13

(in percentage of headcount of total management)	2012 Male	2012 Female	2011 Male	2011 Female
Europe & MEA	71%	29%	72%	28%
Asia Pacific	75%	25%	80%	20%
Asia Pacific (excluding Hoau)	66%	34%	67%	33%
Brazil	74%	26%	83%	17%
Other Americas	71%	29%	74%	26%
Other Networks	81%	19%	81%	19%
Non-allocated	86%	14%	86%	14%
Total TNT Express	74%	26%	76%	24%

The percentage of females overall within TNT Express increased to 30% in 2012 (28% in 2011), while the percentage of females in management positions increased from 24% to 26%.

TNT Express has undertaken several initiatives to diversify its profile in the employment marketplace, for example, TNT Express Australia implemented the 'Women in Transport' campaign to attract more females into the business.

Employees with a disability

GRI indicator: LA13

(in number and percentage of headcount)	2012 Number in headcount	2012 Percentage of headcount	2011 Number in headcount	2011 Percentage of headcount
Europe & MEA	598	1.7%	549	1.5%
Asia Pacific	63	0.3%	182	0.7%
Asia Pacific (excluding Hoau)	38	0.3%	101	0.7%
Brazil	78	1.1%	94	1.2%
Other Americas	8	0.3%	7	0.2%
Other Networks	3	0.1%	3	0.1%
Non-allocated	0	0.0%	0	0.0%
Total TNT Express	750	1.1%	835	1.1%

The absolute number of disabled employees decreased in 2012, while the percentage remained unchanged.

TNT Express supports various networks aimed at increasing awareness of diversity, these include 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 manage an employee's long-term absence is to provide employees with a safe and timely return to work, irrespective of the cause of the absence. In the event of a long-term absence, a 'return to work interview' is held as an open discussion. This provides an open forum where management can provide support to the employee and attempt to improve the situation. 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)	2012	2011
Europe & MEA	3.9%	3.9%
Asia Pacific	1.5%	1.5%
Asia Pacific (excluding Hoau)	1.9%	1.7%
Brazil	2.5%	3.9%
Other Americas	2.6%	1.2%
Other Networks	5.7%	6.5%
Non-allocated	2.6%	2.0%
Total TNT Express	2.9%	3.0%

Absenteeism for total TNT Express improved from 3.0% to 2.9% in 2012.

9 Voluntary turnover

Voluntary turnover

GRI indicator: LA2

(in percentage of headcount)	2012	2011
Europe & MEA	7%	7%
Asia Pacific	22%	37%
Asia Pacific (excluding Hoau)	15%	15%
Brazil	13%	14%
Other Americas	14%	12%
Other Networks[1]	12%	3%
Non-allocated	10%	11%
Total TNT Express	13%	18%

[1] 2011 only includes TNT Fashion.

Voluntary turnover decreased to 13% in 2012 (2011: 18%). Voluntary turnover in Asia Pacific remained high (22%), though a significant improvement compared to 2011 (37%).

10 Internal promotion

Internal promotion — GRI indicator: LA2

(in percentage of total management vacancies)	2012	2011
Europe & MEA	79%	77%
Asia Pacific	67%	69%
Asia Pacific (excluding Hoau)	71%	58%
Brazil	20%	20%
Other Americas	57%	75%
Other Networks[1]	50%	57%
Non-allocated	76%	58%
Total TNT Express	61%	73%

[1] Only includes TNT Fashion.

11 Learning and development

Training related development activities are driven centrally from Europe, by the TNT Express Learning Centre, utilising dedicated development resources from European operating units. However, the delivery of trainings is coordinated by local delivery units.

Within Europe, the TNT Express Learning Centre will provide development sessions such as functional and behavioural trainings plus other educational interventions, by combining delivery activities with own employees or external suppliers. Training sessions for other regions within the TNT Express organisation will be provided on request.

Training hours per FTE in 2012 were 23 hours (reflecting 96% of all TNT Express FTEs in 2012) compared with 21 hours in 2011 (reflecting 97% of all TNT Express FTEs in 2011).

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)		2012	2011
Europe & MEA	♦	0	0
Asia Pacific		0	3
Asia Pacific (excluding Hoau)	♦	0	0
Brazil	♦	0	0
Other Americas	♦	0	0
Other Networks	♦	0	0
Non-allocated	♦	0	0
Total TNT Express		0	3

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

No workplace fatal accident occurred in 2012. This demonstrates a significant improvement of workplace practices across TNT Express.

Road traffic fatal accidents — GRI indicators: LT12 & LA7

(in numbers)		2012	2011
Europe & MEA	♦	2	1
Asia Pacific		5	6
Asia Pacific (excluding Hoau)	♦	0	0
Brazil	♦	2	1
Other Americas	♦	0	0
Other Networks	♦	0	0
Non-allocated	♦	0	0
Total TNT Express		9	8

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

Road traffic fatal accidents involving a TNT Express employee can be subdivided into blameworthy and non-blameworthy accidents. In 2012, five out of the nine road traffic fatal accidents were blameworthy. All blameworthy road traffic fatal accidents occurred in China (2011: 4 out of 8).

Subcontractor road traffic fatal accidents

GRI indicators: LT12 & LA7

(in numbers)	2012	2011
Europe & MEA	7	9
Asia Pacific	4	20
Asia Pacific (excluding Hoau)	2	20
Brazil	9	5
Other Americas	0	0
Other Networks	1	4
Non-allocated	0	0
Total TNT Express	21	38

For subcontractor road traffic fatal accident information, TNT Express relies on subcontractors to report fatal accidents involving their drivers and (other) 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. TNT Express monitors and reviews subcontractor performance to ensure that contractual obligations with regard to safety are appropriately implemented and maintained.

The majority of the subcontractor road traffic fatal accidents in 2012 occurred in Brazil and Europe & MEA. The reduction of subcontractor fatal accidents in Asia Pacific is a direct result of the divestment of the domestic road operations in India. Excluding the subcontractor fatal accidents that occurred in India in 2011, the total fatal accidents for Asia Pacific would have resulted in three subcontractor fatal accidents.

13 Serious accidents

TNT Express believes that monitoring and reporting serious accidents provides insight into accident patterns before accidents become fatal. Serious accidents are divided into workplace and road traffic accidents.

Workplace serious accidents

GRI indicator: LA7

(in numbers)		2012	2011
Europe & MEA	♦	2	12
Asia Pacific		7	10
Asia Pacific (excluding Hoau)	♦	6	7
Brazil	♦	0	1
Other Americas	♦	0	1
Other Networks	♦	0	1
Non-allocated	♦	1	0
Total TNT Express		10	25

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

Road traffic serious accidents

GRI indicator: LA7

(in numbers)		2012	2011
Europe & MEA	♦	1	5
Asia Pacific		6	8
Asia Pacific (excluding Hoau)	♦	3	6
Brazil	♦	0	1
Other Americas	♦	0	0
Other Networks	♦	0	0
Non-allocated	♦	0	0
Total TNT Express		7	14

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

Health and safety improvements in TNT Express Liège, TNT Express Australia and Hoau resulted in a decline in the number of serious accidents.

14 Lost time accidents

Lost time accidents (LTA) are reported as both an absolute number and 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)		2012	2011
Europe & MEA	♦	1,142	1,270
Asia Pacific		260	466
Asia Pacific (excluding Hoau)	♦	230	283
Brazil	♦	129	121
Other Americas	♦	264	215
Other Networks	♦	60	62
Non-allocated	♦	2	2
Total TNT Express		1,857	2,136

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

Lost time accidents frequency rate

GRI indicator: LA7

(in lost time accidents per 100 FTEs)		2012	2011
Europe & MEA[1]	♦	3.32	3.65
Asia Pacific		1.26	1.70
Asia Pacific (excluding Hoau)	♦	1.66	1.80
Brazil	♦	1.53	1.26
Other Americas	♦	8.67	7.04
Other Networks	♦	2.33	2.74
Non-allocated	♦	0.15	0.13
Total TNT Express[1]		2.64	2.72

[1] For comparative purposes 2011 numbers have been restated.

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

Both absolute LTAs and the LTA frequency rate showed a continued downward trend, due to the focus on managing safety risks and improving safety systems and processes at a local level.

TNT Express Australia implemented the ‘Safety Observation Systems’ programme which breaks down risk activities and improves behaviour through safety observations. TNT Express Liège has implemented a behaviour based safety programme to reduce the amount of accidents.

Hoau experienced a reduction of LTAs due to its increased reliance on external resources to perform lower skilled duties (including loading and unloading operations). This had previously contributed to the significant proportion of reported LTAs.

The analysis of the increase in LTAs in Other Americas, has not revealed any common or consistent underlying cause.

Average number of days lost due to a lost time accident

GRI indicator: LA7

(in days)		2012	2011
Europe & MEA	♦	23.8	24.4
Asia Pacific		23.1	36.7
Asia Pacific (excluding Hoau)	♦	18.2	17.7
Brazil	♦	21.7	28.7
Other Americas	♦	5.1	3.9
Other Networks	♦	18.2	12.3
Non-allocated	♦	10.5	22.0
Total TNT Express		20.7	24.9

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 are subdivided into blameworthy and non-blameworthy road traffic incidents. 71% of all operational vehicle road traffic incidents are classified as blameworthy (2011: 72%).

Blameworthy road traffic incident rate

GRI indicator: LA7

(in number of blameworthy road traffic incidents of operational vehicles per 100,000 kilometres)	2012	2011
Europe & MEA	0.71	0.80
Asia Pacific	0.49	0.70
Asia Pacific (excluding Hoau)	0.96	1.16
Brazil	0.47	0.50
Other Americas	0.55	0.51
Other Networks	1.35	0.98
Non-allocated	NA[1]	NA[1]
Total TNT Express	0.60	0.71

[1] Not applicable.

Local operations have developed programmes and initiatives to improve driving performance. TNT Express France implemented a five-year programme of safe and ecodriving training whereby each year is dedicated to a special topic (road safety, manoeuvres, ecodriving, responsible driving and road signs). TNT Express Thailand implemented a post-incident management programme that requires an assessment by an approved assessor, of the driving ability of every driver involved in a blameworthy road traffic incident. Other countries utilise driver recognition schemes to reward drivers with a good safe driving track record to reduce incidents.

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)	2012	2011
Emission Source		
Scope 1		
Small trucks and vans	85	89
Large trucks	182	190
Other operational vehicles	9	9
Total operational vehicles	276	288
European Air Network (EAN) and Domestic flights	283	304
Longhaul flights	449	507
Other flights	17	4
Total aviation	749	815
Gas	15	13
Heating fuel	2	2
Total heating	16	15
Total Scope 1	1,042	1,118
Scope 2		
District heating	2	2
Electricity	64	71
Total Scope 2	66	73
Scope 3		
Company cars	25	23
Business travel by air	9	12
Subcontractors	1,363	1,557
Total Scope 3	1,397	1,592
Total TNT Express own CO_2 footprint (scope 1 and 2)	1,107	1,191
Total TNT Express CO_2 footprint (Scope 1, 2 and subcontractors)	2,470	2,748

Both own CO_2 emissions (scope 1 and 2) and subcontractor CO_2 emissions (scope 3) decreased in 2012. The decrease of own CO_2 emissions is mainly due to the improved efficiency of longhaul flights.

CO_2 emissions of own operations

(in ktonnes)	2012	2011
Europe & MEA	883	952
Asia Pacific	139	147
Brazil	44	49
Other Americas	27	28
Other Networks	15	14
Non-allocated	0	1
Total TNT Express	1,107	1,191

CO_2 emissions of subcontractor operations

(in ktonnes)	2012	2011
Europe & MEA	1,041	1,149
Asia Pacific	200	278
Brazil	29	27
Other Americas	9	13
Other Networks	84	90
Non-allocated	0	0
Total TNT Express	1,363	1,557

Total CO_2 emissions of own operations (scope 1 and 2) was 1,107 ktonnes in 2012 compared to 1,191 ktonnes in 2011. The decrease is mainly due to a reduction of aviation related CO_2 emissions. CO_2 emissions of subcontractors decreased mainly in Europe & MEA and Asia Pacific.

Ratio of own and subcontractor CO_2 emissions

CO_2 emissions of own and subcontractor operations

(in ktonnes)	Year	Own operations	Subcontractor operations	% Own	% Subcontractors
Road transport	2012	276	964	22%	78%
	2011	288	1,126	20%	80%
Air transport	2012	749	399	65%	35%
	2011	815	431	65%	35%
Buildings	2012	82	0	100%	0%
	2011	88	0	100%	0%
Total TNT Express	2012	1,107	1,363	45%	55%
	2011	1,191	1,557	43%	57%

In 2012, 50% of the total CO_2 emissions (own and subcontractors) was related to road transport, 47% 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 subcontractor CO_2 emission is calculated based on secondary indicators, such as kilometres driven and costs, because of the unavailability of primary data (fuel consumption) of subcontractor activities. In 2012, 55% of TNT Express' CO_2 footprint can be attributed to subcontractors (2011: 57%).

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.

Company cars and business travel by air

The lease contracts of TNT Express' company cars in the Netherlands, includes a requirement to offset CO_2 emissions. In 2012, the total CO_2 emission of all TNT Express company cars was 25 ktonnes (2011: 23) and a total of 1.8 ktonnes was offset (2011: 1.9).

TNT Express managed to reduce the CO_2 emission related to business travel by air to 9 ktonnes (2011: 12) as a result of stricter travel regulations and the use of the global video conferencing facilities.

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:

- road transport,
- air transport and,
- buildings.

The CO_2 efficiency index does not include subcontractor emissions as there is insufficient data available.

CO_2 efficiency index performance

	2012	2011	2010	2009	2008	2007
TNT Express	89.9	92.2	92.8	98.2	102.7	100.0

Excluding Hoau

The CO_2 efficiency index score of 89.9 points in 2012 is an improvement of 10.1% compared to the base year 2007. In 2012, an improvement of 2.3 points was achieved. The improvement in 2012 can be attributed to road transport efficiency (+0.2 points), air transport efficiency (-1.9 points) and building efficiency (-0.6 points).

Operational CO_2 efficiency performance indicators

GRI indicator: EN16

			2012	2011	2010	2009	2008	2007
Network flights (EAN + Domestic)	g CO_2/tonne km	♦	1,590	1,578	1,544	1,690	1,790	1,700
Longhaul flights	g CO_2/tonne km	♦	431	513	532	529	560	527
Small trucks and vans	g CO_2/km	♦	343	341	347	344	325	349
Large trucks	g CO_2/km	♦	731	722	737	691	648	659
Buildings	kg CO_2/m^2	♦	24.0	25.9	27.9	37.6	40.1	41.2

Excluding Hoau

Long-term trend shows that the CO_2 efficiency of buildings improved by 40% compared to the base year 2007, primarily due to the implementation of sustainable energy. In addition the use of more efficient aircraft (Boeing 747 freighters and Boeing 777 freighters) resulted in an improvement of 18% for longhaul flights. The efficiency of large trucks however deteriorated by 11% compared to the base year.

18 CO_2 efficiency air transport

CO_2 efficiency air transport

GRI indicator: EN16

(in g CO_2 / tonne km)		2012	2011
Network flights (EAN + Domestic)	♦	1,590	1,578
Longhaul flights	♦	431	513

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

The CO_2 efficiency for network flights deteriorated in 2012, while it improved for longhaul flights. The volume decrease in network flights resulted in a lower aircraft utilisation and therefore a deteriorated CO_2 efficiency compared with 2011. The CO_2 efficiency of longhaul flights improved as a result of higher load factors and the use of fuel efficient Boeing 777 freighters.

At the end of 2012, TNT Express operated 51 aircraft, which are 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).

In 2012, TNT Express' aviation was 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 benchmark values used to allocate greenhouse gas emission allowances free of charge to aircraft operators. The CO_2 emission related to EU ETS flights in 2012 was 639 ktonnes and TNT Express received a free allowance of approximately 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 improved network optimisation and changes in capacity load factors. TNT Express recognises that an adjustment is required to the efficiency indicator to properly reflect network efficiencies.

CO_2 efficiency small trucks and vans

The number of small trucks and vans decreased from 6,334 in 2011 to 6,117 in 2012. More than 3% of this fleet is powered by alternative fuels.

CO_2 efficiency of small trucks and vans		GRI indicator: EN16	
(in g CO_2 / km)		2012	2011
Europe & MEA[1]	♦	333	321
Asia Pacific		374	377
Asia Pacific (excluding Hoau)	♦	338	340
Brazil	♦	401	403
Other Americas	♦	370	381
Other Networks[1]	♦	227	238
Non-allocated	♦	NA[2]	NA[2]
Total TNT Express		363	364

[1] For comparative purposes 2011 numbers have been restated.

[2] Not applicable.

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

In Europe & MEA, the CO_2 efficiency indicator for small trucks and vans deteriorated due to the adverse impact of a number of operational fleet changes. In Asia Pacific the CO_2 efficiency improved, due to the increased use of vehicles powered by alternative fuel and the replacement of small trucks and vans.

CO_2 efficiency improved in the other regions, as a result of newly implemented initiatives such as the deployment of on-board tracking systems and evaluation software used to improve performance, training sessions for safe and fuel efficient driving and the introduction of tricycles and electric vehicles in city centres.

CO_2 efficiency large trucks

The number of large trucks (mainly linehaul vehicles) decreased from 4,612 in 2011 to 4,188 in 2012. 0.12% of this fleet is powered by alternative fuels.

CO_2 efficiency of large trucks		GRI indicator: EN16	
(In g CO_2 / km)		2012	2011
Europe & MEA	♦	659	639
Asia Pacific		755	750
Asia Pacific (excluding Hoau)	♦	800	793
Brazil	♦	846	850
Other Americas	♦	838	833
Other Networks	♦	644	662
Non-allocated	♦	NA[1]	NA[1]
Total TNT Express		727	719

[1] Not applicable.

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

The CO_2 efficiency of large trucks deteriorated compared to 2011 due to the extension of the large truck replacement cycle, and therefore the use of older less CO_2 efficient vehicles.

20 CO_2 efficiency buildings

CO_2 efficiency of buildings		GRI indicator: EN16	
(in kg CO_2 / m^2)		2012	2011
Europe & MEA	♦	17.3	19.4
Asia Pacific		29.8	30.1
Asia Pacific (excluding Hoau)	♦	59.0	57.1
Brazil	♦	3.2	3.9
Other Americas	♦	32.6	38.3
Other Networks	♦	19.3	19.5
Non-allocated	♦	20.5	27.5
Total TNT Express		21.5	23.0

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

The CO_2 efficiency of buildings improved due to increased use of sustainable electricity within certain countries (for example, Germany) and continued efforts to reduce energy consumption within a number of entities. The decline in Non-allocated, reflects the impact of the relocation of the TNT Express head office (the Green Office) to a building that uses sustainable energy, and is completely CO_2 neutral.

Energy efficiency of buildings

GRI indicators: LT4 & EN4

(in Mjoules / m²)		2012	2011
Europe & MEA	♦	455	454
Asia Pacific		154	152
Asia Pacific (excluding Hoau)	♦	313	293
Brazil	♦	179	158
Other Americas	♦	342	382
Other Networks	♦	376	386
Non-allocated	♦	1,432	1,758
Total TNT Express		324	320

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

Sustainable electricity

GRI indicators: LT4 & EN4

(in percentage of total electricity)		2012	2011
Europe & MEA	♦	65%	60%
Asia Pacific		3%	2%
Asia Pacific (excluding Hoau)	♦	4%	3%
Brazil	♦	0%	0%
Other Americas	♦	0%	0%
Other Networks	♦	59%	62%
Non-allocated	♦	90%	90%
Total TNT Express		47%	44%

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

In 2012, 47% of the electricity used is generated by sustainable sources, which resulted in 45 ktonnes of avoided CO_2 emissions.

TNT Express uses different types of facilities around the world, including depots, air hubs, road hubs, and offices. TNT Express owns or leases approximately 3.8 million m² 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 2012, was 253.6 million kWh, 7.7 million m³ of gas, 0.7 million litres of heating fuel and 0.05 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 (NO_x); and
- carbon monoxide (CO).

The European legislation requires new trucks to comply with the highest norms regarding these emissions, to improve the air quality within the European Union.

European emission standards for small trucks and vans

GRI indicator: LT2

(in percentage of total small trucks and vans in European Union countries)	2012	2011
Vehicles complying with Euro 5	58%	42%
Vehicles complying with Euro 4	20%	28%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)	2%	3%
Vehicles older than 5 years	20%	27%

European emission standards for large trucks

GRI indicator: LT2

(in percentage of total small trucks and vans in European Union countries)	2012	2011
Vehicles complying with Euro 5	53%	41%
Vehicles complying with Euro 4	17%	15%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)	0%	2%
Vehicles older than 5 years	30%	42%

In 2012, the composition of the fleet of 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)	2012	2011
Europe & MEA[1]	0.85	0.90
Asia Pacific	0.43	0.41
Asia Pacific (excluding Hoau)	0.43	0.41
Brazil	0.89	0.38
Other Americas	0.29	0.26
Other Networks	2.67	2.50
Non-allocated	0.08	0.29
Total TNT Express[1]	0.79	0.76

[1] For comparative purposes 2011 numbers have been restated.

Waste recycling — GRI indicators: EN22 & EN27

(in percentage of total waste)	2012	2011
Europe & MEA	77%	70%
Asia Pacific	54%	55%
Asia Pacific (excluding Hoau)	54%	55%
Brazil	44%	41%
Other Americas	30%	29%
Other Networks	86%	86%
Non-allocated	100%	91%
Total TNT Express	73%	68%

In 2012, both the total amount of waste per FTE, and the percentage of recycled waste increased.

TNT Express reported 342 tonnes of hazardous waste in 2012 that required appropriate disposal. Hazardous waste is mainly confined to the maintenance of vehicles and aircraft.

All waste figures are reported with an FTE coverage of 77% (2011: 75%).

23 Noise

TNT Express received two noise complaints attributed to noise at depots in 2012, compared to seven in 2011.

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.
- Local operating restrictions relating to noise problems.

24 Environmental incidents

A total of 20 environmental incidents (2011: 7) were reported in 2012, with an FTE coverage of 96% (2011: 92%). 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.

Additional notes

25 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 'least satisfied' customers. Understanding the mindset of 'less than satisfied' customers and using their feedback helps TNT Express to develop strategies to improve customer retention.

In 2012, TNT Express increased the frequency of its customer survey from annual to quarterly to support continuous improvement. In total, TNT Express received over 48,500 completed surveys from customers across all customer segments. TNT Express measures the percentage of customers that rate its performance as above expectation versus those that rate its performance as below expectation. This ‘Net Customer Satisfaction’ score improved by 19% to 38% in 2012 (2011: 32%). The driver behind this improvement is the steep increase of customers rating TNT Express as exceeding expectations. Measuring customer satisfaction as the percentage of meeting and exceeding expectations, TNT Express’ performance slightly decreased to 90% (2011: 92%).

26 Partnership investments and support

Partnership investments and support

GRI indicator: EC8

(in € thousands)	2012	2011
Awareness and fundraising (engagement and advocacy)	117	974
Driver health and safety (partnership building)	800	1,146
Supply chain solutions (learning and development)	271	625
Emergency response (support WFP)	128	372
Management & Office	400	403
Total TNT Express	1,716	3,520

In comparison to 2011, TNT Express’ investments and support to partnerships reduced significantly.

In 2012, WFP and TNT Express evaluated their 10 year partnership. During this evaluation period, TNT Express and WFP agreed to minimize the number of assignments and focus on the future of the partnership. The evaluation led to a new outlook of the alliance and both organisations agreed to continue the partnership on the basis of shared value. As a result of the evaluation, TNT Express reached a decision to reduce contributions related to awareness and fundraising. In 2012, no corporate cash donations were transferred to WFP. Nevertheless, TNT Express employees raised €448,000 for WFP and assisted in raising awareness to fight world hunger.

TNT Express’ partnership with North Star Alliance and Fleet Forum is related to driver health and safety and supply chain solutions. Both North Star Alliance and Fleet Forum have developed dedicated programmes to address these issues. The (financial) support of TNT Express towards these partners remained the same in 2012.

With supply chain solutions, TNT Express is making an effort to improve the efficiency and effectiveness of the aid and development sector. Due to the fact that both TNT Express and WFP agreed to minimize the number of assignments, the amount contributed to learning and development significantly reduced.

As a member of the Logistics Emergency Team (LET), TNT Express provides logistical support and personnel to large scale emergencies. During 2012, the cluster was activated once and provided emergency response to the Philippines, while in 2011 the United Nations activated the cluster more frequently. TNT Express provided expertise to improve the logistics capacity in key regions and countries and developed and delivered LET training to all members.

OTHER INFORMATION

Corporate Responsibility reporting and assurance scope

Corporate Responsibility reporting criteria

The CR 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 United Nations Global Compact and therefore reports on the 10 principles therein. A bridge between the GRI G3.1 indicators and the principles of the United Nations 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 Inter-governmental 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 2012 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. 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.

The 2012 CR data is based on the same scope as the 2011 CR data. The Chinese domestic operation (Hoau) is sometimes excluded from the reported figures as Hoau is not part of the assurance scope. This is always indicated in the tables if applicable.

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 2012 Annual Report is accurate.

Labour force CR reporting scope

(in number of FTE and headcount)		2012 FTE	2012 Headcount	2011 FTE	2011 Headcount
Europe & MEA	♦	34,375	35,994	34,784	36,880
Asia Pacific		20,647	18,671	27,390	24,825
Asia Pacific (excluding Hoau)	♦	13,823	12,791	15,709	13,815
Brazil	♦	8,457	7,461	9,632	8,040
Other Americas	♦	3,044	3,133	3,055	3,215
Other Networks	♦	2,408	2,584	2,265	2,534
Non-allocated	♦	1,367	1,371	1,530	1,532
TNT Express in CR reporting scope		70,298	69,214	78,656	77,026
Out of CR reporting scope		418	420	419	416
Total TNT Express (including joint ventures)		70,716	69,634	79,075	77,442

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. to provide reasonable assurance on certain 2012 CR metrics (refer to assurance report 2012) and limited assurance on all other 2012 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 In 2012, Hoau was recognised as an asset held for disposal for financial reporting purposes. 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 (NBA).

As part of the external assurance engagement, PricewaterhouseCoopers Accountants N.V. also makes use of the capacity of the Internal Audit department of TNT Express. PricewaterhouseCoopers Accountants N.V. reviews the findings of all internal audit reports and meets regularly with the management of Internal Audit to discuss any findings. An internal control framework is applicable for CR reporting processes, for the capture and reporting of reliable CR data.

ASSURANCE REPORT

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., Amsterdam ('TNT Express') (hereafter referred to as: 'CR chapters') in which TNT Express renders account of the performance related to Corporate Responsibility ('CR') in 2012.

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 own 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;
- 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.

Limitation in our examination

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 entity would not provide a rational objective at this stage as this entity is classified as held for disposal.

Conclusions

Opinion based on our audit procedures

In our opinion all data and tables marked with a rhombus (♦) 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 provide 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, 18 February 2013
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA