TNT Express
Annual Report 2012

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INTRODUCTION AND FINANCIAL AND CORPORATE RESPONSIBILITY HIGHLIGHTS

This is the Annual Report of TNT Express for the financial year ended 31 December 2012, prepared in accordance with Dutch regulations. The preceding Annual Report of TNT Express for the financial year 2011, was issued on 21 February 2012.

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

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

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

PricewaterhouseCoopers Accountants N.V. has been appointed as the external independent auditor of the financial statements of TNT Express.

TNT Express has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on certain metrics and limited assurance on other metrics of CR. This assurance work is performed in accordance with the Assurance Standard 3410N ‘Assurance Engagements Relating to Sustainability Reports’ as drawn up by the professional body of Dutch Accountants (Royal NBA).

Audit work focuses on obtaining reasonable assurance, substantiated by sufficient supporting evidence. Limited assurance (obtained through review work) does not require exhaustive gathering of evidence and therefore provides a lower level of assurance than audit work. For a full description of the scope of the reported CR data and the assurance obtained please refer to chapter 5.

Enquiries related to this annual report may be addressed to Investor Relations and Corporate Communications to the attention of Mr Andrew Beh (andrew.beh@tnt.com).

AT A GLANCE

Financial

Revenue	
2011	7,246
2012	7,327
Operating income	
2011	(105)
2012	89
Adjusted operating income (non-GAAP)	
2011	225
2012	188
Profit/(loss) for the period	
2011	(272)
2012	(81)
Net cash from operating activities	
2011	191
2012	271
Capital expenditures	
2011	(189)
2012	(145)
Net debt	
01 January 2012	7
31 December 2012	(139)

Corporate responsibility[1]

Fatal accidents	
2011	11
2012	9
Lost time accidents per 100 FTEs	
2011[2]	2.72
2012	2.64
CO_2 efficiency index	
2011	92.2
2012	89.9
CO_2 emissions (own operations: scope 1 and 2) (ktonnes)	
2011	1,191
2012	1,107
Employees	
01 January 2012[2]	76,410
31 December 2012	68,628
Absenteeism	
2011	3.0%
2012	2.9%
Change in net customer satisfaction	
2011	-2%
2012	+19%

[1] Numbers are including Hoau.

[2] For comparative purposes numbers have been restated.

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

(in € millions)

Segment information	Europe & MEA	Asia Pacific	Brazil	Other Americas	Other Networks
Revenue					
2011	4,525	1,797	309	158	463
2012	4,605	1,755	304	172	498
Adjusted operating income (non-GAAP)					
2011	380	(31)	(96)	(27)	20
2012	278	11	(72)	(21)	14
Employees					
01 January 2012[1]	36,262	24,825	8,040	3,215	2,534
31 December 2012	35,407	18,671	7,461	3,133	2,584

[1] For comparative purposes numbers have been restated.

(in € millions)

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CAUTIONARY NOTE WITH REGARD TO “FORWARD-LOOKING STATEMENTS”

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

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

CHAPTER 1 OVERVIEW 2012 AND STRATEGY

I. LETTER TO STAKEHOLDERS

Dear Stakeholders,

At the beginning of 2012, we announced our *'Building on Strengths'* strategy. The strategy carved out a path for success, with Europe at the core. It also included some clear choices aimed at limiting TNT Express' exposure to emerging domestic markets and fixed air assets.

Full execution of our strategy was impacted by the offer from UPS. The Supervisory and Executive Boards unanimously supported the merger, which would have brought substantial benefits. This assessment was shared by our stakeholders, who gave us clear support. A large number of competition authorities also gave their approval. Unfortunately, the European Commission formally prohibited the merger on 30 January 2013, and we were ultimately unable to complete the transaction.

Though disappointing, the prohibition decision did not unbalance us. We have a resilient market position, which we continued to expand in 2012. We grew our customer portfolio, with customer appreciation scores higher than ever. This was not only based on excellent operational performance but also on the strength of our customer proposition: a wide range of integrated services, flexibility, reliability, expertise, worldwide presence and control and visibility over the customer's supply chain. We also have committed employees. Employee engagement improved, with record high 83% participation in our engagement survey and a higher overall engagement score.

We made progress in the execution of our strategy. For example, we successfully reduced intercontinental air capacity exposure through blocked-space agreements. We also gained ground on our cost reduction programmes, achieving indirect cost savings of €50 million and implementing nearly two-thirds of the €100 million 2012 to 2013 fixed cost savings programme.

Our financial performance, however, did not meet expectations. Difficult macroeconomic conditions in Europe, coupled with continued pressure on yield, as a result of continuing price pressure and the switch to lower-priced Economy products, had a negative impact. These effects were only partially mitigated by cost reductions. And while the losses in our Brazilian operations were reduced, we did not realise the level of improvements we had aimed for. Our Asia Pacific segment showed very good progress and generated a positive return on an adjusted basis, despite lower Asia-Europe demand.

We now have a clear challenge for the company: improve our financial performance. The full Management Board, with the support of our Supervisory Board, is developing a specific improvement programme, with the existing strategy as the starting point. We are in the process of reviewing initiatives that will accelerate growth in those segments in which we have a differentiating position and that will significantly increase our cost competitiveness. We will present a detailed improvement plan on 25 March 2013.

We are confident of success, based on our strong market positions and the enormous positive momentum that exists within the company.

In closing, I wish to thank our employees for their steadfast pursuit of customer excellence over the past year.

Kind regards,

Bernard Bot

Chief Executive Officer (ad interim)

II. REPORT OF THE EXECUTIVE BOARD

- Revenue growth: 1.1%
- Adjusted revenue decline: 1.7%
- Reported loss for the period attributable to the equity holders of the parent: €83 million
- Total dividend: €0.03 per share
- Net cash: €139 million
- Reported operating income: €89 million
- Adjusted operating income: €188 million
- Net cash from operating activities: €271 million

FINANCIAL HIGHLIGHTS

Financial highlights	Reported			Adjusted (non-GAAP)		
Year ended at 31 December	2012	variance %	2011	2012	variance %	2011
Total revenues	7,327	1.1	7,246	7,126	(1.7)	7,246
Other income	(11)	(257.1)	7			
Operating income	89		(105)	188	(16.4)	225
as % of total operating revenues	1.2		(1.4)	2.6		3.1
Net financial expense	(34)	24.4	(45)			
Income taxes	(128)	(28.0)	(100)			
Results from investments in associates	(8)	63.6	(22)			
Profit/(loss) for the period	(81)		(272)			
Attributable to:						
Non-controlling interests	2		(2)			
Equity holders of the parent	(83)		(270)			
Cash generated from operations	383	6.7	359			
Net cash from operating activities	271	41.9	191			
Net cash used in investing activities	(84)	46.8	(158)			
Net debt/(cash)	(139)		7			

(in € millions, except percentages)

SUBDUED PERFORMANCE IN EUROPE & MEA, IMPROVED PROFITABILITY IN ASIA PACIFIC AND AMERICAS

In 2012, TNT Express experienced a decline in adjusted revenues and adjusted operating income.

In Europe & MEA, revenues remained flat, despite healthy volume growth, as a result of price pressure and negative product mix effects. The decline in yield was only partially offset by cost savings, resulting in lower adjusted results.

In Asia Pacific, revenue declined due to lower Asia-Europe demand, targeted restructuring of large international accounts, reductions in China Domestic (Hoau) 'Less than Truck Load' (LTL) volumes and the exit of the domestic businesses in India (India Domestic). However, yield improvements in our domestic activities and solid cost containment secured a strong improvement in adjusted operating income.

In Brazil, the adjusted revenue increase was the net result of a modest decline in volumes and solid yield improvements. Though the targeted improvements were not realised, adjusted operating income improved.

Control of investments and working capital ensured a positive cash flow before financing and dividends. At the end of 2012, net cash improved to €139 million in comparison to net debt of €7 million at the end of 2011. With available cash and cash equivalents of €401 million and an undrawn facility of €570 million, TNT Express' financial position is sound, as reflected in its BBB+ 'Stable' and Baa2 'Negative' credit ratings.

TNT Express proposes to compensate the loss out of the distributable part of the shareholders' equity and to pay a pro-forma dividend relating to the full year 2012 adjusted results of €0.03 per share, out of the distributable part of the shareholders' equity. The dividend is to be received in stock or in cash. The proposed dividend represents a payout of 39% of normalised net income ('profit attributable to equity holders of the parent' adjusted for significant one-off and exceptional items) over the full year 2012.

UPS OFFER

On 19 March 2012, United Parcel Service, Inc. (UPS) and TNT Express reached an agreement on a recommended all-cash offer by UPS of €9.50 per ordinary share for TNT Express. The Executive Board and Supervisory Board of TNT Express unanimously supported the offer, believing the merger was feasible and beneficial to all stakeholders. 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. The EC did not consider these remedies to be sufficient, resulting in its decision to prohibit the merger on 30 January 2013. Anticipating this decision, UPS informed TNT Express it would no longer pursue the transaction and confirmed payment of the agreed €200 million termination fee to TNT Express. Consequently, on 14 January 2013, TNT Express announced that it would focus on the execution of its stand-alone strategy. TNT Express received payment of the termination fee on 13 February 2013.

REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Total operating revenues

In 2012, total reported operating revenues increased by €81 million to €7,327 million. The net impact of foreign exchange differences was €201 million positive. Adjusted revenues declined by 1.7% to €7,126 million.

Volumes (consignments, kilogrammes)

Average consignments per day

Year ended at 31 December	2012	variance %	2011
Europe & MEA	766	5.7	725
Asia Pacific	167	(8.2)	182
Brazil	36	(2.7)	37
Other Americas	18	5.9	17

(in thousands, except percentages)

Average kilogrammes per day

Year ended at 31 December	2012	variance %	2011
Europe & MEA	14,843	1.2	14,661
Asia Pacific	10,720	(19.9)	13,391
Brazil	2,213	(0.4)	2,223
Other Americas	974	(8.6)	1,066

(in thousands, except percentages)

In a weak economic environment, average consignments and average kilogrammes per day in Europe & MEA increased by 5.7% and 1.2%, respectively. This resilient volume growth reflects TNT Express' strong market position in Europe. Consignment growth exceeded kilogramme growth due to a general decrease in the weight of shipments and higher growth in the lower weight B2C (business-to-consumer) customer segment. In Asia Pacific, the decline in average consignments and average kilogrammes per day was the result of a changed business mix in China Domestic, targeted reductions in Chinese international key account volumes and the exit of India Domestic. In Brazil, volumes moderately declined.

Other income/(loss)

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).

Operating expenses

Total operating expenses decreased by €131 million to €7,227 million (2011: 7,358).

Operating expenses

Year ended at 31 December	2012	variance %	2011
Cost of materials	480	(0.4)	482
Work contracted out and other external expenses	3,880	1.9	3,809
Salaries and social security contributions	2,302	2.9	2,238
Other operating expenses	274	(18.2)	335
Operating expenses excluding depreciation, amortisation and impairments	6,936	1.0	6,864
Depreciation, amortisation and impairments	291		494
Total operating expenses	7,227	(1.8)	7,358

(in € millions, except percentages)

Cost of materials

Cost of materials was largely in line with 2011, with moderately higher fuel expenses offset by cost savings.

Work contracted out and other external expenses

Work contracted out and other external expenses include fees paid for subcontractors, external temporary staff, rent and leases. These costs increased by €71 million (1.9%) compared to 2011 as a result of higher volumes and higher subcontractor prices.

Salaries and social security contributions

Salaries and social security contributions increased by €64 million to €2,302 million (2.9%) in 2012 compared to 2011. The increase in salary costs was largely due to annual salary inflation. Average FTEs decreased from 78,155 in 2011 to 69,814 in 2012, due to the outsourcing of certain activities in China, the closure of the domestic air network in India and restructuring in Brazil.

In 2012, salary costs included €6 million in restructuring-related charges in Brazil. In 2011, these costs 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.

In 2012, pension cost (€61 million) was higher than 2011 (€39 million), mainly due to a €16 million 2011 settlement gain on pensions as a result of the demerger.

Other operating expenses

Other operating expenses consist of government legal fees, marketing, consulting, shared service costs and auditors' fees and decreased by €61 million (18.2%) in 2012 compared to 2011, due to on-going cost control on external spend.

Total operating expenses excluding depreciation, amortisation and impairments, increased by €72 million (1.0%) to €6,936 million (2011: 6,864). Year-on-year total operating expense per consignment decreased by 1.2%, while total operating expense per kilogramme increased by 10.6%.

Total depreciation, amortisation and impairment costs

Total depreciation, amortisation and impairment costs decreased by €203 million (41%) due to lower impairment charges. In 2012, impairments were taken on assets held for disposal in China Domestic (€75 million) and a liquidated domestic entity in India (€19 million). In 2011, impairments were taken on goodwill and customer relationship in Brazil (€224 million), aircraft in Europe & MEA and Asia Pacific (€45 million) and software in Non-allocated (€16 million).

Adjusted operating income for the financial years ended 31 December 2012 and 2011

Total reported operating income was €89 million in 2012. TNT Express calculates an adjusted operating income by adjusting for business one-offs, miscellaneous one-offs and foreign exchange differences. These are prepared by management to analyse the results excluding non-recurring items for a deeper understanding of the business performance. The presentation and disclosure of the adjusted operating income is not in conformity with IFRS and is unaudited.

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

The table below sets out the unaudited adjusted operating income per segment for the financial years ended 31 December 2012 and 2011.

Adjusted operating income

Year ended at 31 December	Reported 2012	Business one offs	UPS offer-related	Adjusted 2012	Foreign exchange	Adjusted 2012 (at constant rates)	Adjusted 2011	Business one offs	Demerger related	Reported 2011
Europe & MEA	289			289	(11)	278	380	15	9	356
Asia Pacific	(93)	111		18	(7)	11	(31)	43	2	(76)
Brazil	(73)	7		(66)	(6)	(72)	(96)	236		(332)
Other Americas	(22)			(22)	1	(21)	(27)		1	(28)
Other Networks	14			14		14	20			20
Non-allocated	(26)	1	6	(19)	(3)	(22)	(21)	28	(4)	(45)
Operating income	89	119	6	214	(26)	188	225	322	8	(105)

(in € millions)

Significant factors in TNT Express' 2012 performance included both business and UPS offer-related one-offs, while in 2011 they included both business and demerger related one-offs, which are discussed below.

In 2012, business one-offs included:
- In Asia Pacific, goodwill impairment charges of €75 million in China Domestic and €19 million in India Domestic and a fair value adjustment of €17 million related to two Boeing 747 freighters.
- In Brazil, an impairment charge of €1 million and restructuring-related costs of €6 million.
- In Non-allocated, a software impairment charge of €1 million.

In 2012, UPS offer-related one-offs of €6 million were recorded in Non-allocated.

In 2011, business one-offs included:
- In Europe & MEA, aircraft impairment of €6 million and restructuring-related charges of €9 million.
- In Asia Pacific, aircraft impairment of €39 million and a €4 million restructuring-related charge.
- In Brazil, impairment of €224 million, predominantly related to goodwill and customer relationships as well as a restructuring-related charge of €12 million.
- In Non-allocated, non-recurring restructuring-related charges of €28 million related mostly to redundancy payments of €12 million and software impairment of €16 million.

In 2011, demerger-related one-offs included:
- Share-based payment costs linked to the accelerated unwinding of TNT N.V. equity schemes of €14 million.

- A one-off settlement gain of €16 million, as a result of the separate execution agreements for the Dutch pension schemes.

Net financial expense

Year ended at 31 December	2012	variance %	2011
Interest and similar income	16	(23.8)	21
Interest and similar expenses	(50)	24.2	(66)
Net financial expense	(34)	24.4	(45)

(in € millions, except percentages)

Net financial expense decreased by €11 million, mainly due to a €5 million decline in fair value hedges and net foreign exchange losses, and €7 million lower interest on foreign currency hedges. The decrease in interest on foreign currency hedges was caused by lower interest rate differentials between currencies in foreign exchange forward contracts, mainly in EUR/USD.

Income taxes

Year ended at 31 December	2012	variance %	2011
Current tax expense/(income)	92	(14.8)	108
Deferred tax expense/(income)	36	550.0	(8)
Total income taxes	128	28.0	100

(in € millions, except percentages)

Total income taxes amounted to €128 million (2011: 100) or 272.3% (2011: -58.1%) of the profit before tax of €47 million (2011: -172). The current tax expense was €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 (refer to chapter 5 for more information). The increase in total income tax expense is mainly due to derecognition of previously recognised deferred taxes.

The effective income tax rate differs significantly from the average statutory income tax rate of the countries in which TNT Express operates, mainly a result of non-deductible impairments, the derecognition of previously recognised deferred tax assets and current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets.

Results from investments in associates

At 31 December 2012, investments in associates were €10 million (2011: 20), mainly related to investments made by Logispring Investment Fund Holding B.V. (whose sole activity is to invest in start-up companies) and TNT Europe Finance B.V. The portfolio of start-up companies was allocated to TNT Express as part of the demerger of TNT N.V. The loss in results from investments in associates was due to a fair value adjustment of €8 million following deteriorated prospects for the larger investments. No investments in new portfolio companies have been made since 2008.

Condensed consolidated cash flow statement

Year ended at 31 December	2012	variance %	2011
Cash generated from operations	383	6.7	359
Interest paid	(46)	20.7	(58)
Income taxes paid	(66)	40.0	(110)
Net cash from operating activities	271	41.9	191
Net cash from other investing activities	38	81.0	21
Net cash from acquisitions and disposals	2		3
Net cash used in capital investments and disposals	(124)	31.9	(182)
Net cash used in investing activities	(84)	46.8	(158)
Net cash used in dividends and other changes in equity	(2)		(23)
Net cash used in debt financing activities	(34)		(566)
Net cash used in financing activities	(36)		(589)
Changes in cash and cash equivalents	151		(556)

(in € millions, except percentages)

Net cash from operating activities

In 2012, cash generated from operations increased by €24 million to €383 million. Net cash from operating activities increased by €80 million to €271 million, mainly due to positive effects of active working capital management.

Trade working capital, calculated as trade accounts receivable minus trade accounts payable as a percentage of revenue, improved from 9.4% in 2011, to 8.0% in 2012.

Net cash used in investing activities

Net cash used in investing activities decreased to €84 million. The €58 million year-on-year decrease of net cash used in capital investments and disposals partly reflects €34 million demerger-related real estate transfers from PostNL N.V. (PostNL) in 2011. There were no acquisitions in 2012.

Capital expenditure on intangible assets and property, plant and equipment

Net capital expenditure

Year ended at 31 December	2012	variance %	2011
Property, plant and equipment	121	(19.9)	151
Intangible assets	24	(36.8)	38
Cash out	145	(23.3)	189
Proceeds from sale of property, plant and equipment	21	200.0	7
Disposals of intangible assets	0	0.0	0
Cash in	21	200.0	7
Netted total	124	(31.9)	182

(in € millions, except percentages)

Net capital expenditure by segment

Year ended at 31 December	2012	variance %	2011
Europe & MEA	60	(25.0)	80
Asia Pacific	26	(18.8)	32
Brazil	5	(16.7)	6
Other Americas	5	0.0	5
Other Networks	11		12
Non-allocated	17	(63.8)	47
Total net capex	124	(31.9)	182

(in € millions, except percentages)

Capital expenditure on intangible assets and property, plant and equipment totalled €145 million (2011: 189). The capital expenditure in 2011 included €34 million demerger-related real estate transfers from PostNL. Net capital expenditure amounted to 1.7% of reported revenues (2011: 2.5%).

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

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 was related to the sale of three aircraft. The remaining proceeds relate to the sale of vehicles and other depot equipments.

Net cash used in financing activities

In 2012, net cash used in financing activities of €36 million, mostly pertained to the total net repayments on long-term borrowings, local bank debt, short-term borrowings and repayments of finance leases.

In 2011, net cash used in financing activities of €589 million, mostly related to the pre-demerger settlements of intercompany balances between PostNL and TNT Express of €526 million.

Net cash

On 31 December 2012, net cash was €139 million. Control of investments and working capital was an important contributor to this year-end position. The net debt position as per 1 January 2012 was €7 million.

Borrowings

On 16 March 2011, TNT Finance B.V., a fully-owned subsidiary of TNT Express, entered into a five-year €570 million syndicated revolving credit facility with its relationship banks. The facility includes a €285 million credit line that allows for instant financing of redemptions under a commercial paper programme. The facility bears interest at the applicable interbank rate plus a margin depending on TNT Express' credit rating. The facility does not contain financial covenants and cannot be accelerated in case of a rating downgrade, but does contain a change of control clause and other common market practice clauses.

On 6 December 2006, TNT Airways N.V./S.A., an indirectly wholly-owned subsidiary of TNT Express, entered into agreements with respect to the lease of two Boeing 747 freighters, which are guaranteed by TNT Express. The outstanding debts at 31 December 2012 under these finance leases with maturities of December 2016 and May 2017 were US$104 million and US$109 million, respectively.

The annual amortisation included in the lease term is in total around US$14 million per year. The leases bear interest at the six-month interbank dollar-rate plus a credit charge, which depends on TNT Express' credit rating. The finance leases do not include financial covenants and cannot be accelerated in case of a rating downgrade, but do contain a change of control clause and other common market practice clauses. The floating interest payments in the lease are fixed via interest rate swaps for the remaining life of the leases.

Dividend proposal

The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to propose to compensate the loss out of the distributable part of the shareholders' equity and to pay a 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.

III. EXECUTIVE BOARD COMPLIANCE STATEMENT

The 2012 Annual Report of TNT Express N.V. has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Dutch disclosure requirements for annual reports.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH CORPORATE GOVERNANCE CODE

The Executive Board confirms that, in addition to adequately functioning internal controls, it is responsible for TNT Express' risk management, integrity and compliance systems and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2012. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT Express' external auditors.

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

The Executive Board believes to the best of its knowledge based on the outcome of TNT Express' specific approach to risk management, internal control, integrity and compliance, that TNT Express' risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2012 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

The above does not imply that TNT Express can provide certainty as to the realisation of business and financial strategic objectives, nor can TNT Express' approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations.

In view of the above, the Executive Board believes that it is in compliance with best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

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

- The 2012 financial statements for the year ended 31 December 2012 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express and its consolidated companies.
- The additional management information disclosed in the 2012 Annual Report gives a true and fair view of TNT Express and its related companies as at 31 December 2012 and the state of affairs during the financial year to which the report relates.
- The 2012 Annual Report describes the principal risks facing TNT Express. These are described in detail in chapter 4.

Hoofddorp, 18 February 2013

Bernard Bot – Chief Executive Officer (ad interim)
Jeroen Seyger – Chief Financial Officer (ad interim)

IV. STRATEGY: BUILDING ON STRENGTHS

CONTEXT

TNT Express is a global provider of express and related services. Over time, TNT Express' has developed its network and footprint in response to customer demand. From a strong base in Western Europe, TNT Express established a strong presence in Eastern Europe, the Middle East and Africa, mainly though organic growth. Outside Europe & MEA, TNT Express developed regional and intercontinental networks and acquired domestic operations (among others, Hoau in China and TNT Mercúrio, Expresso Araçatuba and LIT Cargo in South America) to tap the potential of these markets.

In 2011, TNT Express became an independent company following its demerger from PostNL (previously TNT N.V.). In February 2012, TNT Express presented its stand-alone strategy *'Building on Strengths'.*

On 19 March 2012, UPS and TNT Express jointly announced that they had reached agreement on the main terms and conditions of an offer by UPS for TNT Express. Following a protracted merger approval process with the European Commission (EC), the Merger Protocol was terminated after the EC prohibited the merger on 30 January 2013.

Throughout the intended merger completion process, TNT Express continued to execute its strategy and to deliver on its mission *'to connect businesses, markets and people in a sustainable way, through a global team of empowered people*' with a vision *'to be the most admired delivery company'.*

Details of TNT Express' *'Building on Strengths'* strategy and the progress made in 2012 are provided below.

STRATEGIC AGENDA

TNT Express' strategic agenda is to:

- focus on Europe;
- connect Europe with the rest of the world;
- implement structural efficiencies;
- reduce exposure to domestic activities in emerging markets;
- maximise free cash flow; and
- embed corporate responsibility in all activities.

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

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

Focus on Europe

Europe is the 'home' market and stronghold for TNT Express. Within the B2B (business-to-business) domestic and intra-European express market segment (estimated size €21 billion in 2011), TNT Express is a market leader with a market share of 17%[1].

TNT Express built its leadership position on a unique product and service offering and best-in-class networks and infrastructure. Differentiating elements include:

- A broad product portfolio ranging from time-critical/same-day deliveries through heavy freight shipments to various value-added services.
- A service-oriented organisation with knowledgeable and experienced staff that delivers excellent service and builds long-term customer relationships.
- Two centrally coordinated and integrated linehaul networks: the air network (connecting 65 destinations through a fleet of 45 aircraft) and the road network (connecting 40 European countries through 20 international road hubs). These complementary European networks enable customers to switch from air to road and vice versa.
- A dense depot infrastructure and related extensive last-mile-delivery capability, which enables truly next-day delivery throughout Europe.
- A unique outsourcing and subcontracting approach that makes it possible for TNT Express to lower costs and react quickly to changing circumstances.

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

The following are examples of some of the initiatives rolled out in 2012 by TNT Express to strengthen its market position:

Next-day-by-road solutions
With its dense domestic and intra-European air and road networks, TNT Express can seamlessly operate across geographical borders to serve Europe as one market. In 2012, TNT Express introduced new next-day-by-road linehauls. The next-day-by-road cross-border linehauls currently connect 23 countries on a daily basis with 52 unique next-day border crossings. The growth in cross-border volumes enables TNT Express to increase its market share by road in both intra-European express as well as intra-European economy. This allows the company to refocus its air network on longest-distance and highest-value shipments. In line with this development, new rate cards were introduced that are based on zones that cover multiple countries (rather than distinguishing between domestic and international flows).

Value-added solutions for core verticals
TNT Express offers innovative value-added solutions to key customers in its core verticals, complementing its network activities. These solutions are industry-specific and include time-critical deliveries, dedicated air and road freight services and value-added activities. New value-added solutions, such as City Logistics, PharmaSafe and Service Logistics were rolled out in 2012.

- *City Logistics* delivers ‘zero-emission’ last-mile solutions for city centres in an innovative and collaborative effort of vehicle manufacturers, customers, city authorities and TNT Express.
- *PharmaSafe* is a specialised temperature-controlled supply chain service for the reliable transport of large quantities of pharmaceutical products, such as vaccines and insulin.
- *Service Logistics* is a set of solutions to support logistical activities linked to the servicing of a sold product, including the provision of service parts and return solutions.

Small and Medium Enterprise (SME) customers
TNT Express has historically been strong in the so-called territory sales channel targeted at SMEs. These customers’ have broadly distributed geographic demand (domestic, intra-Europe and intercontinental) with relatively greater focus on express and parcel products. TNT Express attracts and retains SMEs by delivering consistently high service levels and an integrated marketing and sales customer contact strategy, resulting in higher than average margins. In 2012, marketing initiatives targeted at this segment generated a significant number of new customers.

Connect Europe with the rest of the world

TNT Express’ objective is to reduce its exposure to fixed intercontinental capacity, while enhancing its global service coverage through partnerships with leading airlines. This was achieved in 2012, as TNT Express entered into cooperation agreements with multiple leading airlines covering predominantly TNT Express’ routes to and from Asia Pacific and North and South America.

In April, Emirates SkyCargo placed its airline code and used space on TNT Airways’ Boeing 777 freighter flights on the New York-Liège and Hong Kong-Dubai-Liège routes. In December, TNT Express entered into blocked-space agreements with other providers and expanded its air cargo sales activities.

Given the intended merger with UPS, marketing of TNT Airways’ Boeing 747 freighters was suspended. This is being reviewed as part of the 2013 strategy update.

Implement structural cost efficiencies

In 2012, TNT Express completed its targeted €50 million indirect cost reduction programme. Savings were realised in head office costs and in the costs of administrative and support activities in the rest of the company. In addition, TNT Express launched a programme to reduce fixed costs by €150 million by the end of 2013. Following the announcement of the merger with UPS, the timing of certain long-term projects was temporarily adjusted, reducing the savings target to around €100 million by the end of 2013, consisting mainly of savings in local operations and infrastructure. Nearly two-thirds of the overall targeted savings have been realised from this programme in 2012.

European Air Network optimisation
TNT Express’ air network configuration was adjusted to capture savings with minimum impact on service levels.

Non-core and non-customer facing processes
TNT Express identified a number of non-core and non-customer facing processes in operations, administration and ICS (Information Communication Services) that could be further optimised. In 2012, several ICS projects were implemented including a number of telecommunication initiatives. Implementation of other projects was suspended in light of the merger with UPS.

Central and regional overhead costs
Overhead costs were further reduced by reorganising central and regional staff and discontinuing non-critical activities.

Local operations and infrastructure
In 2012, significant savings were realised in the areas of road linehaul, pick-up and delivery and other operations.

Further cost saving measures have been identified and are planned for roll-out in 2013.

Reduce exposure to domestic activities in emerging markets

In line with its strategy to focus on Europe, TNT Express seeks to reduce its financial exposure to domestic activities in emerging markets.

Over the year, TNT Express' China Domestic business further consolidated its position as a leader in the domestic day-definite segment. At the end of the year, day-definite represented 35.6% of Hoau's turnover (2011: 28.4%). During 2012, TNT Express started to explore divestment opportunities for its domestic activities in China (Hoau). The outcome of this divestment process will be known in the first quarter of 2013.

In India, TNT Express discontinued its domestic air activities, following the sale of its domestic road activities to a logistics subsidiary of India Equity Partners (IEP) in December 2011.

In Brazil, TNT Express is one of the larger domestic express companies. Revenues increased year-on-year through higher prices, and service quality and operational performance were at target levels. While adjusted operating losses declined, the turnaround proved to be more challenging than had been expected and improvement targets were not realised. Additional yield and cost reduction actions were implemented in the course of the year.

The exploration of partnership options for the Brazilian domestic activities was suspended following the announcement of the merger with UPS, based on the interest of UPS in retaining these businesses.

Maximise free cash flow

TNT Express' approach to capital allocation and cash and risk management is in line with its overall strategy and focuses on value creation. To this effect, TNT Express' financial management has the following objectives:

- *Prioritising investments*: A rigorous review process is in place to maintain capital expenditure at around 2% to 3% of turnover, with higher outlays linked to major strategic investments.
- *Controlling working capital*: Cash and liquidity are centrally managed (centralised funding and surplus cash concentration) and supported by working capital initiatives to ensure that trade working capital remains around 10% of turnover.
- *Managing market and operational risks:* Exposure to market risks (interest, currency and commodity risks) is hedged through a combination of primary and derivative financial instruments (swaps, forward transactions and cross currency swaps) and contractual terms (fuel surcharge). Operational risks are covered through business continuity planning and a comprehensive insurance policy, which includes a mix of self insurance, reinsurance and direct external insurance.
- *Optimising the cost of capital while preserving the company's financial stability and flexibility*: Internal and external funding is structured to optimise the cost of capital, within long-term sustainable targets. The strength of our capital structure is also relevant to our customers as we provide them with a long-term strategic service. TNT Express has set an investment grade target rating of BBB+/Baa1. Liquidity is ensured through the availability of at least €400 million to €500 million in undrawn committed facilities.

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

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

An essential outcome of TNT Express' strategy is to meet shareholders' expectations. Accordingly, TNT Express stand-alone strategy aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividends and ad-hoc, tax-exempt share repurchases or other returns of excess cash.

TNT Express' intention is to pay a dividend that develops in line with operational performance. TNT Express intends to pay a dividend of around 40% of normalised net income, and aims to pay interim and final dividends in cash and/or stock. Furthermore, cash and/or stock may be offered as part of an optional dividend.

Embed corporate responsibility in all activities

TNT Express' corporate responsibility (CR) strategy is integrated in the overall business strategy that strives to fully embed CR within all activities. To achieve optimal buy-in and involvement, TNT Express implemented a CR governance structure (as described in chapter 4), with the responsibility for the development and execution of the CR strategy delegated to each region and operating unit.

The CR strategy provides a global framework for all TNT Express' operating units, with guidelines on the development of environmental and social programmes that deliver value for customers, local communities, the environment and TNT Express. The strategic dimensions and related objectives are:

- **Social:** To enhance the safety and well-being of employees worldwide. TNT Express' ambition is to meet and exceed, where possible, all health and safety obligations. This is supported by workplace, road safety and general health and safety best practice processes, and training programmes involving employees and partners.
- **Environment:** To reduce the consumption of energy and other natural resources, for instance, through the delivery of 'zero-emission' supply chain solutions to customers.
- **Business:** To engage with customers to understand their needs and share best practices. TNT Express also encourages subcontractors and suppliers to adopt TNT Express' approach to CR.

TNT Express is convinced that collaboration is crucial to deliver shared value through these objectives. This includes cross-functional collaboration within TNT Express, as well as collaboration with customers, partners and other key stakeholders to ensure that TNT Express' values are delivered through win-win partnerships.

TNT Express' CR performance is measured on a continuous basis according to internationally recognised standards.

Refer to chapter 3 for information pertaining to the development of TNT Express' CR strategy.

2013 PRELIMINARY GUIDANCE

- Challenging trading conditions foreseen in 2013 with related continued negative development of operating results in Europe & MEA
- Asia Pacific and Other Americas to perform in line with prior year
- Other Networks profitability affected by the discontinuation of a major Fashion contract
- Brazil expected to reduce losses

CHAPTER 2 BUSINESS PERFORMANCE

I. GENERAL MARKET AND BUSINESS CHARACTERISTICS

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

TNT Express, headquartered in Hoofddorp, the Netherlands, has a worldwide presence and offers domestic, regional and intercontinental delivery. The company has own operations in 61 countries and can deliver to more than 200 countries through own operations, subcontractors and agents.

TNT Express' customers range from multinationals to small enterprises, and are concentrated in the technology, automotive, industrial, healthcare and lifestyle (fashion) industries.

Services are delivered through a combination of physical infrastructures such as depots, aircraft and vehicles and electronic infrastructures such as track-and-trace systems. TNT Express operates interconnected international air and road networks. The air network consists of a central air hub in Liège, Belgium, and a fleet of 51 aircraft. The road networks are operated in Europe, the Middle East, Asia, Australia and South America.

The CEP market and more specifically, the express business, is cyclical and highly sensitive to fluctuations of trade flows. Due to the close relationship between trade flows and economic development, a strong correlation exists between the development of the industry and GDP development. The declining trend experienced in the global economy growth during 2011 continued in 2012, with an estimated global real GDP[2] growth of around 1.8% compared to 2.5% in 2011.

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

[2] Real GDP information source: EIU (Economist Intelligence Unit); global GDP calculated based on weighted average revenue based on TNT Express' presence.

II. OVERVIEW

Set out in the tables below are the unaudited adjusted revenue and adjusted operating income per segment for the financial years ended 31 December 2012 and 2011. Compared to 2011, the Americas segment has been split into Brazil and Other Americas to reflect the amended organisational structure. Adjusted revenue and operating income are calculated as revenue and operating income after the adjustment for business one-offs, miscellaneous one-offs, and foreign exchange differences and are prepared by management to analyse the results excluding non-recurring items for a deeper understanding of the business performance. Presentation and disclosure of adjusted revenue and adjusted operating income are not in conformity with IFRS and are unaudited.

The overall adjusted revenue decline of 1.7% in 2012 was the result of limited growth in Europe & MEA (0.2%), lower demand for Asia-Europe transport coupled with targeted reductions in Asia Pacific (-10.0%), improved yield in Brazil (6.5%) and higher revenues in Other Americas (2.5%).

Compared to 2011, adjusted operating income declined, principally because of €102 million lower results in Europe & MEA. Performance improved in Asia Pacific (€42 million) and losses in Brazil were reduced (€24 million).

Revenue and operating income by segment, reported and adjusted

	Reported						Adjusted (non-GAAP)		
Revenues	2012	variance %	2011	Foreign exchange	Demerger related	Business one-offs	2012	variance %	2011
Europe & MEA	4,605	1.8	4,525	(73)			4,532	0.2	4,525
Asia Pacific	1,755	(2.3)	1,797	(137)			1,618	(10.0)	1,797
Brazil	304	(1.6)	309	25			329	6.5	309
Other Americas	172	8.9	158	(10)			162	2.5	158
Other networks	498	7.6	463	(6)			492	6.3	463
Non-allocated	(7)		(6)	0			(7)		(6)
Total	7,327	1.1	7,246	(201)			7,126	(1.7)	7,246
Operating income									
Europe & MEA	289	(18.8)	356	(11)			278	(26.8)	380
Asia Pacific[1]	(93)	(22.4)	(76)	(7)		111	11		(31)
Brazil[2]	(73)	78.0	(332)	(6)		7	(72)	25.0	(96)
Other Americas	(22)	21.4	(28)	1			(21)	22.2	(27)
Other networks	14	(30.0)	20				14	(30.0)	20
Non-allocated[3]	(26)		(45)	(3)		7	(22)		(21)
Total	89		(105)	(26)		125	188	(16.4)	225
Operating income margin (%)									
Europe & MEA	6.3		7.9				6.1		8.4
Asia Pacific	(5.3)		(4.2)				0.7		(1.7)
Brazil	(24.0)		(107.4)				(21.9)		(31.1)
Other Americas	(12.8)		(17.7)				(13.0)		(17.1)
Other networks	2.8		4.3				2.8		4.3
Non-allocated									
Total	1.2		(1.4)				2.6		3.1

Notes: non-GAAP adjustments

[1] 2012: 17 aircraft impairment, 94 goodwill impairment.
[2] 2012: 1 impairment, 6 restructuring.
[3] 2012: 6 UPS offer-related, 1 software impairment.

(in € millions, except percentages)

III. EUROPE & MEA

GENERAL

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

TNT Express operates a unique combination of European air and road networks, connecting strong domestic platforms. The European Air Network connects 65 airports through a fleet of 45 aircraft, while

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

the European Road Network connects 40 countries through 20 road hubs. TNT Express' infrastructure offers customers a wide range of services and superior delivery performance, even in less densely populated regions of Europe.

In the Middle East, TNT Express operates a regional road network connecting seven countries and three hubs as well as air-based services. In Africa, TNT Express has own operations in four countries and serves the rest of the continent through partnerships and agents.

2012 PERFORMANCE

In 2012, economic growth was highest in Norway and Turkey. Germany experienced positive growth, while growth in France was almost flat. Economic growth in Belgium, Greece, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom declined, with particularly large declines in the Southern European countries.

Europe & MEA overview

Year ended at 31 December	2012	variance %	2011
Adjusted revenues	4,532	0.2	4,525
Adjusted operating income	278	(26.8)	380
Average consignments per day ('000)	766	5.7	725
Revenue per consignment (€)[1]	23.1	(4.9)	24.3
Average kilogrammes per day ('000)	14,843	1.2	14,661
Revenue per kilogramme (€)[1]	1.19	(0.8)	1.20

[1] Based on reported revenues @avg11 rates.
(in € millions, except percentages)

Adjusted revenues increased by 0.2% despite a challenging economic environment. Benelux, Eastern Europe, France and the Middle East showed the strongest volume growth. Average consignments per day and average kilogrammes per day, grew by 5.7% and 1.2% respectively, reflecting TNT Express' strong position in Europe. Weight per consignment declined as a result of lower market trading activity and an increase in B2C volumes. Volumes in all product categories increased, with the highest growth in International Economy. As a result of the change in product mix, air network volumes decreased while road network volumes increased.

Revenue per consignment (RPC) and revenue per kilogramme (RPK) decreased by 4.9% and 0.8% respectively, as a result of on-going price pressure and product and customer mix effects. These declines had a significant impact on the development of the segment's operating income.

During the year, yield improvement measures were taken in all European countries. A range of marketing and sales initiatives, including targeted marketing campaigns and internal sales competitions, were implemented. A differentiated pricing approach, launched in 2011, was deployed throughout TNT Express, to support the acquisition, development and retention of SMEs. This approach has proven successful and contributed to overall improved performance by generating a higher level of new customers at attractive margins.

Service quality (measured by on-time delivery) was in line with 2011, at 95% for the year.

To counter cost inflation and lower yields, TNT Express implemented various efficiency and productivity initiatives. These initiatives targeted savings through subcontractor and linehaul productivity improvements, supplier tariff optimisation, lower procurement costs and application of 'lean' methodology to operational processes.

In April 2012, TNT Express was awarded the 2012 Franz Edelman Award for its Global Optimisation (GO) programme, which uses advanced operations research to optimise TNT Express' transport network. The awarded GO programme covers multiple aspects of TNT Express' operations including location planning, optimal truck routing, fleet management and staff scheduling.

During 2012, the available capacity in European Air Network was lowered by 9% through the sale of three British Aerospace 146 freighters and the reduction of leased third-party aircraft. This capacity reduction follows lower air volumes. Volumes in the European Road Network increased. The road network continued to perform strongly, both in terms of unit costs and operational service quality.

Higher volumes and cost control did not offset the significant negative impact of lower RPC and RPK on operating income.

IV. ASIA PACIFIC

GENERAL

TNT Express operates domestic and international express services within Asia Pacific and between Asia Pacific and Europe. TNT Express' dedicated intercontinental air fleet serves Chongqing, Shanghai, Hong Kong and Singapore. TNT Express also operates domestic and regional road networks in Asia. Its Asian Road Network connects more than 126 cities, thereby providing an attractive alternative to air and sea transportation. Within Asia Pacific, TNT Express has own subsidiaries in 16 countries, with its main operations in China and Australia.

In China, TNT Express operates one of the largest privately-owned, domestic, road transportation networks, Hoau, which connects more than 1,500 hubs and depots across the country. Hoau offers LTL and a unique day-definite road delivery service. As a result of TNT Express' revised focus, presented in its '*Building on Strengths'* strategy, a divestment process for Hoau was initiated. All related assets are currently classified as assets held for disposal.

In India, TNT Express sold its domestic road business at the end of 2011. As of 17 November 2012, TNT Express also discontinued its Indian domestic air operations, in line with a shift in focus to international services. TNT Express continues to offer inbound and outbound services in India, via its globally interconnected networks. It also continues to provide customer-specific specialised services, particularly to healthcare and logistics service customers.

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

2012 PERFORMANCE

Economic growth within Asia Pacific remained relatively robust. China's economic growth grew at a slower rate, in part due to lower exports to the United States and Europe.

Asia Pacific overview

Year ended at 31 December	2012	variance %	2011
Adjusted revenues	1,618	(10.0)	1,797
Adjusted operating income	11		(31)
Average consignments per day ('000)	167	(8.2)	182
Revenue per consignment (€)[1]	37.9	(1.6)	38.5
Average kilogrammes per day ('000)	10,720	(19.9)	13,391
Revenue per kilogramme (€)[1]	0.59	13.5	0.52

[1] Based on reported revenues @avg11 rates.
(in € millions, except percentages)

Adjusted revenues declined 10% as a consequence of lower volumes.

Lower volumes were driven by reduced Asia-Europe demand and targeted customer and service optimisation initiatives. Key account volumes from China to Europe fell through a combination of lower demand and actions taken to improve revenue quality. Domestic volumes in India significantly declined following the discontinuation of the domestic road and air businesses. Domestic volumes in China fell, with higher-volume LTL services substituted by higher-priced day-definite services. The latter impact is especially significant as China Domestic accounts for approximately 65% of all kilogrammes transported in Asia Pacific. Day-definite grew by more than 40% year-on-year and represented at year-end over 35% of revenues (2011: 30%), well on track to realise the projected 40% of revenues in 2013.

During 2012, TNT Express operated four freighters to and from Asia: two Boeing 747 freighters serving Chongqing, Shanghai and Singapore; and two Boeing 777 freighters serving Hong Kong. To limit exposure to volatile and weaker Asia demand, TNT Express entered into code-share and blocked-space agreements, which resulted in lower costs for Asia Pacific. Revenue related to these air cargo sales is recognised in the Europe & MEA segment.

Revenue quality improved as a result of the optimisation of the business portfolio. RPC declined by 1.6%, while RPK increased by 13.5%. The lower RPC is due to the changed business mix.

Adjusted operating income improved year-on-year by €42 million because of a significant reduction in losses in China, the exit of India Domestic and strong performances in Southeast Asia and Australia.

Despite lower revenues in TNT Express' China International business, adjusted operating income improved due to improved utilisation of available air capacity and cost reductions.

V. BRAZIL

GENERAL

TNT Express has established a key position in the domestic express market in Brazil, through the acquisitions of TNT Mercúrio and Expresso Araçatuba. Its network covers 140 locations around the country. TNT Express' high quality service offering is supported by hub automation and the application of leading track-and-trace technology.

2012 PERFORMANCE

Brazil overview

Year ended at 31 December	2012	variance %	2011
Adjusted revenues	329	6.5	309
Adjusted operating income	(72)	25.0	(96)
Average consignments per day ('000)	36	(2.7)	37
Revenue per consignment (€)[1]	35.5	10.2	32.2
Average kilogrammes per day ('000)	2,213	(0.4)	2,223
Revenue per kilogramme (€)[1]	0.58	7.4	0.54

[1] Based on reported revenues @avg11 rates.
(in € millions, except percentages)

In 2012, adjusted revenue grew by 6.5%, despite lower volumes, as a result of yield management. Several cost reduction measures were successfully implemented but were partly offset by significant regulated labour cost increases. Operating losses reduced year-on-year, but turnaround targets were not achieved.

VI. OTHER AMERICAS

GENERAL

The Other Americas segment consists of South America (including Chile and the international operations in Brazil) and North America.

TNT Express has a key position in the domestic express market in Chile, achieved by the acquisition of LIT Cargo. South America is connected via the South American Road Network.

TNT Express' operations in North America provide full service capabilities to its customers. TNT Express operates a dedicated service to and from Europe via New York, by the use of one of its Boeing 777 freighters. A portion of the capacity of the Boeing 777 freighter was made available to third parties, mostly under code-share and blocked-space agreements. TNT Express' four gateways (New York, Los Angeles, Chicago and Miami) feed a nationwide parcel distribution network that relies upon a combination of own operations, regional partners and commercial airlines. Through this configuration, TNT Express is able to provide next-day before 3:00pm delivery service to many key metropolitan areas across the United States.

2012 PERFORMANCE

Other Americas overview

Year ended at 31 December	2012	variance %	2011
Adjusted revenues	162	2.5	158
Adjusted operating income	(21)	22.2	(27)
Average consignments per day ('000)	18	5.9	17
Revenue per consignment (€)[1]	35.6	(4.6)	37.3
Average kilogrammes per day ('000)	974	(8.6)	1,066
Revenue per kilogramme (€)[1]	0.65	12.1	0.58

[1] Based on reported revenues @avg11 rates.
(in € millions, except percentages)

Adjusted operating income improved by €6 million, mostly due to stronger performance in Chile and North America and reduced regional overhead costs.

VII. OTHER NETWORKS

GENERAL

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

2012 PERFORMANCE

Other Networks overview

Year ended at 31 December	2012	variance %	2011
Reported revenues	498	7.6	463
Adjusted operating income	14	(30.0)	20

(in € millions, except percentages)

TNT Fashion's revenue and adjusted operating income increased primarily due to the growth of a major US fashion customer.

The resultant decline in Other Networks' adjusted operating income was wholly related to TNT Innight. TNT Innight was impacted by the general decline in the automotive industry, particularly in the transportation of spare parts. The relatively mild winter experienced in the first quarter of 2012 in Central Europe also resulted in a reduction in the demand for spare parts compared to the two preceding years.

VIII. NON-ALLOCATED

GENERAL

Non-allocated covers mainly the overhead expenses of activities related to TNT Express' head office and ICS. These costs are shown net of recovery charges allocated to individual geographic and business segments. Non-allocated also comprises specific one-off corporate expenses such as UPS offer-related costs and project costs.

2012 PERFORMANCE

Non-allocated overview

Year ended at 31 December	2012	variance %	2011
Reported revenues	(7)	(17)	(6)
Reported operating income	(26)	42	(45)
Demerger costs			10
Restructuring-related charges	1	(96)	28
UPS offer-related	6		
Pensions			(14)
Adjusted operating income	(19)	10	(21)

(in € millions, except percentages)

In 2012, adjusted non-allocated net costs at 2012 exchange rates amounted to €19 million, excluding €6 million UPS offer-related costs and write-offs of €1 million. Adjusted non-allocated costs were lower than in 2011, as a result of continued cost control and lower project costs.

CHAPTER 3 CORPORATE RESPONSIBILITY PERFORMANCE

I. CORPORATE RESPONSIBILITY FRAMEWORK

TNT Express' CR strategy complements the overall strategy of the company. Its strategy is to embed sustainability in all activities, with a focus on the development of social, environmental and business programmes that will deliver shared value.

STAKEHOLDER ENGAGEMENT AND MATERIALITY MATRIX

TNT Express has identified the following key stakeholder groups that have the most significant impact on the business: employees, customers, subcontractors, suppliers, investors and civil society organisations.

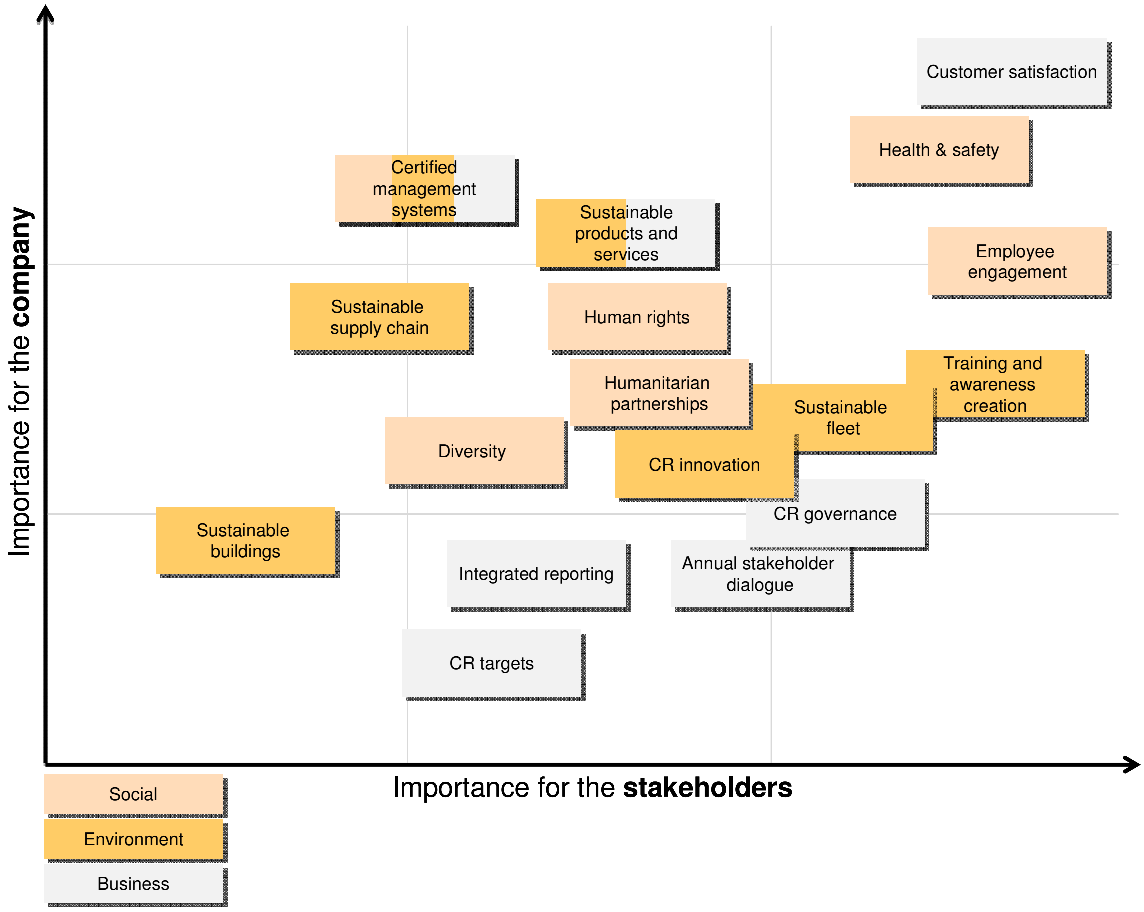
TNT Express systematically engages with these stakeholders to obtain perspectives and input on CR risks and opportunities. This provides TNT Express with valuable input used to formulate TNT Express' CR objectives and improve its CR measures.

TNT Express participates in benchmarks, assessments and surveys, and conducts regular consultations with individual stakeholders. The primary mode of engagement with stakeholders is the annual online multi-stakeholder survey, which highlights TNT Express' CR priorities, strengths, opportunities, risks and dilemmas, and generates information on the importance and materiality of these areas to stakeholders. The survey was sent out to approximately 4,500 stakeholders globally, with a response rate of more than 10%. The results of the survey are presented below in the CR Materiality Matrix.

The CR Materiality Matrix depicts the importance for stakeholders and the company (as represented by the CR Steering Committee) of various aspects represented in the three dimensions of TNT Express' CR strategy: social, environment and business.

TNT Express' Executive Board acknowledges the outcomes of the CR Materiality Matrix and considers them in the development of the CR strategy.

TNT Express' 2012 CR Materiality Matrix



CORPORATE RESPONSIBILITY STRATEGY AND MONITORING

TNT Express' CR strategy was developed based on feedback from the annual multi-stakeholder dialogue, the materiality matrix and dedicated strategy workshops with partners and business experts from TNT Express. The CR strategy is made operational in a three-year business plan.

The CR strategy, as described in chapter 1, is built upon the following dimensions:

- **Social:** To enhance the safety and well-being of employees worldwide. TNT Express' ambition is to meet and exceed, where possible, all health and safety obligations. This is supported by workplace, road safety and general health and safety best practice processes, and training programmes involving employees and partners.
- **Environment:** To reduce the consumption of energy and other natural resources, for instance, through the delivery of 'zero-emission' supply chain solutions to customers.
- **Business:** To engage with customers to understand their needs and share best practices. TNT Express also encourages subcontractors and suppliers to adopt TNT Express' approach to CR.

The principal monitoring and control processes for CR are:

- A global reporting and consolidation system, tracking CR data, supported by a dedicated CR reporting function under the responsibility of the CFO.
- A non-financial Letter of Representation with CR related questions, signed annually by senior management that confirms the reliability of the provided data and compliance with CR related policies.
- A review of control processes based on the Internal Control for Corporate Responsibility (ICCR) framework.
- Independent assurance reviews by internal and external auditors.

In addition, TNT Express measures progress on CR monthly, through a dedicated CR monitoring and reporting system.

TNT Express' CR performance is described in the following sections.

II. SOCIAL

Social performance KPIs

Year ended at 31 December (excluding Hoau)		2012	variance %	2011
Investors in people (% of total headcount)	♦	82%	(1.2)	83%
Employee engagement		71%		ND[1]
SA 8000 in non-OECD countries (% of total FTEs in non-OECD countries)	♦	52%	0.0	52%
OHSAS 18001 (% of total FTEs)	♦	84%	1.2	83%
Fatal accidents (involving TNT Express employees)[2]		9	(18.2)	11
Fatal accidents (involving subcontractors)[2]		21	(44.7)	38
Serious accidents	♦	13	(61.8)	34
Lost time accidents per 100 FTEs[3]	♦	2.87	(1.7)	2.92

[1] No data.

[2] Including Hoau.

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

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

INVESTORS IN PEOPLE

TNT Express utilises guidance from the Investors in People (IiP) standard within its operations to provide a consistent and structured approach to people management.

The involvement and skills of TNT Express' employees are vital to the success of TNT Express. The IiP standard requires identification and communication of clear business objectives to all employees to provide awareness and demonstrate the importance of their contribution to the success of TNT Express. In addition, the IiP standard requires that employees receive feedback on their job performance and are provided with a development plan and adequate training.

The objective is to achieve and maintain IiP certification for all operations. In 2012, 82% of all employees (excluding Hoau) were working in IiP certified sites (2011: 83%).

EMPLOYEE ENGAGEMENT

TNT Express' ambition is to be the employer of choice. TNT Express is a service organisation dependent on employees delivering the best possible service to customers. As such, employee engagement is vital to TNT Express.

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. For further details, refer to note 6 of the corporate responsibility statements.

SUCCESSION AND TALENT MANAGEMENT

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

Global talent development initiatives include development programmes designed to assess and improve the development areas that high potential employees require to bring them to the next level in their career. Senior management provide feedback to employees and act as personal coaches in development planning.

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

A new talent development programme, the 'Early Career Development' programme, was designed and implemented in 2012 and will be deployed globally through a train-the-trainer approach in 2013. This new programme targets early career potentials, including entry level talents and will primarily focus on improving personal impact and effectiveness.

TNT Express conducts annual performance calibration and 'Succession and Talent' reviews. The objective of these reviews is to discuss and assess employee performance results and to evaluate the readiness and succession planning of top talents.

SA 8000

TNT Express used the SA 8000 standard within its operations in non-OECD countries to provide a consistent and structured approach with respect to acceptable working conditions based on human rights. In 2012, 52% of all FTEs (excluding Hoau) in non-OECD countries were working in SA 8000 certified sites (2011: 52%).

HUMAN RIGHTS

Guidance on human rights is set out in the TNT Express Business Principles. For further details, refer to chapter 4. In 2012, TNT Express developed a policy on human rights that elaborates on the human rights section of the TNT Express Business Principles. The policy aligns with the United Nations Guiding Principles on Business and Human Rights. The policy is supported by a human rights self assessment survey. A training programme will be developed to educate specific employees.

TNT Express is represented on the advisory board and various committees of Social Accountability International (SAI), a non-governmental organisation established with the aim to promote human rights for workers around the world.

OHSAS 18001

TNT Express adopts the OHSAS 18001 management system standard within its operations to provide a consistent and structured approach for the management of workplace and road safety risks. The objective is to achieve and maintain OHSAS 18001 certification for all operations. In 2012, 84% of all FTEs (excluding Hoau) were working in OHSAS 18001 certified sites (2011: 83%).

ACCIDENTS

TNT Express recognises the importance of safety and therefore embeds clear responsibility and accountability for safety performance within its management structure. TNT Express is committed to improving safety performance and reports fatal accidents in both own and subcontractor operations.

Specific accident reduction plans have been developed at operational level. These focus on seven key areas: leadership and strategy; workplace safety; road safety; employee health and well-being; accident investigation and monitoring; competence and training; and communication and engagement.

TNT Express regrets to report nine fatal accidents in own operations in 2012 (2011: 11). All nine fatal accidents were road traffic fatal accidents (2011: 8), as TNT Express had zero workplace fatal accidents (2011: 3).

In 2012, TNT Express regrets to report 21 subcontractor road traffic fatal accidents (2011: 38).

TNT Express conducts its own internal investigations of accidents involving subcontractors to determine root causes and to identify corrective actions.

The number of serious accidents (excluding Hoau) decreased to 13 in 2012 compared to 34 in 2011. The number of lost time accidents (LTA) per 100 FTEs (excluding Hoau) improved from 2.92 in 2011 to 2.87 in 2012.

Road safety

TNT Express is committed to improving road safety across all its operations, with a particular emphasis on emerging markets, influencing where possible the external factors that affect its operations.

TNT Express recognises that work-related road safety is a significant business risk and has adopted minimum global standards for road safety management to effectively control risks associated with work-related driving. Each operational entity is responsible for translating these standards into operational practices. Best practices such as the safe driver, safe vehicle and safe journey approach, are shared among the global community to assist in the continuous improvement of road safety performance. Other road safety initiatives introduced over recent years include: road safety charters signed by senior managers and drivers; safe driving competitions linked to the 'Drive Me Challenge'; and driver recognition schemes.

The major challenges in reducing road accidents are to ensure consistent application of road safety standards, particularly in developing countries, and to ensure that subcontractors adopt similar road safety standards. Continued focus is being maintained on the following core elements: driver, vehicle, journey, and subcontractor management; to continue to reduce the number of fatal accidents.

PARTNERSHIPS

World Food Programme

TNT Express has been an active partner of the United Nations World Food Programme (WFP), the world's largest humanitarian aid agency, since 2002. By committing its knowledge, skills and resources, TNT Express supports WFP in fighting hunger worldwide. In 2012, TNT Express and WFP celebrated the 10th anniversary of their partnership and organised 'Walk the World'; an event to raise awareness to fight against hunger worldwide (www.tnt.com/wfp10years). Proceeds of the annual event have allowed WFP to provide 88 million school meals to children over the past 10 years.

Emergency Response

Since 2005, TNT Express has been a member of the Logistics Emergency Team (LET) together with UPS, Maersk, WFP and Agility. Through this partnership, as part of the United Nations Global Logistics Cluster (www.logcluster.org), TNT Express provides logistics support and personnel to large scale emergencies.

TNT Express has a team of over 30 experts on stand-by for disaster relief operations anywhere in the world. The members of the LET team are trained and prepared for action upon request by the United Nations Global Logistics Cluster. During 2012, TNT Express provided emergency response to the Philippines and provided expertise to improve the logistics capacity in key regions and countries. In addition, TNT Express developed and delivered LET training to all members.

Fleet Forum

Fleet Forum seeks to add value to transport effectiveness by providing leadership and support in low and middle-income countries in the areas of road safety, environmental impact and cost efficiency. TNT Express is a board member of Fleet Forum and is engaged to assist in the development of a global subcontractor policy.

North Star Alliance

North Star Alliance (North Star) is a public-private partnership established by TNT Express and WFP in 2006. North Star provides awareness, education and healthcare to truck drivers. In 2012, TNT Express' support towards North Star ranged from financial support to in-kind donations.

III. ENVIRONMENT

Environmental performance KPIs

Year ended at 31 December (excluding Hoau)		2012	variance %	2011
ISO 14001 (% of total FTEs)	♦	83%	(1.2)	84%
CO_2 emissions absolute of own operations (scope 1 and 2) (ktonnes)	♦	1,043	(7.0)	1,121
CO_2 emissions absolute of subcontractor operations (ktonnes)		1,277	(11.6)	1,445
CO_2 efficiency index	♦	89.9	(2.5)	92.2
CO_2 efficiency network flights (EAN + Domestic) (g CO_2/tonne km)	♦	1,590	0.8	1,578
CO_2 efficiency longhaul air (g CO_2 tonne km)	♦	431	(16.0)	513
CO_2 efficiency small trucks and vans (g CO_2/km)	♦	343	0.6	341
CO_2 efficiency large trucks (g CO_2/km)	♦	731	1.2	722
CO_2 efficiency buildings (kg CO_2/m^2)	♦	24.0	(7.3)	25.9
Energy efficiency buildings (MJoules/m^2)	♦	405	1.3	400
Sustainable electricity (% of total electricity)	♦	50%	6.4	47%

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

ISO 14001

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 achieve and maintain ISO 14001 certification for all operations. In 2012, 83% of all FTEs (excluding Hoau) were working in ISO 14001 certified sites (2011: 84%).

CO_2 AND ENERGY EFFICIENCY

TNT Express aims to decrease the environmental footprint of its entire supply chain. TNT Express has established action plans to deliver 'zero-emission' supply chain solutions to customers and markets by improving the operational efficiency of its own activities and that of its subcontractors. Other key initiatives to deliver shared value are the collaboration with key stakeholders and the offer of CO_2-reduction services to customers.

In 2012, the CO_2 footprint of TNT Express' own operations (scope 1 and 2 of the Greenhouse Gas Protocol) (excluding Hoau) decreased by 7.0% to 1,043 ktonnes (2011: 1,121), while that of subcontractor operations (scope 3 of the Greenhouse Gas Protocol) decreased by 11.6% to 1,277 ktonnes. In 2012, 55% of the total CO_2 emissions (excluding Hoau) was related to subcontractor operations.

TNT Express targets a 40% improvement on its efficiency index relative to the 2007 baseline position. The CO_2 efficiency index shows an improvement of 10.1 points relative to 2007. The index score of 89.9 is an improvement of 2.3 points relative to 2011 (92.2). 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).

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

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

KEY INITIATIVES TO IMPROVE ENVIRONMENTAL PERFORMANCE

In 2012, TNT Express initiated and deployed action plans to further improve its environmental performance.

Fleet

In optimising its fleet, TNT Express targets both fuel efficiency and carbon intensity. In all of the main European markets, low carbon emitting vehicles are tested and are progressively being deployed, particularly for city deliveries. New generation electric vehicles and electric assisted tricycles have been integrated within TNT Express' fleet in France, Italy, Spain, and Turkey. In addition, operating units are testing various innovative fuel efficient systems such as telematics, fuel savers, and aerodynamic vehicle equipments. In the Benelux, TNT Express deployed on-board computer technology that calculates fuel efficiencies and provides insight into driver behaviour and driving style. This system continuously challenges drivers to achieve better performance and has reduced road traffic accidents, improved employee welfare and delivered fuel efficiencies. In the United Arab Emirates, TNT Express introduced tracking systems for pick-up and delivery vehicles that reduce excess idling time, thereby lowering fuel consumption and improving driver behaviour. In Germany, TNT Express deployed 'Eco Drive' an intelligent speed-limiter that facilitates fuel efficient driver behaviour. This deployment follows a pilot that resulted in a decrease of CO_2 emissions by 10%.

Driver efficiency

In October 2012, the 6th edition of the 'Drive Me Challenge', TNT Express' global sustainable driving programme, was held in Germany. The challenge included 20 teams from operating units worldwide. The contestants, who were pre-selected on the basis of their driving ability, were assessed in various categories including fuel efficiency, customer experience and safety. By organising the 'Drive Me Challenge', TNT Express emphasises the importance of providing training to drivers and reinforces their engagement to provide excellent customer service.

Subcontractor management

TNT Express reports on emissions from both own and subcontractor operations. TNT Express considers that subcontractors have a crucial impact on service levels and customer satisfaction. They are an essential part of TNT Express' asset-light business model and are frequently in contact with customers. Managing this relationship to maximise their operational and environmental performance is an important item on TNT Express' sustainability agenda. An innovative subcontractor management programme was launched in 2012, to continue to build mutually valuable partnerships and to decrease subcontractors' CO_2 footprints. Subcontractors can benefit from these partnerships and obtain practical solutions and tools like the Fleet Safety Guide. The guide was developed by Fleet Forum, on behalf of the United Nations Environment Programme and consists of a step-by-step approach for the development of clean fleet strategies.

Supply chain and innovation platforms

In 2012, TNT Express further deployed the City Logistics solutions in Europe. These include 'zero-emission', last-mile solutions for city centres such as delivery solutions with electric vehicles and distribution via mobile or micro-depots with electric tricycles. Developed in collaboration with vehicle manufacturers, customers and city authorities, these solutions are operational in Barcelona, Brussels, London, Milan and Paris. In 2012, TNT Express tested innovative City Logistics concepts ranging from intelligent parcel stations to load units transfer schemes in Lyon, Turin, Berlin, Brussels and Utrecht. TNT Express plans to implement City Logistic solutions in additional cities.

In addition to these City Logistics solutions, TNT Express is involved in two research and innovation projects (CITYLOG and STRAIGHTSOL) of the EU's Seventh Framework Programme for Research (FP7). These projects are focused on delivering 'zero-emission' solutions to city centres.

Aviation

Aviation is a major CO_2 emissions source in TNT Express' operations. Therefore, TNT Express aims to improve the fuel efficiency of its aircraft through various initiatives. In 2012, TNT Express continued to enhance processes including flight planning, take-off, flight procedures and ground processes, which include using a single engine for taxiing and reducing the amount of working hours ground power units are utilised.

Facilities

A variety of local greening initiatives play a significant role in reducing TNT Express' global carbon footprint. The initiatives range from introducing more efficient LED lighting systems and sourcing green electricity to promoting campaigns among employees to actively reduce consumption. The European Road Network hub in Arnhem was part of a successful LED lighting pilot in 2012 that provided positive results by reducing emissions by 89%, with a 10 month payback period.

IV. BUSINESS

Business perfomance KPIs

Year ended at 31 December (excluding Hoau)		2012	variance %	2011
ISO 9001 (% of total FTEs)[1]	♦	85%	(1.2)	86%
Change in net customer satisfaction		+19%		-2%

[1] For comparative purposes 2011 numbers have been restated.
Figures with a (♦) fall within the reasonable assurance scope

ISO 9001

TNT Express aims to deliver excellent customer service by understanding current and future customer needs, meeting customer requirements and striving to exceed customer expectations. TNT Express adopts the ISO 9001 management system standard to ensure that customers' requirements are met consistently through a systems and process driven approach. The objective is to achieve and maintain ISO 9001 certification for all operations. In 2012, 85% of all FTEs (excluding Hoau) were working in ISO 9001 certified sites (2011: 86%).

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%).

SYSTEM CO_2

The impact of CO_2 emissions is important to a large number of TNT Express' customers. Over the last five years, TNT Express' has actively engaged with customers who often represent front runners within their respective industries, to understand their CO_2 related needs and requirements, and to share expertise and best practices. Throughout this process, various services have been introduced under the 'System CO_2' scheme.

The 'System CO_2' service portfolio focuses on two aspects:
- Providing customers with accurate and reliable reports on the CO_2 emissions caused by the transportation of their consignments. CO_2 can be reported for already transported consignments, or predicted for future business. The reporting method follows internationally recognised guidelines and standards.
- Offering alternatives to reduce the impact of CO_2 emissions, either by working with customers to identify opportunities for CO_2 reduction in their transport supply chains and/or providing a high quality and transparent CO_2 offset scheme.

TNT Express remains committed to providing customers with CO_2-reduction services, and intends to continue to innovate and develop its service proposition in this area. TNT Express will also continue to actively participate in sector initiatives that aim at standardising methods and modes of reporting in this area.

SUPPLY CHAIN REPORTING

TNT Express recognises the social and environmental impact of its supply chain and endeavours to be transparent. TNT Express reports according to the Greenhouse Gas Protocol Corporate Value Chain (scope 3) standard, which was published in October 2011. Scope 3 allows companies to assess their emissions from 15 categories. The categories that currently impact TNT Express are: subcontractors, company cars and business travel; TNT Express voluntary reports the related emissions.

TNT Express is investigating the possibility of expanding the reported categories to include both upstream and downstream activities. This would only serve to assist TNT Express in identifying key improvement areas in the other categories and engaging with partners in the value chain to reduce the overall impact.

SUBCONTRACTOR MANAGEMENT

Subcontractors are an integral part of TNT Express' service offering and are often in direct contact with customers. TNT Express is therefore committed to develop and maintain a supportive and appropriate management framework, to build a healthy relationship with them. This includes policies and tools to ensure fair business dealings in line with TNT Express Business Principles, TNT Express' CR goals and applicable legislation.

TNT Express subcontractors are invited to the annual 'Drive Me Challenge'. The innovative solutions that TNT Express develops with fleet management partners are also offered through local or regional programmes to subcontractors. In Germany, TNT Express implemented 'Eco Drive', which reduced fuel consumption by 10%.

TNT Express also discloses subcontractor fatal accidents (refer to page 27 of this chapter).

Green Freight industry initiatives

TNT Express is involved in the development of two industry initiatives in Europe and Asia: Green Freight Europe (GFE) and the Green Freight Asia Network (GFAN). The objectives of both initiatives are to reduce the environmental impact of road freight and to support subcontractors in their ambitions to improve their environmental performance. The successful SmartWay programme in the United States provided the inspiration and vision for both initiatives.

TNT Express has a leading role in the development of the GFE which is hosted by the European Shippers Council (ESC) and EVO (Dutch Logistics association). GFE was officially launched in 2012 as an independent voluntary programme aimed at improving the environmental performance of road freight transport within Europe. By the end of 2012, over 70 European companies had joined this programme.

TNT Express supports the objectives of GFE to establish a standard system for monitoring and reporting carbon emissions within the industry. Standardisation in this area will support the procurement of more efficient transportation services and will improve collaboration between TNT Express' subcontractors and customers to become more carbon efficient. For more information refer to www.greenfreighteurope.eu.

In Asia, the Clean Air Initiative for Asian Cities (CAI-Asia) and the Sustainable Supply Chain Centre Asia Pacific (SSCCAP) brought together shippers, carriers and logistics service providers, including TNT Express, to discuss their role in reducing the environmental impact of freight. These organisations established the GFAN in 2012, which has similar objectives as the GFE programme and SmartWay. The focus in Asia will be on road freight and carbon emissions.

V. CORPORATE RESPONSIBILITY ACHIEVEMENTS

TNT Express is committed to attaining its CR strategy and developing sustainable practices. During 2012, a few notable achievements include:

- The Dow Jones Sustainability Index tracks the financial performance of the world's leading companies in terms of sustainability performance. TNT Express has been included in the Dow Jones Sustainability World Index since 2004 and is pleased to report a steady performance. In 2012, TNT Express scored 87 points out of a possible 100 which is a decrease of 6 points since 2011. TNT Express achieved best-in-class scores within the sector for 8 out of 17 dimensions mainly for its social areas, risk and crisis management, codes of conducts, fuel efficiency and environmental management. The dimensions with opportunity for growth are discussed with the relevant function owners and are taken into account in their strategic plans.
- The Carbon Disclosure Project works with investors globally to advance investment opportunities and reduces the risks posed by climate change by requesting the world's largest companies to report on their climate strategies, greenhouse gas emissions and energy use. TNT Express scored 74 points on disclosure out of a possible 100 (compared to 78 points in 2011) and a C-level in performance (compared to a B-level performance in 2011).
- The 'Transparantiebenchmark', initiated by the Dutch Ministry of Economic Affairs, ranks the largest Dutch companies according to the level of transparency within their sustainability reports. In 2012, TNT Express ranked 49th on the list of 473 Dutch companies with a score of 160 points (compared to 192 in 2011).

VI. CORPORATE RESPONSIBILITY COMMITMENTS

In 2013, TNT Express' CR commitments are to:

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

CHAPTER 4 GOVERNANCE

I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

For TNT Express, 2012 was influenced by challenging economic conditions and by the intended merger with UPS. As the year progressed and the economic environment in Europe remained difficult, management worked hard to maintain optimal performance and to achieve business targets.

Under pressure, management and employees of TNT Express have effectively leveraged its market-leading network in Europe and its strong business portfolio. In 2012, management took effective actions to reinforce TNT Express' diversified product portfolio and superior customer service, achieving a high customer satisfaction score. In addition, customer growth was good, with notable new business wins in the technology, automotive, and industrial sectors. Finally, the company continued to contain costs and shed loss-making activities to support its operating results, achieving strong cash performance.

Management's 'bench strength' supports TNT Express' resilience. Mr Bot was prepared to step in as interim CEO after the resignation of Ms Lombard. Supported by interim CFO, Mr Seyger, and the other Management Board members, Mr Bot has successfully maintained focus on the business while overseeing preparations for the intended merger with UPS.

Obviously, the termination of the intended merger was a disappointment. I have great confidence, however, that the company's commercial proposition, its employee commitment and strong customer relationships will bring renewed value to shareholders. Management has been able to reassure customers of TNT Express' commitment to providing industry-leading services. Engagement of employees is ensured and further steps are taken to improve profitability.

I would like to thank TNT Express' employees, shareholders and other stakeholders for their commitment to our business during 2012, and I trust in their continued dedication during 2013.

With kind regards,

Antony Burgmans,

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

II. REPORT OF THE SUPERVISORY BOARD

KEY MATTERS IN 2012

In 2012, the discussions in the Supervisory Board were dominated by the public offer from UPS. At the same time, the Supervisory Board had to ensure that TNT Express was managed effectively in economically difficult times. Following the unexpected departure of Ms Lombard as CEO, the Supervisory Board secured continuation of leadership by appointing the CFO, Mr Bot, as CEO ad interim (a.i.) and Mr Seyger as CFO a.i.

SUPERVISION BY THE SUPERVISORY BOARD

Strategy

In February 2012, the Supervisory Board approved TNT Express' new strategic plan *'Building on Strengths'* that aims to achieve profitable growth by focusing on Europe and connecting the rest of the world. The Supervisory Board unanimously supported this strategy and its components, such as the development of TNT Express' leading European position, restructuring initiatives and the reduction of the company's exposure to loss-making domestic entities in Brazil (TNT Mercúrio) and China Domestic (Hoau).

The Supervisory Board and Executive Board reviewed the intended public offer for TNT Express by UPS. Throughout the process, the Supervisory Board was in frequent contact with the Executive Board and discussed progress and key decisions in connection with the offer. The Supervisory Board, along with the Executive Board, considered the interests of the company, its shareholders and other stakeholders and received extensive financial and legal advice. With a view to its specific fiduciary duties, the Supervisory Board also retained outside advice separate from the Executive Board. A detailed description of the considerations and recommendation by the Supervisory and Executive Boards on the offer is provided in the position statement as published on 21 June 2012 (www.tnt.com/corporate).

During the Extraordinary General Meeting of Shareholders on 6 August 2012 the public offer by UPS was explained to the shareholders of TNT Express N.V.

Corporate responsibility

TNT Express' strategy to embed corporate responsibility in all activities ensures that social and environmental programmes will deliver shared value. In 2012, the Supervisory Board paid particular attention to health and safety with a focus on road safety. During the year, 30 fatal accidents (including subcontractors) had to be reported which underpins the Supervisory Board's view on the importance and need for continued implementation of TNT Express' various safety programmes. More details on TNT Express' corporate responsibility framework are outlined in chapter 3.

Risk management

The outcome of TNT Express' risk management process, the risks identified and the mitigation plans in place to manage these risks in the short-to-medium term were shared and discussed with the Audit Committee and the Supervisory Board. More details on TNT Express' risk management process and the strategic, operational, legal and regulatory and financial risks facing TNT Express' are outlined in the risk section (refer to page 60) of this chapter.

MEETINGS OF THE SUPERVISORY BOARD

In 2012, the Supervisory Board held eight regular meetings and 17 additional ad-hoc meetings (mostly by phone). The Executive Board was present at most of the meetings. Agenda items included: business performance and market developments; strategic, governance and regulatory updates; and corporate responsibility items. Added to the agenda were developments with regard to the UPS offer and the related regulatory approval process.

Absence by any of the members of the Supervisory Board was limited. The attendance rate of the total Supervisory Board was 97% (refer to page 39 for an attendance overview). Between meetings, the chairman of the Supervisory Board (and from October, Ms Harris, member of the Supervisory Board) had frequent meetings with the CEO (a.i.), both in person and by telephone. On a regular basis, in writing, the CEO (a.i.) kept the full Supervisory Board informed of important developments between meetings.

In the first regular meeting held in February 2012, the Supervisory Board discussed the 2011 annual results, including the fourth quarter and the full year results, the end of year report by the external auditor, PwC, the risk environment report and final 2012 budget proposals. The Supervisory Board approved the 2011 Annual Report, the final 2011 dividend proposal and the agenda for the Annual General Meeting of Shareholders on 11 April 2012, which included a proposed amendment of the Articles of Association. Part of the meeting was dedicated to the discussions with UPS on a possible merger and shareholder positions.

From January through March 2012, 13 additional ad-hoc Supervisory Board conference calls and meetings were held to discuss and reach a decision on the proposal and subsequent offer by UPS. In April, the Supervisory Board held two regular meetings, the first in preparation of the Annual General Meeting of Shareholders and the second to discuss the first quarter results. In July, the Supervisory Board discussed the half-year and second quarter results as well as the outlook for the remainder of 2012. An update on health and safety with a special focus on road safety was presented. The UPS offer, the status of the approval processes of the various authorities' and the conditional divestment of TNT Airways were discussed by the Supervisory Board. In September, the Supervisory Board discussed the resignation of the CEO, Ms Lombard and the appointment of Mr Bot as interim CEO. In October, the third quarter results and updates on the key issues with regard to the UPS offer, the performance in Brazil and the future of China Domestic were discussed. In November, the Supervisory Board approved the conditional sale of TNT Airways to ASL Aviation Group. This transaction was conditional on completion of the merger with UPS. In December, the Supervisory Board discussed and approved the 2013 budget. Furthermore, the corporate governance following the merger with UPS, updates on the competition authorities approval processes, the performance in Brazil and the future of China Domestic were discussed.

COMMITTEES OF THE SUPERVISORY BOARD

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. A summary of the main discussion items and decisions of the Audit Committee was prepared immediately after the meeting and was (if time permitted) available in draft to the full Supervisory Board prior to the regular Supervisory Board meeting.

Audit Committee

The Audit Committee consists of four members and is chaired by Mr Levy. In 2012, the Audit Committee met five times. All meetings were attended by the CFO (a.i.), the director of Internal Audit and the director of Financial Reporting, Consolidation and Accounting. The meetings were also attended by the external auditor, PwC.

The Audit Committee dedicated significant attention to the periodic financial reports, external auditor's reports, control framework and internal audit reports. Important topics discussed in every meeting were the status and progress of the intended merger with UPS and the performance and internal control system in Brazil. The Audit Committee was concerned about the financial results of Brazil as it became apparent that the financial recovery would take longer than earlier anticipated. The Audit Committee found the improvements during the year in the different financial control areas (including claims, receivables outstanding, unbilled revenue and other financial KPIs) satisfactory.

The Audit Committee regularly reviewed press releases, compliance with TNT Express' Policy on Auditor Independence and Pre-Approval, development on pensions and internal control over financial reporting. Furthermore the Audit Committee reviewed the 2013 budget plan and the internal audit plan for 2013.

In February, the 2011 annual results were discussed as well as internal control over financial reporting and the risk management process. The 2011 final dividend and an update on TNT Express' integrity programme were also discussed. In addition, the future of non-core and domestic emerging markets activities (Brazil Domestic and China Domestic) and Other Networks were reviewed.

In April, the first quarter results and the Audit Strategy report by PwC were discussed. Updates on the UPS offer, Brazil and pensions were presented. In July, the second quarter and half-year results were discussed. In addition, updates on integrity, the internal audit function, UPS, Brazil, China Domestic and pensions were presented. During the meeting, the Audit Committee performed a thorough assessment of PwC. In October, the third quarter results and the results of the pre-year-end review by PwC were reviewed. Updates on UPS, the internal audit function, Brazil, China Domestic, integrity and pension developments were presented and discussed.

Special attention was given to the organisation of the internal audit function and implementation of the internal audit plan during the year. The Audit Committee was satisfied with the overall risk-based audit approach and related risk-based method of defining priorities. In December, the Audit Committee discussed the 2013 budget and the 2013 audit plan. Different audit related issues including audit trends, cooperation between the internal and external audit functions and auditor independence and non-audit engagement were presented. In addition updates on export control, Brazil, China Domestic, pensions and the 2012 Annual Report process were discussed.

The chairman of the Audit Committee met with the external auditor in a private session prior to every meeting of the Audit Committee. In September, the other members of the Audit Committee also met with the external auditor in the annual private session.

Nominations Committee

The Nominations Committee consists of three members and is chaired by Mr Burgmans. One meeting was held in February. In view of the numerous additional Supervisory Board meetings and conference calls that were held in the course of the year to discuss the intended merger with UPS, no further meetings of the Nominations Committee were convened. Any issues regarding succession planning of the Supervisory Board or the Executive Board - including the resignation of Ms Lombard and the appointment of Mr Bot as CEO a.i. and Mr Seyger as CFO a.i - were discussed in the meetings of the full Supervisory Board.

Remuneration Committee

The Remuneration Committee consists of four members and is chaired by Ms Harris. Four meetings were held in 2012. The Remuneration Committee has access to advice from professional internal and external advisors. In 2012, the Remuneration Committee was advised on various topics by external advisors and internal advisors (experts from the Human Resources department).

In 2012, the Remuneration Committee discussed and prepared in addition to the regular remuneration topics, UPS transaction related proposals for the Executive Board and key senior management. Effective 1 October 2012, Ms Lombard resigned from the company. Subsequently, the Remuneration Committee prepared proposals for the remuneration packages of the CEO a.i and the CFO a.i.

At the 2012 Annual General Meeting of Shareholders, the new TNT Express remuneration policy was approved. The core of the remuneration policy is the variable pay scheme, based on a balance between short-term and long-term incentives and a distribution of direct and deferred compensation. In addition, a few amendments to the remuneration policy for the Supervisory Board were adopted.

Refer to the Remuneration Report on page 53 for further details.

INTERNAL ORGANISATION

Evaluation

In view of the intended merger with UPS and the anticipated resignation of four of the six members of the Supervisory Board upon the envisaged completion of the transaction, the annual self-assessment by the Supervisory Board was not performed in 2012.

Conflict of interest

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

A decision to enter into a transaction involving a conflict of interest with a member of the Supervisory Board that is of (material) significance to TNT Express or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2012.

Induction and training

In 2012, no new members were appointed to the Supervisory Board. In view of the additional ad-hoc Supervisory Board meetings that took place in 2012, no training sessions were organised for the members of the Supervisory Board in the course of the year.

External advice

Members of the Supervisory Board are permitted to obtain independent professional advice at TNT Express' expense. In 2012, the Supervisory Board requested independent advice regarding the UPS offer.

Diversity and Competences

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

Of the six members of the Supervisory Board, four are male (66%) and 50% are non-Dutch, with a representation of four nationalities. The average age is 61, with ages ranging between 46 and 72. The majority of the members possess a university degree or equivalent. Functional expertise covers consultancy, finance and general management and business experience ranges from Europe to North America and Asia.

Each member must be capable of assessing the broad outline of the tasks and responsibilities of the Supervisory Board and should have specific expertise required to fulfil the duties assigned to his or her designated roles within the Supervisory Board. Collectively, the Supervisory Board covers all required expertise, skills and competencies to fulfil its duties. Each member should ensure that he or she has sufficient time available for the proper performance of his or her duties and is independent in accordance with principle III.2 of the Dutch Corporate Governance Code.

In 2012, TNT Express topped the Dutch Female Board Index, an index that provides an overview of the presence of women in the executive and supervisory boards of all Dutch companies listed on the Euronext Amsterdam.

Attendance

Overview of attendance at Supervisory Board meetings in 2012

	Supervisory Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Additional Adhoc Supervisory Board meetings	AGM & EGM
Mr Burgmans	8/8	-	4/4	1/1	17/17	2/2
Mr Gunning	8/8	5/5	-	1/1	15/17	2/2
Ms Harris	8/8	5/5	4/4	-	17/17	2/2
Mr King	7/8	-	4/4	1/1	15/17	1/2
Mr Levy	8/8	5/5	4/4	-	16/17	2/2
Ms Scheltema	8/8	5/5	-	-	15/17	2/2
Total % Attendance	**98%**	**100%**	**100%**	**100%**	**93%**	**92%**

FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

The 2012 Annual Report (including the 2012 consolidated financial statements) has been audited by PricewaterhouseCoopers Accountants N.V. (PwC) and presented to the Supervisory Board in the presence of the Executive Board and the external auditor. PwC's report can be found on page 137-138 of chapter 5.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the Executive Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). Refer to chapter 1, page 11.

The Supervisory Board recommends that the Annual General Meeting of Shareholders, to be held on 10 April 2013, adopts the 2012 consolidated financial statements of TNT Express. The Annual General Meeting of Shareholders will be asked to release the members of the Executive Board and of the Supervisory Board from liability for the exercise of their duties. The appropriation of profit approved by the Supervisory Board can be found on page 140 of chapter 5.

The Supervisory Board endorses the Executive Board's view on 2012. The Supervisory Board approved the decision by the Executive Board to propose a pro-forma dividend over 2012 of €0.03 per share, out of the distributable part of shareholders' equity.

The discussion of the internal control recommendations with the external auditor revealed no issues that need to be mentioned in the report of the Supervisory Board.

COMPLIANCE

In 2012, the Supervisory Board confirms that no decision was taken by the Supervisory Board that was not in compliance with its by-laws.

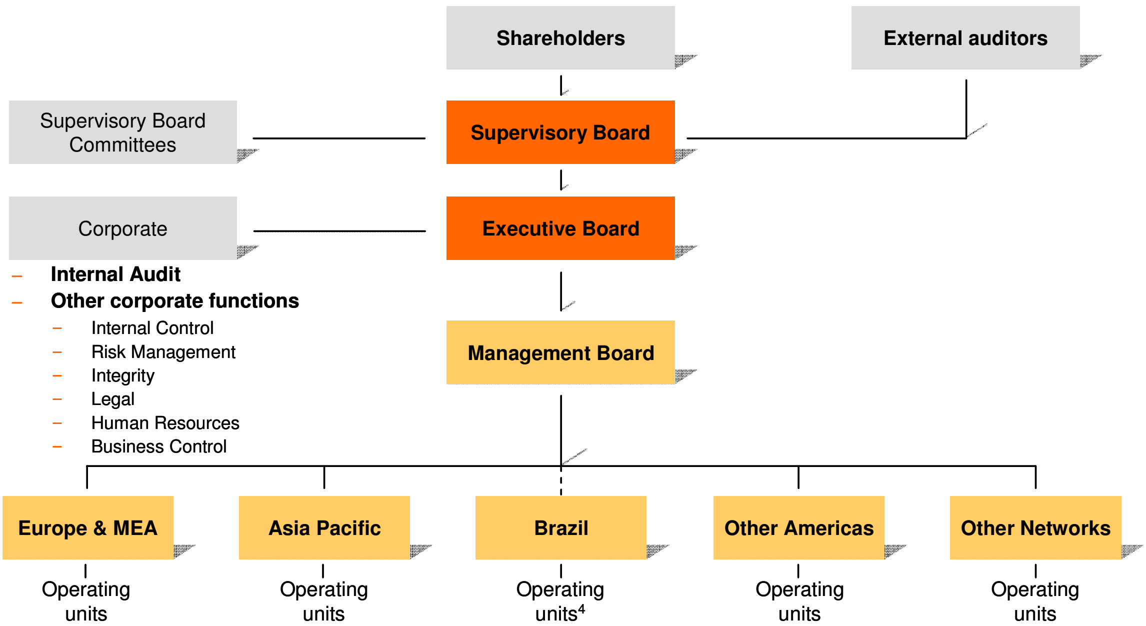
A WORD OF THANKS

The Supervisory Board wishes to thank the Executive Board and all employees of TNT Express for their outstanding contributions in 2012.

Supervisory Board
Antony Burgmans
Tex Gunning
Mary Harris
Roger King
Shemaya Levy
Margot Scheltema

Hoofddorp, 18 February 2013

III. CORPORATE GOVERNANCE



Internal regulations, policies and processes, including:

- Articles of Association
- Business principles
- By-laws Supervisory Board
- By-laws Executive Board
- By-laws Management Board
- COSO – ERM[5]
- Key controls/CWC[6]
- Company policies
- Corporate responsibility standards

External regulations, including:

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

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

GENERAL

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

As illustrated in the diagram above, the Executive Board is supported by a Management Board and dedicated functions that are responsible for internal audit, integrity, risk management, internal control, financial reporting, business control, legal compliance and human resources in the discharge of their corporate governance obligations. The composition of the Management Board is described on page 46 of this chapter.

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

[4] Brazil reports directly to the Executive Board.
[5] COSO – ERM: Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM).
[6] Company Wide Controls.

SUPERVISORY BOARD

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

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

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

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

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

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

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

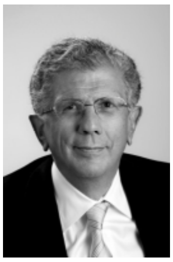
Non-executive director at J. Sainsbury plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.

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

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

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

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



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

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

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

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

Non-executive Director of Lonza Plc (Switzerland); vice-chairman of the supervisory board of Triodos Bank; member of the audit committee and supervisory board of ASR Verzekeringen; member of the supervisory boards of Schiphol Group, Energy Research Centre of the Netherlands, Stichting Rijksmuseum and Warmtebedrijf Rotterdam N.V.; external member of the audit committee of Stichting Pensioenfonds ABP and member of the board of World Press Photo.

- Member of the Audit Committee

General

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

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

Composition of the Supervisory Board

The Supervisory Board currently consists of six members. TNT Express' Articles of Association mandate that the Supervisory Board should consist of a minimum of three members. The Supervisory Board has discretion on the number of its members. The Supervisory Board has prepared a profile, which is evaluated annually, of its size and composition, taking into account the nature of TNT Express' business and activities and the desired expertise and background of the members of the Supervisory Board. Both profile and rotation plans can be viewed on TNT Express' corporate website (www.tnt.com/corporate).

In accordance with the Dutch Corporate Governance Code, the members of the Supervisory Board may not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT Express). In this respect, a chairmanship counts twice. In 2012, the members of the Supervisory Board complied with this requirement.

Appointment and removal

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

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

Chairman and Corporate Secretary

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

Committees of the Supervisory Board

TNT Express' Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Nominations Committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch Corporate Governance Code. The terms of reference of these committees can be viewed on TNT

Express' corporate website (www.tnt.com/corporate). The powers of the committees are based on a mandate from the Supervisory Board, which does not include the right to decision making.

Audit Committee

The Audit Committee is charged with assisting the Supervisory Board in advising on and monitoring: the integrity of TNT Express' financial and corporate responsibility reporting and reporting processes; its financing and finance-related strategies; its system of internal control and financial reporting and its system of risk management. The Audit Committee reviews the independence of the external auditor and the functioning of Internal Audit, its tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The Audit Committee has the authority to retain independent advisors as it deems appropriate.

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

Remuneration Committee

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

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

Nominations Committee

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

EXECUTIVE BOARD

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

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

Mr Bot was appointed as interim CEO on 24 September 2012. He has been a member of the Executive Board and CFO of TNT Express since 2 March 2011. Prior to that, he was acting CFO of TNT N.V., from August 2010 until its demerger in 2011.

Before joining TNT N.V. in 2005, he was employed at McKinsey & Company for 13 years, where he was a partner serving clients in the post, logistics and transportation sectors. At TNT N.V., he was appointed Group Director Business Control directly reporting to the CFO. His responsibilities included internal control, mergers and acquisitions and business control.

Mr Bot is a member of the supervisory board of Avio-Diepen B.V.

Jeroen Seyger
(1970, Dutch) Chief Financial Officer a.i.
Appointment a.i. to Executive Board 2012

Mr Seyger has been interim CFO and interim member of the Executive Board since 8 October 2012. Prior to that date, Mr Seyger was Director Business Control and Treasurer. Before joining TNT N.V. in 2003, he was employed at Sara Lee | DE, where he was Assistant Treasurer. Prior to that, he held various operational positions at ABN AMRO and Rabobank.

General

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

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

Appointment and removal

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

The General Meeting may suspend or remove any member of the Executive Board. A resolution of the General Meeting to suspend or remove a member of the Executive Board other than pursuant to a proposal by the Supervisory Board requires an absolute majority of votes representing at least one-third of the issued capital of TNT Express. The Supervisory Board may also suspend any member of the

Executive Board. The General Meeting may terminate a suspension by the Supervisory Board at any time.

Conflict of interest

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

In the event of a conflict of interest between TNT Express and a member of its Executive Board, TNT Express will be represented by another member of the Executive Board or a member of the Supervisory Board, appointed by the Supervisory Board for this purpose. A decision to enter into a transaction involving a conflict of interest with a member of the Executive Board that is of (material) significance to TNT Express or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2012.

Contract

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

Issue of shares

The Executive Board has been designated by the General Meeting as competent body to issue ordinary shares and preference shares and to grant rights to subscribe for ordinary shares and preference shares until and including 31 May 2014. The competency of the Executive Board as regards ordinary shares is restricted to a maximum of 10% of the total issued and outstanding share capital at the time of issuance plus a further 10% of the total issued and outstanding share capital at the time of issuance in case an issue occurs as part of a merger or acquisition. The competency to issue preference shares and to grant rights to subscribe for preference shares is not limited and concerns all preference shares which are not yet issued of the authorised capital as it will read from time to time.

The Executive Board has also been designated by the General Meeting as competent body to restrict or exclude pre-emptive rights upon issuance of ordinary shares (including the granting of rights to subscribe for ordinary shares) until and including 31 May 2014.

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

Acquisition of own shares

The General Meeting authorised the Executive Board as competent body to resolve on acquisition of fully paid-up ordinary shares in the capital of the company through a purchase on the stock exchange or otherwise for a term of 18 months until and including 11 October 2013, up to 10% of the nominal amount of its total issued and outstanding share capital. The acquisition can take place for a price per share of at least the nominal value and at most the quoted ordinary share price plus 10%. The quoted share price is the average of the closing prices of an ordinary share according to the 'Official Price List of Euronext Amsterdam N.V.' (Official Price List) for a period of five trading days prior to the day of repurchase. A resolution of the Executive Board relating to the acquisition of own shares is subject to the approval of the Supervisory Board.

MANAGEMENT BOARD

The Management Board of TNT Express supports the Executive Board in its oversight of operations and implementation of the strategy of the company. The Management Board currently consists of ten members: the CEO a.i., the CFO a.i. and eight members drawn from three regional units (Northern Europe/North America, Asia Pacific and Southern Europe/South America/Middle East/Africa) and key corporate functions (marketing and sales, operations, ICS, human resources, legal and communication), with both regional and global responsibilities. This ensures that TNT Express is managed as an integrated global business.

PREVENTION OF INSIDER TRADING

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

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

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

TNT Express shares held by the members of the Executive Board

Year ended at 31 December	2012
Mr Bot CEO a.i.	25,360
Mr Seyger CFO a.i.	4,553
Total current members	29,913
Ms Lombard	34,214
Total former member	34,214

This table does not include any granted rights on (phantom) shares allocated to the members of the Executive Board under any of TNT Express' equity plans and/or any participation in the Executive Board's variable compensation scheme. Refer to section 4, under Remuneration in 2012. For current Executive Board members the information in this table is publicly available at www.afm.nl.

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

FOUNDATIONS OF TNT EXPRESS' CORPORATE GOVERNANCE

The Executive Board is committed to a high standard of corporate governance, information and disclosure, in line with the current Dutch Corporate Governance Code and regulatory requirements. The Executive Board's compliance statements relative to the Dutch Corporate Governance Code and the Dutch Financial Markets Supervision Act can be found on page 11. The full text of the Code can be viewed on TNT's corporate website, www.tnt.com/corporate.

Internal control over financial reporting

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

TNT Express' specific approach to internal control over financial reporting continues to be generally based on section 404 of the Sarbanes-Oxley Act of 2002 and the associated guidance to management issued by the United States Securities and Exchange Commission in May 2007. In addition, the approach is based on the principles outlined in the Auditing Standards (AS) 2 and takes into account certain elements of the AS 5 as promulgated by the Public Companies Accounting Oversight Board (PCAOB). However, TNT Express' approach to internal control over financial reporting does not imply an assessment of the adequacy and effectiveness of TNT Express' internal control and risk management processes over financial reporting under section 404 of the Sarbanes-Oxley Act, nor is there an assessment by TNT Express' external auditor to that effect.

Throughout 2012, TNT Express documented and evaluated the design of internal controls over financial reporting. In addition, TNT Express continued a comprehensive programme of testing the operational effectiveness of its internal controls over financial reporting. Further initiatives on entity level controls were undertaken, including integrity awareness and training (refer to the Integrity section below) and reinforcement of policies and procedures. In 2012, the Executive Board engaged the external auditor to perform specific agreed-upon procedures on the internal control over financial reporting process in all entities included in the scope of the ICFR programme. The Executive Board believes that this approach develops the discipline needed to maintain and embed internal control over financial reporting across the company. The findings of the external auditor are reported to the Executive Board and the Audit Committee of the Supervisory Board.

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

Risk management and reporting

TNT Express has a continuous, formal and structured risk management and reporting system in place. This is further explained in the risk section (refer to page 60) of this chapter.

Integrity

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

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

Awareness and compliance are enhanced by integrity-related communication and web-based and in-person training. Interactive integrity workshops are held for senior and higher management all over the world. In 2012, the Integrity department trained 1,083 managers and employees through in-person and/or web-based training (2011: 996). The training is subsequently cascaded by senior management.

Another important monitoring tool is the TNT Express Procedure on Whistleblowing. Under this procedure, employees are encouraged to report promptly any breach or suspected breach of any law, regulation, the TNT Express Business Principles or other company policies and procedures, or any other alleged irregularities. Employees can report the breach or suspected breach directly to their line manager or to the Integrity department. In 2012, 98 reports were received. The financial impact of the substantiated cases is not material.

The Integrity function reports to the CEO as well as to the Audit Committee.

Legal

The Legal function of TNT Express facilitates its operations, supports its business and protects its interests. The Legal function handles legal matters that may arise in the business and aims to ensure that the organisation adheres to relevant laws and regulations and practices a high standard of governance.

Human Resources

The Human Resource (HR) function of TNT Express is responsible for the attraction, selection, training, assessment and rewarding of employees, while overseeing leadership and culture and ensuring compliance with employment and labour laws. The HR function supports the business and adds value by building a consistent approach to people management throughout the company.

TNT Express has a governance framework in place for HR procedures and processes. The framework is assessed by the Internal Audit department annually.

Business Control

The Business Control function is responsible for the management of the planning and control cycle of TNT Express and for the review and prioritisation of capital investments. It defines the reporting requirements and prepares analyses to understand and explain the business factors and circumstances that drive the results. The Business Control function is also responsible for the management of the overall transfer pricing framework of TNT Express with a focus on analysis, transfer price setting as well as maintenance of and enhancements to the transfer pricing systems and processes.

Internal Audit

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

External Auditor

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

In some instances, TNT Express may use its external auditor to provide services where these services do not conflict with the external auditor's independence. The TNT Express Policy on Auditor Independence and Pre-Approval governs how and when TNT Express may engage its external auditor (refer to www.tnt.com/corporate for further details).

The Audit Committee is required to pre-approve (supported by the director of Internal Audit) all services to be provided by the external auditor, to assure that these do not impair the auditor's independence from TNT Express. The Audit Committee also considers the ratio between the total amount of fees for audit and audit-related services and the total amount of fees for non-audit services. Refer to note 20 of the consolidated financial statements for the fees paid to PwC and the distribution of the fees between audit (related) services and non-audit services.

Once every three years, the Audit Committee and the Executive Board are required to conduct a thorough assessment of the functioning of the external auditor and in the different capacities in which the external auditor acts. This assessment was performed in 2012. The lead engagement partner is present at the General Meeting and may be questioned with regard to his statement on the fairness of the financial statements. The lead engagement partner, other key audit partners, and the quality (review) partner of the external auditor are rotated after a maximum period of seven years. From 2011, the lead engagement partner of PwC in charge of the TNT Express account is Mr Dekkers.

DUTCH CORPORATE GOVERNANCE CODE

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

Best practice provision II.2.8

This provision includes a stipulation that the remuneration of a member of the board of management, in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). At TNT Express, severance payments other than related to a change of control for members of the Executive Board are one year's base salary. Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the past three years, multiplied by two. TNT Express is of the opinion that such payment is realistic taking into account the special position of members of the Executive Board in a change of control situation. Also, in such an event, the Supervisory Board may decide that the performance shares vest in whole or in part.

Best practice provision IV.1.1

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

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

MANAGEMENT AND SUPERVISION ACT (*Wet Bestuur en Toezicht)*

As of 1 January 2013, *'Wet Bestuur en Toezicht'*, a new Management and Supervision Act came into effect. The new act requires a large-sized N.V. or B.V. to have a balanced distribution on their management and supervisory boards, with at least 30% of the seats occupied by women, and at least 30% by men.

In 2012, TNT Express complied with this requirement, in the composition of the Executive Board (50% women, until the resignation of Ms Lombard) and the Supervisory Board (33.3% women). In 2013, the aim of a balanced composition of the boards will be taken into account in any decisions regarding the composition of the Executive Board and Supervisory Board.

SHAREHOLDERS

General meetings of shareholders

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

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

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

Agenda

Shareholders representing solely or jointly at least 1% (3%, from 1 July 2013) of TNT Express' issued share capital have a right to request the Executive Board and the Supervisory Board to include items on the agenda of the General Meeting. The Executive Board and the Supervisory Board must agree to these requests if received at least 60 days prior to the date of the General Meeting, provided the reasons for the request are stated and the request - or proposed resolution - is received in writing by the chairman of the Executive Board or the Supervisory Board.

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

Admission to and voting rights at the meeting

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

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

Dissolution and liquidation

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

Change to the rights of shareholders

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

Major shareholders

The Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)* imposes a duty to disclose percentage holdings in the capital and/or voting rights in a company when such holdings reach, exceed or fall below 3% (from 1 July 2013), 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The register of AFM shows PostNL N.V., as major shareholder as per 31 December 2012.

THE FOUNDATION

Stichting Continuïteit TNT Express (the Foundation) has its official seat in Amsterdam, the Netherlands, with its address at Taurusavenue 111, 2132 LS Hoofddorp, the Netherlands. The objects of the Foundation are to promote the interests of TNT Express, the enterprise affiliated with it and all stakeholders involved. These objects include protecting TNT Express as much as possible from influences that are contrary to those interests and could jeopardise the continuity, independence or identity of those interests. The Foundation must endeavour to achieve these objects by acquiring and holding preference shares and by exercising the rights attached to those preference shares. The objects of the Foundation do not entail the sale or encumbrance or other disposal of shares, with the exception of the sale to TNT Express or to another company assigned by and affiliated in a group with it, as well as the assistance in the repayment or withdrawal of preference shares.

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

Reasons for which the Foundation may exercise the call option include:
- to prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of ordinary shares by means of an acquisition at the stock market or otherwise;
- to prevent and countervail concentration of voting rights in the General Meeting; and
- to resist unwanted influence by and pressure from shareholders to amend the strategy of TNT Express;

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

As from six months after the issuance of the preference shares to the Foundation, the Foundation may require TNT Express to convene a General Meeting to propose cancellation of the preference shares against repayment of the paid amount. If preference shares are issued, TNT Express must convene a General Meeting, to be held not later than 12 months after the date on which the preference shares were issued for the first time or 60 days after the Foundation has demanded the cancellation of its preference shares. The agenda for that General Meeting must include a proposal for a resolution relating to the repurchase or cancellation of the preference shares.

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

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

IV. REMUNERATION REPORT

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

The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and is compliant with the Dutch Corporate Governance Code. In preparing the remuneration policy, the Remuneration Committee also takes into account the remuneration of senior management reporting to the Executive Board, in order to ensure a consistent and aligned remuneration practice within TNT Express.

REMUNERATION POLICY 2012

At the 2012 Annual General Meeting of Shareholders, the new TNT Express remuneration policy for the Executive Board was approved. The core of the remuneration policy is a variable pay scheme, based on a balance between short-term and long-term incentives and a distribution of direct and deferred compensation. In addition, a few amendments to the remuneration policy for the Supervisory Board were adopted at the Annual General Meeting of Shareholders.

The objective of the remuneration policy is to retain, motivate and attract qualified members of the Executive Board of the highest calibre, with an international mindset and background essential for the successful leadership and effective management of a large global company. The remuneration policy aligns the objectives of all stakeholders. The 2012 remuneration policy is performance based and aims to stimulate well-balanced management behaviour.

The remuneration package consists of a base salary, a variable component dependent on performance relative to preset company targets and pension provisions. The remuneration structure for the Executive Board is designed to balance short-term operational performance with the long-term objectives of TNT Express and value creation for its shareholders.

To provide a consistent review of the level and structure of the total remuneration, the remuneration components for the members of the Executive Board are benchmarked every three years against a European reference group (refer to table below) with an additional assessment against a Dutch peer group (all AEX listed companies, excluding the two largest and two smallest companies as well as the companies within the financial sector). In 2011, an extensive benchmark was executed. A new benchmark will occur in 2014.

European reference group[1]

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

[1] Companies included in the peergroup of the 2011 benchmark.

Remuneration policy 2012: base salary

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

Remuneration policy 2012: variable income

General

To support TNT Express' ambitions, the variable income policy consists of the following instruments:
- short-term incentive in cash;
- voluntary bonus/matching plan linked to the short-term incentive; and
- equity-based long-term incentive to ensure alignment with shareholders.

The targets of the short-term and long-term incentives are linked and their relative weighting reflects the strategy of TNT Express to achieve growth in all stakeholder areas.

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

Short-term incentive

In 2012, under the new TNT Express remuneration policy, the short-term incentive opportunity was lowered, compared to the 2011 remuneration policy. An 'at target' performance is rewarded with 50% of annual base salary (2011: 100%). A 'stretch' performance in case of realisation of a 'stretch' EBIT target is rewarded with an additional 25% of annual base salary (2011: no stretch).

The focus areas for the 2012 short-term incentive are:
- 60% financial targets, comprising:
  - 70% EBIT
  - 30% net cash flow from continuing operations

- 40% non-financial targets (equally weighted), comprising:
  - Customers: client satisfaction
  - Employees: management development and engagement of employees
  - Sustainability: environment and health and safety

Results relating to the financial and non-financial targets lead independently to a bonus payout.

For 2012, the reward of the realised performance is as follows:
- Performance below the 'threshold' (90% of the 'at target' level): no bonus payout.
- Performance at 'threshold' level: 10% of the 'at target' bonus percentage.
- Performance between 'threshold' and 'at target' level and between 'at target' and 'stretch' level: a sliding scale will be used.
- Performance below 95% of the financial targets: bonus for the performance on non-financial targets is halved.
- No bonus will be paid out in case the EBIT results are negative.

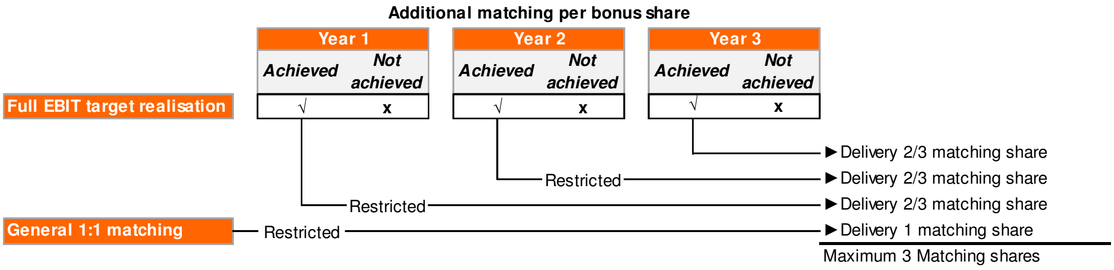
A member of the Executive Board is required to be in-service on 31 December of the relevant year to qualify for the short-term incentive scheme.

Bonus/matching plan

The Executive Board may on a voluntary basis participate in the bonus/matching plan by investing a maximum of 50% of the gross payout of the short-term incentive of the previous year (but not more than 25% of their gross annual base salary). However, the investment in TNT Express shares cannot be more than the net proceeds of the bonus. After a three-year holding period, these shares will be matched on a one-to-one basis.

In the event that the EBIT target is met every year during this three-year holding period, a maximum additional match will be made on a one-to-two basis, resulting in a total award of three matching shares. If the performance is below the EBIT target, there is no delivery of additional matching shares for that specific year.

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



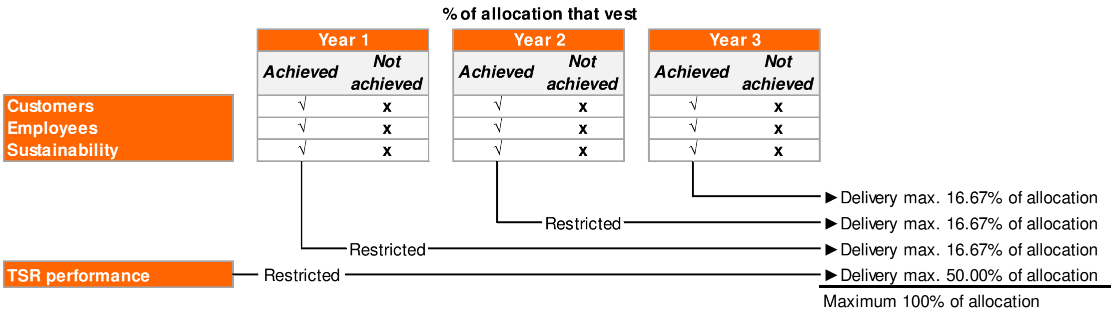
Long-term incentive

To align the objectives of the Executive Board with long term value creation and the interest of shareholders, the Supervisory Board can award conditional rights on TNT Express shares under the TNT Express 2012 performance share plan to members of the Executive Board. This grant will be based on an IFRS value of 30% of the annual base salary.

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

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

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



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

Remuneration policy 2012: pension

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

The pension scheme applicable to Mr Bot is a career average scheme. The main features are:

- retirement age at 65 years;
- pensionable income based on average annual base salary only;
- annual accrual rate for the old-age pension of 2.25%;
- offset for state pension at fiscal minimum; and
- benefits indexed during accrual (in case the financial situation of the fund permits).

As of April 2012, following the approved adjustment of the pension policy for the members of the Executive Board by the Annual General Meeting of Shareholders, Ms Lombard and Mr Bot paid an employee contribution of 3% of their base salary to the pension scheme. In the future, this employee contribution can be adjusted.

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

The existing pension scheme for Mr Seyger (final pay scheme for employees with an employment contract before 1 January 2007) remained applicable during the period of his ad interim appointment.

The main features of this pension scheme are:
- retirement age at 62 years and 11 months;
- pensionable income based on final pay;
- annual accrual rate for the old-age pension of 1.75%;
- offset for state pension at fiscal minimum; and
- no employee contribution for the year 2012.

Remuneration policy 2012: severance

The contractual severance payments for the members of the Executive Board are summarised as follows:
- As policy, severance payments other than those related to a change of control are equal to one year's base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable. In the contract of Mr Bot, the severance payment for situations other than a change of control is limited to one year's base salary. Mr Seyger has no specific severance clause in his (senior management) contract.
- Severance payments in case of a change of control are equal to the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two for Mr Bot and multiplied by one for Mr Seyger.

Remuneration policy 2012: other

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

For members of the Executive Board, in the event of a change of control of the company, the Supervisory Board may at its discretion allow all or part of the share allocations to vest on the date on which control of the company passes. In such a case, the Supervisory Board may cap the proceeds of these shares, guided by fairness and reasonableness at the level of the sum of:
- the average of the closing prices of the TNT Express N.V. share according to the Official Price List for a period of five trading days prior to the date when the first announcement to make a public offer was made; and
- 50% of the difference between the ultimate share price paid by the buyer and the price as calculated above.

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

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

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

REMUNERATION IN 2012

In 2012, the members of the Executive Board received base salary, the temporary allowance for ad interim appointment, short-term incentive, other periodic compensation and contributions to pension provisions. Ms Lombard's 2012 income includes base salary, other periodic compensation and contributions to pension provisions, all related to her nine months in service with TNT Express during 2012. In line with the remuneration policy and the terms of her employment agreement, the actual payout to Ms Lombard was adjusted and she did not receive any severance payment following her termination of her employment agreement. The reported 2012 income of Mr Seyger represents the income received since his assignment as CFO a.i.

Base salary 2012

The base salary policy allows for adjusting salaries annually in line with the average increase in the collective labour agreements applicable to the company's employees in Europe. This adjustment was not applied in 2012, and the base salaries of the members of the Executive Board remained unchanged. The 2012 annual base salaries for Ms Lombard and Mr Bot amounted to €750,000 and €500,000, respectively.

Due to her resignation effective 1 October 2012, Ms Lombard received a base salary of €562,500 in total. As of 8 October 2012, Mr Seyger was appointed CFO a.i. During the period October through December, he received a base salary of €53,479 in total.

Temporary allowance for the ad interim appointed CEO and CFO

Due to Ms Lombard resignation and in light of the intended merger with UPS, Mr Bot was appointed CEO a.i. and Mr Seyger was appointed CFO a.i. until the settlement of the intended merger with UPS or the Annual General Shareholders Meeting in April 2013, whichever is earlier. The Supervisory Board decided that the existing employment contracts and terms of both Mr Bot and Mr Seyger would remain as they are.

The base salary of Mr Bot and Mr Seyger was supplemented with the payment of a temporary quarterly allowance for the duration of their interim appointment, all subject to the prevailing corporate governance rules. The temporary allowance for Mr Bot and for Mr Seyger amounted to gross per quarter €62,500 and €67,242, respectively. The temporary allowance will not be included in the calculation of the short-term incentive payout or the pension provision.

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.

Variable income 2012

The variable income under the 2012 remuneration policy consists of a short-term incentive payment in cash, a voluntary bonus/matching plan and a new long-term incentive plan: the TNT Express 2012 performance share plan.

Short-term incentive

For 2012, the reward for 'at target' performance amounts to 50% of the annual base salary and an additional 25% for a 'stretch' EBIT performance. The 2012 targets incorporate a multi-stakeholder approach and consist of financial and non-financial focus areas. The Supervisory Board has assessed and scored the performance on the targets and objectives set for 2012.

The overview below highlights the 2012 targets, their weighting, the realised performance and related payout.

Targets variable income - Executive Board

Target	Focus area	Weighting	Performance	Payout in % of base salary
60% financial	EBIT	70%	-	0%
	Net Cash	30%	+	9%
40% non-financial[1]	Customers	33,3%	+	3.34%
	Employees	33,3%	√ -	1.67%
	Sustainability	33,3%	√ -	1.67%
Total				15.68%

[1] The payout on the non-financial targets is halved due to a below 95% EBIT performance.
√ = target met, + = target exceeded, √ - = target partly met, - = target not met

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

Due to her resignation, Ms Lombard does not qualify for a payout under the 2012 short-term incentive scheme.

Bonus/matching plan

The members of the Executive Board waived the payout of their realised 2011 variable income; therefore they were not eligible to participate in the bonus/matching plan in 2012.

Long-term incentive

At the Annual General Meeting of Shareholders held in April 2012, due to the UPS offer, 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. It was also announced that, at the discretion of the Supervisory Board, the 2013 grant of performance shares may include compensating elements for the delay.

Total remuneration 2012

The table below summarises the 2012 compensation elements of the members of the Executive Board. For detailed disclosure on the remuneration of the individual members of the Executive Board, refer to note 18 of the consolidated financial statements.

Total remuneration - Executive Board

	Financial year	Base salary	Temporary allowance[4]	Other periodic paid compensation[5]	Pension costs	Accrued for short-term incentive[6]	Accrued for long-term incentive[7]	Total
Current members								
Bernard Bot[1]	2012	500,000	62,500	52,258	134,582	114,876	0	864,216
Chief Executive Officer a.i.	2011	479,167	0	48,431	117,298	64,507	182,951	892,354
Jeroen Seyger[2]	2012	53,479	67,243	8,877	11,598	10,651	0	151,848
Chief Financial Officer a.i.								
Former member								
Marie-Christine Lombard[3]	2012	562,500	0	159,378	211,140	0	0	933,018
Former Chief Executive Officer	2011	692,500	0	230,143	281,520	2,187	182,022	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] Ms Lombard resigned effective 1 October 2012, the reported amounts relate to her income during the period January through September.
[4] A temporary quarterly allowance is paid for the duration of the interim appointment of Mr Bot as CEO a.i and Mr Seyger as CFO a.i.
[5] Other periodic paid compensation includes company costs related to tax and social security, company car and other costs.
[6] The 2011 accrued short-term incentive amount for Mr Bot includes the unwinding costs of in total €48,443 for the accelerated vesting of the TNT N.V. bonus/matching shares.
[7] Due to the UPS offer the 2012 grant for performance shares was suspended. The 2011 accrued long-term incentive amounts include the unwinding costs for the accelerated vesting of the TNT N.V.performance shares of in total €129,541 for Mr Bot and in total €106,078 for Ms Lombard.
(in €)

The reported 2011 remuneration amounts include the remuneration for the period prior to and after the demerger in accordance with IFRS.

REMUNERATION POLICY 2013

The remuneration policy for 2012 remains unchanged, and will be carried forward in 2013.

REMUNERATION – SUPERVISORY BOARD

At the 2012 Annual General Meeting of Shareholders a few amendments to the remuneration policy for the Supervisory Board were adopted. The 2012 remuneration policy of the members of the Supervisory Board comprises base pay and meeting fees. Members of the Supervisory Board do not receive attendance fees for regular Supervisory Board meetings. As of 2012, meetings fees will also be paid for Supervisory Board meetings over and above the usual business calendar in order to compensate for the additional workload. The attendance fee for an additional meeting amounts to €2,500 for the chairman and €1,500 for members of the Supervisory Board.

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

The 2012 remuneration policy for the Supervisory Board is as follows:

Remuneration - Supervisory Board

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

(in €)

The fixed travel allowance for intercontinental travel by any member of the Supervisory Board amounts to €2,500 for every meeting attended. For other members domiciled within Europe, the travel allowance is €1,500 for every meeting attended.

The members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT Express. Moreover, the members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the Annual General Meeting of Shareholders. TNT Express does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board.

For detailed disclosure on the remuneration of the individual members of the Supervisory Board, refer to note 18 of the consolidated financial statements.

VI. RISK MANAGEMENT

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

RISK MANAGEMENT FRAMEWORK

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

TNT Express has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management framework. Through the company's risk management framework, the Executive Board aims to provide reasonable assurance that strategic and business objectives can be achieved. The Executive Board regularly reviews the risk management framework.

Throughout 2012, the Executive Board regularly reviewed the company's risk profile. As input to these reviews, it used the outcome of 62 risk workshops, which represents input from all regions, functional areas and 141 entities. TNT Express categorises risks according to their impact, net of the related risk mitigation actions already in place and reviews its status and progress on further mitigation actions. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed regularly by the Executive Board. The outcome of the risk management process is shared and discussed with the Audit Committee and the Supervisory Board as well as with the external auditor.

Risk factors

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

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

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

	Specific Risks *Requiring short/medium-term management*	Inherent Risks *Requiring continuous monitoring*
Strategic Risks	– Fluctuations of trade flow – Shifts in customer preferences or shipping patterns – Integration challenges of acquisitions – Impairment of goodwill or additional costs associated with closure of certain operations – Ineffective cost reduction measures – Intensifying competition in the CEP market – Negative impact of a takeover bid	– Downturn in the macroeconomic circumstances for emerging markets – Loss of critical employees and inability to attract and retain talent
Operational Risks	– Inaccurate forecasts of future infrastructure requirements – Loss of or inability to engage suitable key suppliers or subcontractors – Limited or no back-up facilities for key infrastructure facilities – Accidents and incidents involving the transportation of hazardous materials and loss of confidential consignments – Inability to secure effective flight slot times and appropriate licences	– Increase in anti-terrorism requirements – Occurance of natural disasters and extreme weather events – Increases in fuel prices and energy costs – Health epidemics and outbreaks of contagious diseases
Legal & Regulatory Risks	– Change in shareholder base of TNT Express or TNT Airways – Failure by subcontractors to meet social security obligations/fiscal requirements	– Complexity and instability of legal and regulatory systems especially in emerging markets – Non-compliance with specific restrictions and regulations – Unfavourable decisions by competition authorities – Challenges to the concept of limited liability – Classification of subcontractors as employees – Unfavourable climate change regulations – Misconduct of employees, subcontractors and suppliers – Anti-trust violations and investigations
Financial Risks	– Loss of S&P/Moody's targeted credit rating or inability to achieve targeted S&P/Moody's credit rating – Break-up or a change in the composition of the Eurozone and its currency – Fluctuations in currency and interest rates – Changes in tax liability as a result of changes in tax laws – Inability to utilise deferred tax assets – Insufficient retention clause in insurance provisions	
Risks related to securities of TNT Express	– Liability for TNT N.V.'s obligations that existed or originated at the time of the demerger if PostNL defaults – Proportionate but significant influence of majority shareholders	

STRATEGIC RISKS

Specific – strategic risks

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

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

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

The integration of acquired businesses may involve significant challenges (including costs) and could affect TNT Express' revenue, profitability and financial position.
In the past TNT Express has made a number of acquisitions. The integration of these acquired businesses is not without execution risks. These risks are compounded in emerging markets that by nature contain higher levels of market and execution risks.

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

The value of the investment in an acquired company may decrease significantly and may be permanently impaired.

TNT Express may sell off some entities or exit certain businesses or markets, which could result in additional costs related to closure of operations, business disruption, impairment of goodwill or other contractual liabilities, and could therefore affect TNT Express' revenue, profitability and financial position.
TNT Express may either sell off or fully or partially exit certain activities, businesses or markets, due to changes in strategic focus, unattractive market conditions, aggressive competitor pricing policies, regulatory requirements or protectionist behaviour by governments. A full or partial exit could affect TNT Express' revenue, profitability and financial position because of losses on disposal, additional costs from the closure of operations, business disruption, the impairment of goodwill and other contractual liabilities, including liabilities that could arise as a result of agreements that are customary in case of a (partial) sale.

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the intended results and could affect TNT Express' revenue and profitability.
Further restructuring measures will be taken in 2013 and affect all company entities. Such cost saving targets and initiatives are based on assumptions and expectations that may not be realised. Restructuring of operations and other cost reducing measures may not achieve the results intended. In addition, restructuring costs and other costs and charges are based on expectations and forecasts. If these are not realised, TNT Express may incur additional restructuring costs. Deviations from forecast, savings and restructuring costs could affect TNT Express' profitability.

When restructuring actions are taken, the engagement level of our employees might decrease and lead to an increase in voluntary turnover. The disruption because of a restructuring process cannot be underestimated.

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

may put downward pressure on volumes and prices. This may force down volumes and prices for TNT Express' services.

A public offer for the shares of TNT Express could result in loss of customers, supplier contracts, partnership, divestment or investment opportunities and employees, and could distract management in the execution of the company's strategy. It could also delay the implementation of restructuring projects. This could affect TNT Express' revenue, profitability and service quality.
A public bid for TNT Express could have an impact on TNT Express' ability to execute its strategy, attract and retain customers, enter into supplier contracts and conclude partnership, investment or divestment opportunities due to uncertainty. Employees could also decide to leave TNT Express due to this uncertainty and management could be distracted from the day-to-day management of the company. Certain restructuring or other projects could also be affected.

Inherent – strategic risks

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

The loss of critical employees and the inability to attract and retain talent could have an adverse effect on TNT Express' business.
Successful execution of TNT Express' strategy is not possible without talented and engaged employees that have the right skills and experience. Employees are essential in our operations and service to customers. TNT Express' plans may not be achieved if it fails to attract and retain essential employees. TNT Express is committed to attracting, developing and engaging key employees.

OPERATIONAL RISKS

Specific – operational risks

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

If TNT Express underestimates its future capacity requirements, customer needs might not be met, and it could lose business, market share, revenue and profits. If TNT Express overestimates future needs, it may experience costly excess capacity. The impact of under or overestimation of future capacity requirements is particularly significant in regards to major long-term investments, such as hubs, major depots and aircraft.

The loss of key suppliers and subcontractors or an inability to engage suitable suppliers or subcontractors could have a significant impact on TNT Express' operations and thereby affect its revenue and profitability.
TNT Express' business model depends upon the extensive use of key suppliers and subcontractors. For instance, TNT Express uses many commercial aircraft as part of its global network operations. The insolvency, bankruptcy or unavailability of a key supplier or subcontractor, could affect TNT Express' operations and thereby affect its revenue and profitability.

TNT Express depends on a number of infrastructure facilities for which it has limited or no comparable back-up facilities. In addition, the business depends on the availability and security of a bespoke IT infrastructure. In the event of operational disruptions at one or more of these facilities and/or an IT failure, the revenue and profitability of TNT Express could be affected.
A portion of TNT Express' infrastructure is concentrated in key locations. An example of this is its air express hub in Liège, Belgium. The operation of TNT Express' facilities is prone to a number of risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as aircraft crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure.

If there were to be a significant interruption of operations at one or more of TNT Express' key facilities, and operations could not be transferred or could only be transferred at very high costs to other locations, TNT Express might not be able to meet its contractual obligations, incur liabilities and revenue and profitability could be affected.

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

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

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

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

Inability to secure effective flight slot times and appropriate licences may result in significant changes to TNT Express' operations and could limit its flexibility in operating its business and affect its revenue and profitability.
TNT Express operates various types of aircraft throughout Europe and between Europe and the United States, and Asia. Some of the countries in which TNT Express operates, have adopted (or proposed) regulations that impose night-time take-off and landing restrictions, aircraft capacity limitations and similar measures to address the concerns of local communities. These stakeholders have a strong influence on the government and aviation authorities that provide slot times and required licences. For example, TNT Express relies on night-time operations at its air express hub in Liège, Belgium, for a substantial part of its international express business. A potential future curtailment of night-time take-offs and landings at any of TNT Express' key facilities in Liège, could affect its operations and the services that the company can offer to customers.

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

Inherent – operational risks

A terrorist attack and increased anti-terrorism requirements could impose substantial additional security costs on TNT Express and thus affect its profitability.
Escalating concerns about global terrorism and perceived insufficient levels of aviation security have caused governments and airline operators around the world, either to adopt or contemplate adopting stricter disciplines that will increase operating costs, especially for the transportation industry. Therefore, TNT Express makes significant investments in aviation security equipment. The enhanced rules and regulations or other future security requirements for air cargo carriers, could have a negative impact on service quality and impose material additional costs.

TNT Express' operations and employees are subject to risks related to natural disasters and extreme weather events that could affect both revenue and profitability.
TNT Express' operations and employees could potentially be affected by extreme weather events. This could force airports, airspace and road networks to close and thereby create significant delays in both air and road operations.

The risk of similar future events is impossible to predict and could affect TNT Express' revenue and profitability. However, contingency plans are in place to by-pass impacted locations if and when required.

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

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

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

LEGAL AND REGULATORY RISKS

Specific – legal and regulatory risks

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

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

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

In addition, in some countries, subcontractors may file claims against TNT Express on the basis that legal minimum tariffs have not been paid.

Inherent – legal and regulatory risks

TNT Express operates in many jurisdictions and is confronted with complex legal and regulatory requirements - especially in emerging markets where the legal systems are in varying stages of development. Also, partnerships or potential partnerships or acquisitions could result in claims from partners, third parties or stakeholders. This creates an uncertain business and investment environment with potential risks, which could affect TNT Express' revenue, profitability and financial position.

TNT Express operates globally and is confronted with complex legal and regulatory requirements in many jurisdictions. These include tariffs; labour, environment and trade barriers; limitations on foreign ownership of assets and share capital; taxes on remittances; and other payments.

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

TNT Express is in the business of transporting goods that are subject to specific restrictions and regulations. A violation could result in fines and administrative sanctions, which could affect revenue and profitability.

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

Unfavourable decisions by competition authorities concerning joint ventures, acquisitions or divestments could restrict TNT Express' growth and strategic progress, and the ability to compete in the market for its services. This could affect its revenue and profitability.

TNT Express occasionally seeks alliances with or acquires shares in companies, or seeks to divest part of its business. Some joint ventures, acquisitions or divestments of shares or a business require approval by the competition authorities and this approval may contain certain restrictions or conditions with respect to the intended transaction or may not be granted at all.

The legal concept of limited liability for loss of, or damage to, goods carried by TNT Express is increasingly being challenged and this could result in increased exposure to claims, thus affecting revenue and profitability.

TNT Express transports goods under the conditions of the international convention regarding the carriage of goods by air (among others, the Warsaw Convention) and by road (the Convention on the Contract for the International Carriage of Goods by Road). These conventions contain provisions that limit TNT Express' liability in the event that it loses or damages shipments belonging to its customers.

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

Subcontractors might be classified as employees of TNT Express, which could affect its current business model, and thus affect TNT Express' profitability.

TNT Express hires subcontractors to perform certain aspects of its operations. In certain jurisdictions, the authorities have brought criminal actions against subcontractors, and in return subcontractors and/or their employees have brought civil actions against TNT Express alleging that subcontractors and/or their employees engaged by TNT Express are to be regarded as TNT Express' own unregistered employees. As a result, TNT Express could incur costs such as legal costs, social security contributions, wage taxes and overtime payments in respect of such employees. If these actions were successful, operating expenses could rise and could affect profitability.

TNT Express' operations are subject to risks related to climate change regulation, which could affect its revenue and profitability.

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

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

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

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

Anti-trust violations and investigations could result in fines that affect TNT Express' reputation, revenue and profitability.
Acts of or involvement in price-fixing and/or anti-competitive behaviour by staff or involvement in industry-wide investigations may result in fines or other sanctions.

FINANCIAL RISKS

Specific – financial risks

TNT Express targets a BBB+/Baa1 credit rating. Lower ratings may increase financing costs and harm its ability to finance operations and acquisitions, which could negatively affect revenue and profitability.
TNT Express' current credit ratings are BBB+ 'Stable' and Baa2 'Negative' but there is no certainty that TNT Express can maintain or recover its targeted credit rating of BBB+ (S&P) / Baa1 (Moodys). The positive outlooks on its ratings during 2012, reflected the announcement of the proposed and recommended offer by stronger rated UPS, but these have been removed due to the withdrawal of the offer. A downgrade of one or both of TNT Express' credit ratings may increase TNT Express' financing costs and harm the company's ability to finance its operations and other major outlays.

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

Currency and interest rate fluctuations could affect TNT Express' revenue, profitability and equity.
TNT Express operates and sells its services globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the euro (TNT Express' reporting currency). The exchange rates between foreign currencies and the euro may fluctuate. In addition, a portion of TNT Express' borrowings and financial assets incur floating interest rates. The main

sensitivities on revenue and costs can be derived from geographical segmentation as provided in the additional notes to the financial statements presented in chapter 5.

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

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

TNT Express' income tax liability may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or become inconsistent. This could affect its revenue, profitability and financial position.

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

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

If profitability were to be reduced, TNT Express might be unable to fully utilise its deferred tax assets.

At 31 December 2012, TNT Express had €209 million recorded as net deferred tax assets in its consolidated financial statements (refer to note 22 of the consolidated financial statements). These assets can be utilised only if, and only to the extent that, its operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carry-forwards and reverse the temporary differences prior to expiration. At 31 December 2012, the amount of future income required to recover TNT Express' deferred tax assets was approximately €800 million (over a period of at least ten years) at certain operating subsidiaries.

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

TNT Express' insurance policy includes a retention clause and may not cover all damages which could affect profitability.

TNT Express is insured via an in-house captive insurance company for catastrophic risks under insurance covers that are in line with market practice. The insurance policy includes a retention (own risk) clause. The insurance policy may not cover all potential damages as the coverage is limited both in the size of insured amounts as well as in the nature of the damage claims. In case of damages and or proven negligence, these might not be fully covered.

RISKS RELATING TO SECURITIES OF TNT EXPRESS

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

As a result of the demerger, TNT Express may be held liable for any obligations of PostNL that were outstanding within TNT N.V. as at the date of the legal demerger, which PostNL itself fails to meet.

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

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

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

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

PostNL holds 29.8% of the ordinary shares of TNT Express N.V. Given the historical attendance rates of general meetings of Dutch listed companies, this allows PostNL and other material investors the ability to exercise proportionate but still significant influence over certain corporate matters requiring approval of a General Meeting of shareholders (subject to the Relationship Agreement in the case of PostNL, refer to www.tnt.com/corporate for details). This concentration of ownership could affect the trading volume and market price of the ordinary shares.

CHAPTER 5 STATEMENTS

I. FINANCIAL STATEMENTS

Consolidated statement of financial position

	Notes	31 December 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	2012			2011		
At 31 December	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	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 / m^2)		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 m^2 of buildings. The CO_2 efficiency and the energy efficiency metrics of buildings combines all types of energy consumed in buildings and covers electricity, gas, heating fuel and district heating. The total energy use of buildings within TNT Express in 2012, was 253.6 million kWh, 7.7 million m^3 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 (in tonnes per FTE) GRI indicators: EN22 & EN27	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 (in percentage of total waste) GRI indicators: EN22 & EN27	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 Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Corporate Responsibility reporting scope

In accordance with TNT Express' policy on CR reporting, all companies acquired in any given year are required to report CR data as from the following year. TNT Express entities that are divested (full or partial sale whereby TNT Express no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place.

The 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

CHAPTER 6 INVESTOR RELATIONS AND SHARE PRICE PERFORMANCE

I. INTERACTING WITH THE CAPITAL MARKETS

During 2012, TNT Express maintained a close dialogue with the capital markets through:

- Quarterly results presentations and conference calls
- Day-to-day contacts via the Investor Relations department
- Road show meetings after results releases
- Ad-hoc meetings
- Capital Markets Day
- General meetings of shareholders
- The Investor Relations page on TNT Express' corporate website (www.tnt.com/corporate)

TNT Express' Investor Relations department participates in meetings with analysts and investors, conference calls, road shows and investor conferences. The CFO has the principal responsibility for investor relations, with the active involvement of the CEO. The Investor Relations department ensures timely, consistent and accurate disclosure of information to the financial community. TNT Express' policy is to provide the financial community with equal and simultaneous information about matters that may be price sensitive.

The Executive Board provides explanations on quarterly results either via group meetings or teleconferences, accessible by telephone and the internet. Meetings with institutional investors are also held to ensure that the investment community receives a balanced and complete view of TNT Express' performance and the issues faced by the business. In addition, TNT Express communicates with the financial community through press releases, the annual report, general meetings and the company's corporate website.

Contacts between the Executive Board and the investment community are carefully handled and structured. TNT Express does not compromise the independence of analysts in relation to the company and vice versa. Analysts' reports and valuations are not assessed, commented upon or corrected other than factually by TNT Express. In 2012, TNT Express visited investors in major financial cities in Europe, the United States and Asia.

The corporate website provides all relevant information with regard to the dates of analyst meetings and webcast procedures. For further information, visit TNT Express' corporate website (www.tnt.com/corporate).

TNT Express does not pay any fees to parties conducting research for analysts' reports, or for the production or publication of analysts' reports, with the exception of credit rating agencies.

Contacts with the financial community are dealt with by the members of the Executive Board, TNT Express' investor relations professionals and, less frequently, by the chairman of the Supervisory Board and other TNT Express employees specifically mandated by the Executive Board.

II. DIVIDEND

POLICY

TNT Express aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividends. TNT Express aims to pay dividends of around 40% of normalised net income. Also, on an incidental basis, TNT Express may make tax-exempt share repurchases or other returns of excess cash.

INTERIM DIVIDEND

Due to UPS' offer, no 2012 interim dividend was paid. A 2011 final dividend payment of €0.004 per ordinary share was paid in 2012.

FINAL PAYMENT (PROPOSED)

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, of €0.03 per share relating to the full year 2012. The proposed dividend represents a payout of 39% of normalised net income and is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash.

III. SHARE PRICE PERFORMANCE

The shares of TNT Express N.V. are listed on Euronext Amsterdam (ticker symbol: TNTE; ISIN common share: NL0009739424) and included in the AEX index. The AEX index consists of a maximum of 25 of the top companies in the Netherlands, ranked on the basis of their turnover, and free-float adjusted market capitalisation.

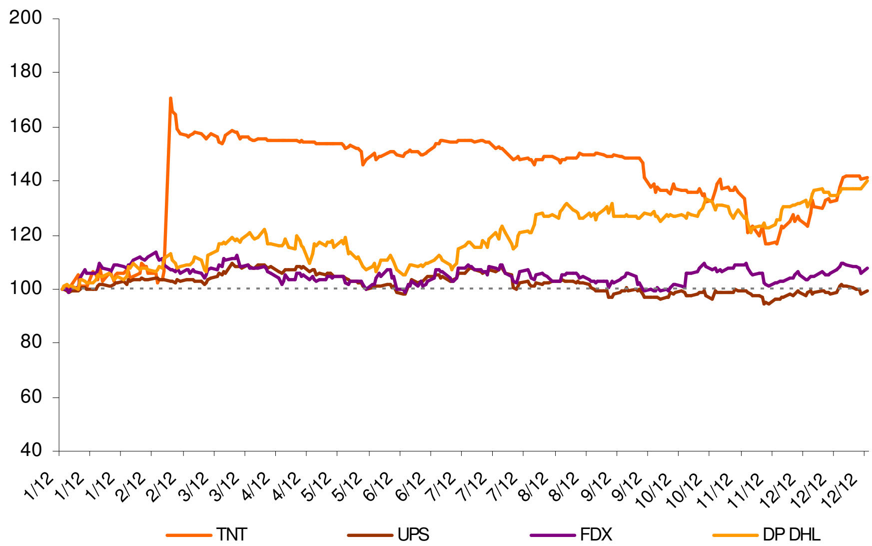
TNT Express N.V. also has a sponsored level 1 American Depository Receipts (ADR) programme. The ADRs trade in the over-the-counter marketplace (ticker symbol: TNTEY; CUSIP US87262N1090).

Share price performance (ticker symbol: TNTE)

Share price (€)		
	High	10.18
	Low	5.96
	Close	8.43
Average number of shares in issue in 2012		543,248,166

In 2012, TNT Express' share price increased by 41.4%, from the closing price of the initial day of trading, underperforming the AEX and selected peers. The share price performance relative to the AEX and peers is shown below.

TNT Express share price performance 2012 (rebased)[7]



[7] Source: Thomson Reuters

IV. MAJOR SHAREHOLDERS

Pursuant to the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*), shareholders must disclose percentage holdings in capital and/or voting rights in the company when such holdings reach, exceed or fall below: 3% (from 1 July 2013), 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95%. Such disclosures must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The company is notified by the AFM.

The register of AFM shows PostNL N.V as major shareholder as per 31 December 2012.

V. CREDIT RATING

Management seeks to optimise the cost of capital while preserving the company's financial stability and flexibility.

TNT Express' rating per January 2013 was BBB+ 'Stable' / Baa2 'Negative' which are in line with its credit ratings before the recommended offer by stronger rated UPS was announced. The positive outlooks on its rating during most of 2012 reflected the expectation of the rating agents on the positive impact of the merger on TNT Express's credit risk, but these have been removed due to the withdrawal of the offer.

Financial calendar for 2013

18 February	Publication of 4Q12 and full year results
10 April	Annual General Meetings of Shareholders
12 April	Ex dividend
29 April	Publication of 1Q13 results
29 July	Publication of 2Q13 and half year results
28 October	Publication of 3Q13 results

ANNEXES

ANNEX 1 GLOBAL COMPACT AND GRI G3.1 INDEX

GLOBAL COMPACT

Bernard Bot, CEO a.i. of TNT Express, confirms continued support to the Global Compact, and as a signatory, TNT Express is committed to all of the 10 principles regarding human, rights, labour, environment and anti-corruption. In the GRI index table the GRI indicators on which TNT Express reports are linked to the numbers corresponding to the ten principles mentioned below.

Human Rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
10	Businesses should work against corruption in all its forms.

GRI G3.1 INDEX

This GRI Index table is based on the G3.1 guidelines of the Global Reporting Initiative (GRI). This index includes the core indicators of the G3.1 and complementary sector supplement indicators. The table below includes TNT Express' management approach per theme. Additionally a reference is made to the 10 Principles of the Global Compact which are mentioned in a table in the next section.

The GRI G3.1 index is based on the guidelines for sustainability reporting from the Global Reporting initiative (GRI). TNT Express believes that the A+ level is applicable to this report. This has been validated by GRI and the external assurance provider.

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
Strategy and analysis				
1.1	CEO statement	Letter to stakeholders, p. 3 Chapter 1, p. 11; Executive Board compliance statement Chapter 4, p. 35; Message from the chairman	Fully reported	
1.2	Key impacts, risks, and opportunities	At a glance, p. 0 Chapter 4, p. 36; Report of the Supervisory Board, key matters Chapter 1, p. 15, Embed corporate responsibility in all activities Chapter 4, p. 60-61; Risk Management	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 1, p. 12; Context Chapter 2, p. 17; General market and business characteristics	Fully reported	
2.2	Products, and/or services	Chapter 1, p. 12; Focus on Europe Chapter 2, p. 17; General market and business characteristics	Fully reported	
2.3	Operational structure	Chapter 2, p. 18; Overview Chapter 4, p. 41; Corporate Governance Chapter 5, p. 76; General information and description of the business Chapter 5, p. 135; Financial statements, note 41	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
2.4	Headquarter location	Chapter 2, p. 17; General market and business characteristics	Fully reported	
2.5	Countries in operations/ TNT geographic spread	Chapter 2, p.17; General market and business characteristics Chapter 5, p. 158-159; Corporate Responsibility reporting and assurance scope	Fully reported	
2.6	Nature of ownership	Chapter 5, p. 76; General information and description of the business	Fully reported	
2.7	Markets served	Chapter 2, p.18-22; Business performance	Fully reported	
2.8	Scale of the organisation	Chapter 2, p.18-22; Business performance Chapter 5, p. 159; Labour force CR reporting scope	Fully reported	
2.9	Significant operational changes	Chapter 1, p.12; Context	Fully reported	
2.10	Awards received	Chapter 2, p. 18; 2012 Performance Chapter 3, p. 33; Achievements	Fully reported	
Report profile				
3.1	Reporting period	p. 0; Introduction and financial and corporate responsibility highlights Chapter 1, p. 11; Executive Board compliance statement	Fully reported	
3.2	Previous report	p. 0; Introduction	Fully reported	
3.3	Reporting cycle	p. 0; Introduction	Fully reported	
3.4	Contact point for questions	p. 0; Introduction	Fully reported	
Report scope and boundary				
3.5	Content definition	p. 0; Introduction Chapter 1, p. 11; Executive Board compliance statement Chapter 3, p. 24-25, Stakeholder engagement and materiality Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.6	Boundary of the report	Chapter 1, p. 11; Executive Board compliance statement Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.7	Limitations on the reporting scope	Chapter 1, p. 11; Executive Board compliance statement Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.8	Reporting basis	Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.9	Data measurement techniques	Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.10	Re-statements of information	Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
3.11	Significant changes from previous reports	Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1, p. 167-176; Global Compact and GRI 3.1 Index	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
Assurance				
3.13	Assurance	Chapter 5, p. 158-159; Corporate responsibility reporting and assurance scope	Fully reported	
Governance				
4.1	Governance structure	Chapter 4, p. 41-44, Corporate Governance, Supervisory Board Chapter 4. p. 45; Executive Board Chapter 4, p. 46; Management Board Chapter 4, p. 47-49; Foundations of TNT Express corporate governance	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	Chapter 4, p. 42; Supervisory Board	Fully reported	
4.3	Independence of Board of Management	TNT Express does not have a unitary board structure. TNT Express has a large company regime and is therefore required to adopt a two-tier management system of corporate govenance in compliance with Dutch law. Refer to page 43 and 50-51 of the Annual Report 2012	Not reported	
4.4	Shareholder feedback mechanisms	Chapter 4, p. 50-51; Shareholders Chapter 4, p. 35; Message from the chairman Chapter 3, p. 24, Stakeholder engagement and materiality framework	Fully reported	
4.5	Executive remuneration and performance	Chapter 4, p. 54; Remuneration policy 2012, Short term incentive	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 4, p. 38; Report of the Supervisory Board, Conflict of interest Chapter 4, p. 46; Executive Board, Conflict of interest	Fully reported	
4.7	Board of Management expertise on sustainability	Chapter 4, p. 43; Composition of the Supervisory Board Chapter 4, p. 39; Diversity and competence	Fully reported	
4.8	Mission and value statements	Chapter 4, p. 48; Integrity	Fully reported	
4.9	Board of Management governance	Chapter 4, p. 44; Audit Committee Chapter 4, p. 49; Dutch corporate governance code Chapter 4, p. 60; Risk management, Risk management framework Chapter 3, p. 24-25; Corporate responsibility framework	Fully reported	
4.10	Evaluation of the Board of Management	Chapter 4, p. 38-39; Report of the Supervisory Board, internal organisation Chapter 4, p. 44; Audit Committee Chapter 4, p. 53-56, Remuneration policy 2012	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	p. 0; Cautionary note with regard to "forward looking statements"	Fully reported	
4.12	External charters, principles or initiatives	Chapter 4, p. 48; Integrity Annex 1, p. 167; Global Compact and GRI G3.1 index	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
4.13	Associated memberships	Chapter 3, p. 27; Human Rights Chapter 3, p. 30; Supply chain Chapter 3, p. 32; Green Freight industry initiative Chapter 4, p. 48; Integrity Annex 1, p. 167; Global Compact and GRI G3.1 index	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 3, p. 24; Stakeholder engagement and materiality matrix	Fully reported	
4.15	Stakeholder identification	Chapter 3, p. 24; Stakeholder engagement and materiality matrix	Fully reported	
4.16	Stakeholder engagement	Chapter 3, p. 24; Stakeholder engagement and materiality matrix	Fully reported	
4.17	Stakeholders' key issues	Chapter 3, p. 24; Stakeholder engagement and materiality matrix	Fully reported	
Economic performance indicators				
DMA	Economic performance	Chapter 1, p. 12-15; Strategy Chapter 3, p. 25; Corporate responsibility strategy and monitoring	Fully reported	
DMA	Market presence	Chapter 1, p. 12-15; Strategy Chapter 3, p. 25; Corporate responsibility strategy and monitoring	Fully reported	
DMA	Indirect economic impact	Chapter 1, p. 12-15; Strategy Chapter 3, p. 25; Corporate responsibility strategy and monitoring	Fully reported	
EC1	Direct economic value	Chapter 1, p. 4; Financial highlights Chapter 5, p. 73-74; Consolidated statement income statement and statement of cash flows Chapter 5, p. 157; CR statements, note 26	Fully reported	
EC2	Financial implications of climate change	Chapter 4, p. 64-65; Risk management, inherent-operational risks Chapter 4, p. 66-67; Risk management, inherent- legal and regulatory risk	Partially reported[1]	7
EC3	Benefit plan	Chapter 5, p. 97-101; Financial statements, note 10, provisions for pension liabilities	Fully reported	
EC4	Financial governmental assistance	TNT Express does not receive any significant financial assisstance from governments	Fully reported	
EC6	Local suppliers	Chapter 1, p. 6; Operating expenses Chapter 3, p. 32; Subcontractor management Chapter 5, p. 73; Consolidated income statement	Partially reported[1]	
EC7	Local recruitment	Chapter 3, p. 26; Succession and talent management	Partially reported[1]	6
EC8	In kind or pro bono engagement	Chapter 3, p. 28; Partnerships Chapter 5, p. 157, CR statements, note 26	Fully reported	
Environmental management approach				
DMA	Materials	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
DMA	Energy	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Water	TNT Express' core business does not require significant water use. Indicator therefore not material.	Not reported	
DMA	Biodiversity	TNT Express does not own land in protected areas or areas with high biodiversity.	Not reported	
DMA	Emissions, effluents and waste	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Products and services	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Compliance	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Transport	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Overall	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 29-30; Environment Chapter 4, p. 41-52 Corporate governance	Fully reported	
EN1	Volume of materials used	Chapter 5, p. 152-153; CR statements, note 16 Chapter 5, p. 155-156; CR statements, note 21 and note 22	Fully reported	8
EN2	Recycled materials	Chapter 5, p. 156; CR statements, note 22	Fully reported	8,9
EN3	Direct primary energy consumption	TNT Express total direct energy consumption is 14,336 TJoules from non-renewable and 3 TJoules from renewable energy. Chapter 5, p. 152-153, CR statements, note 16 Chapter 5, p. 154; CR statements, note 20	Fully reported	8
EN4	Indirect primary energy consumption	TNT Express total indirect energy consumption is 965 TJoules Chapter 5, p. 152-153, CR statements, note 16 Chapter 5, p. 154; CR statements, note 20	Fully reported	8
EN5	Efficiency improvements	Chapter 5, p. 153; CR statements, note 17	Fully reported	8, 9
EN6	Energy reductions	Chapter 5, p. 153; CR statements, note 17 Chapter 3, p. 29-30; Key initiatives to improve environmental performance	Fully reported	8, 9

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Chapter 5, p. 153; CR statements, note 17 Chapter 3, p. 29-30; Key initiatives to improve environmental performance	Fully reported	8,9
EN8	Water withdrawal	TNT Express' core business does not require significant water use. The indicator therefore is not material for TNT Express	Not reported	8
EN11	Land assets in sensitive areas	TNT express does not own land assets in sensitive areas	Not reported	8
EN12	Biodiversity within lands owned	TNT Express does not own land in protected areas or areas with high bio diversity	Not reported	8
EN16	Greenhouse gas emissions	Chapter 5, p. 152-153, CR statements, note 16	Fully reported	8
EN17	Other indirect greenhouse gas emissions	Chapter 5, p. 153, CR statements, note 17	Fully reported	8
EN18	Emission reduction initatives	Chapter 5, p. 153, CR statements, note 17 Chapter 3, p. 29-30; Key initiatives to improve environmental performance	Fully reported	7,8,9
EN19	Ozone-depleting substance emissions	The emission of ozone-depleting substances within TNT Express is very limited and not measured. Due to the limited materiality TNT Express has no plans to measure this in the future.	Not reported	8
EN20	NOx, SOx emissions	NOx and SOx emissions are not measured. TNT Express strives to reduce these emissions by increasing the number of Euro 4 and Euro 5 vehicles. Refer to Chapter 5, p. 155; CR statements, note 21. TNT Express is considering measurement methods to be implemented in 2016	Not reported	8
EN21	Water discharge by quality and destination	TNT Express' total water discharge is limited to domestic sewage. This indicator is not material for TNT Express.	Not reported	8
EN22	Waste by disposal method	Chapter 5, p. 156, CR statements, note 22	Partially reported[1]	8
EN23	Significant spills	Chapter 5, p. 156, CR statements, note 24	Partially reported[1]	8
EN26	Environmental impact mitigation	Chapter 3, p. 29-30; Environment Chapter 3, p. 31-32; Business	Fully reported	7,8,9
EN27	Packaging materials	Chapter 5, p. 156; CR statements, note 22	Fully reported	8,9
EN28	Non-compliance sanctions	Chapter 4, p. 60-61; Risk management Chapter 5, p. 116-118; Financial statements, note 28 Chapter 5, p. 156; CR statements, notes 23 and note 24	Fully reported	8
Labour practices and decent work performance indicators				
DMA	Employment	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Labor/management relations	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
DMA	Occupational health and safety	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Traning and education	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Diversity and equal opportunity	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Equal remuneration	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Partially reported[1]	
LA1	Breakdown of workforce	Chapter 5, p. 159, labour force Chapter 5, p. 105, Financial statements, note 18	Partially reported[1]	
LA2	Employee turnover	Chapter 5, p. 146, CR statements, note 9 Chapter 5, p. 147, CR statements, note 10	Partially reported[1]	6
LA4	Collective bargaining agreements	Within TNT Express the entities are responsible for collective bargaining agreements. The percentage of employees covered by collective bargaining agreements is monitored at entity level.	Not reported	1,3
LA5	Minimum notice periods	Within TNT Express the entities are responsible for collective bargaining agreements. The percentage of employees covered by collective bargaining agreements is available at entity level.	Partially reported[1]	3
LA6	Monitor health and safety programs	Chapter 5, p. 143-144, CR statements, note 1 and note 3 Chapter 5, p. 147; CR statements, note 11 Chaper 3, page 27-28, OHSAS 18001 and Road safety	Fully reported	1
LA7	Health and safety and absenteeism	Chapter 5, p. 146-150, CR statements, note 8, 12, 13, 14, 15	Fully reported	1
LA8	Education to assist workforce	Chapter 3, p. 26-28; Social	Fully reported	1
LA10	Training per employee	Chapter 5, p. 147, CR statements, note 11	Partially reported[1]	
LA11	Programmes for skills management	Chapter 3, p. 26-28; Social Chapter 5, p. 147, CR statements, note 11	Fully reported	
LA12	Performance and career development	Chapter 3, p. 26-28; Social Chapter 5, p. 148, CR statements, note 11	Fully reported	
LA13	Employee diversity & governance	Chapter 4, p. 39; Diversity and competence	Partially reported[1]	1,6
LA14	Remuneration by gender	Chapter 4, p. 58; Total remuneration 2012	Partially reported[1]	1,6

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
LA15	Retention after parental leave	Retention after parental leave is arranged for at entity level.	Not reported	
Human Rights performance indicators				
DMA	Investment, procurement practices	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Non-discrimination	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Association and collective bargaining	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Child labor	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Prevention of forced labor	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Security practices	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Indigenous rights	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Assessment	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Remediation	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
HR1	Human Rights clauses in investment	Chapter 4, p. 48; Integrity Chapter 3, p. 27; Human Rights	Partially reported[1]	1,2,3,4,5,6
HR2	Supplier screening on Human Rights	Chapter 4, p. 48; Integrity Chapter 3, p. 27; Human Rights Chapter 5, p. 143; CR statements, note 2	Fully reported	1,2,3,4,5,6
HR3	Employee training	Chapter 4, p. 48; Integrity Chapter 5, p. 143; CR statements, note 2	Fully reported	1,2,3,4,5,6
HR4	Discrimination	Chapter 4, p. 48; Integrity	Fully reported	1,2,6
HR5	Association and collective bargaining	Chapter 4, p. 48; Integrity	Partially reported[1]	1,2,3

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
HR6	Child labour	Chapter 4, p. 48; Integrity	Partially reported[1]	1,2,5
HR7	Forced labour	Chapter 4, p. 48; Integrity	Partially reported[1]	1,2,4
HR10	Impact assessment	Chapter 4, p. 48; Integrity	Partially reported[1]	
HR11	Grievance mechanism	Chapter 4, p. 48; Integrity	Partially reported[1]	
Society performance indicators				
DMA	Local communities	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Corruption risks	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance Chapter 4, p. 48; Integrity	Fully reported	
DMA	Public policy	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance Chapter 4, p. 48; Integrity	Fully reported	
DMA	Anti-competitive behavior	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance Chapter 4, p. 48; Integrity	Fully reported	
DMA	Compliance	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance Chapter 4, p. 48; Integrity	Fully reported	
SO1	Impact on communities	Chapter 3, p. 28; Partnerships	Partially reported[1]	
SO2	Corruption risks	Chapter 4, p. 48; Integrity	Fully reported	10
SO3	Anti-corruption training	Chapter 4, p. 48; Integrity	Fully reported	10
SO4	Actions against corruption	Chapter 4, p. 48; Integrity	Fully reported	10
SO5	Lobbying	Chapter 4, p. 48; Integrity	Fully reported	1,2,3,4,5,6,7,8,9,10
SO8	Regulatory non-compliance sanctions	Chapter 4, p. 48; Integrity	Fully reported	10
SO9	Significant potential impact on communities	Chapter 5, p. 155-156, CR statements, note 21, 22, 23 and 24	Partially reported[1]	
SO10	Prevention and mitigation impact on communities	Chapter 3, p. 28; Accidents Chapter 3, p. 29-30; Key initiatives to improve environmental performance Chapter 5, p. 156-157; CR statements, note 21, 22, 23 and 24	Partially reported[1]	
Product responsibility performance indicators				
DMA	Customer Health and safety	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	

Nr	G3.1 INDICATOR	Disclosure page number/ reference	Extent of reporting	Global Compact Principles
DMA	Product and service labelling	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Marketing communications	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Customer privacy	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
DMA	Compliance	Chapter 1, p. 15; Embed corporate responsibility in all activities Chapter 3, p. 26-28; Social Chapter 4, p. 41-52 Corporate governance	Fully reported	
PR1	Product life cycle	Chapter 2, p. 17; General market and business characteristics	Fully reported	1
PR3	Product information	Chapter 2, p. 17; General market and business characteristics	Fully reported	8
PR6	Communication programmes	TNT Express marketing communication does not conflict with generally accepted ethical or cultural standards, neither is a vulnerable group targeted	Fully reported	
PR9	Product non-compliance	Chapter 5, p. 116-118; Financial statements, note 28	Fully reported	
Sector supplement indicators				
LT2	Fleet composition	Chapter 5, p. 153-154; CR statements, note 19	Fully reported	
LT 3	Environmental reduction	Chapter 5, p. 151-153; CR statements, note 16 and note 17	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 5, p. 154-155; CR statements, note 20	Fully reported	
LT 5	Renewable indirect energy sources and energy efficiency	Chapter 5, p. 154-155; CR statements, note 20	Fully reported	
LT 7	Noise management and abatement	Chapter 5, p. 156; CR statements, note 23	Fully reported	
LT 8	Environmental impact of real estate	Chapter 5, p. 154-155; CR statements, note 20	Fully reported	
LT 9	Work patterns of mobile worker	Chapter 3, p. 26-28; Social	Fully reported	
LT 10	Personal communication	Chapter 3, p. 26-28; Social	Fully reported	
LT 11	Substance abuse	Chapter 3, p. 26-28; Social	Fully reported	
LT 12	Road fatalities per kilometres driven	Chapter 3, p. 26-28; Social	Fully reported	
LT 13	Ship safety inspections	Chapter 3, p. 26-28; Social	Fully reported	
LT 14	Mail accessibility	Chapter 3, p. 26-28; Social	Fully reported	
LT 15	Humanitarian Programmes	Chapter 3, p. 26-28; Social	Fully reported	
LT 16	Labour providers	Chapter 3, p. 26-28; Social	Partially reported[1]	
LT 17	Continuity of employment	Chapter 3, p. 26-28; Social	Partially reported[1]	

[1] These indicators are partially material, not applicable or not material for TNT Express' operations. For the purpose of this Annual Report it was decided to report in a way that is better suited to TNT Express' operations and suites the expectations of the stakeholders

GRI G3.1 APPLICATION LEVELS

Report Applicaiton Level	C	C+	B	B+	A	A+
Standard Disclosures: G3 Profile Disclosures (OUTPUT)	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4 , 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
Standard Disclosures: G3 Management Approach Disclosures (OUTPUT)	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
Standard Disclosures: G3 Performance Indicators & Sector Supplement Performance Indicators (OUTPUT)	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **TNT Express** has presented its report "TNT Express Annual Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.
For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 13 February 2013

A+ GRI REPORT GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because **TNT Express** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 12 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

ANNEX 2 GLOSSARY AND DEFINITIONS

Air cargo sales
An airport-to-airport air cargo transportation service.

Absenteeism
Total days absence versus potential working days, calculated at year-end.

All training hours
All training hours are the number of hours spent on training by the total of employees on payroll (including social responsibility training hours) during the reporting period (both on-and off-job and both internal and external programmes).

Alternative fuels
Fuels included in the category of alternative fuels are biofuels and CNG (compressed natural gas). Alternative fuels also include hybrid vehicles and electric vehicles.

Biofuels
Biofuel (also called agrofuel) can be broadly defined as solid, liquid, or gas fuel consisting of or derived from biomass. Biofuel consists of CO_2 that has recently been extracted from the atmosphere as a result of growing of plants and trees and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by TNT Express as a crash or collision involving a TNT Express vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered blameworthy if a TNT Express driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Blameworthy road traffic fatal accident
A blameworthy road traffic fatal accident is where a TNT Express employee or third party is fatally injured, which means that the employee or third party died because of the accident of any person driving a TNT Express company-owned or operated vehicle. This indicator does not include blameworthy road traffic fatal accidents caused by subcontractors. Accidents that occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered blameworthy when the TNT Express driver is at fault.

Blocked-space agreement
An agreement in which an airline sells a reservation for aircraft space for a specific period regardless of the freight that requires transport.

Business travel
Business travel refers to all business-related air flights.

Carbon Disclosure Project
The Carbon Disclosure Project is an independent not-for-profit organization working to drive greenhouse gas emissions reduction and sustainable water use by business and cities. For further information, refer to www.cdproject.net.

Carbon dioxide emissions
Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO_2) is referred to as a greenhouse gas.

Civil society
As part of the stakeholder dialogues, the civil society cluster includes academic and research institutes, financial and investment service organisations, government agencies, industry associations and international organisations, NGOs and trade unions.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of TNT Express' business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2-neutral
Carbon-neutral is where the net CO_2 equivalent emissions from activities are zero.

Code-share agreement
An agreement in aviation, whereby two or more airlines share the same flight. A transport service can be purchased on one airline but is actually operated by a cooperating airline under a different flight number or code.

Company cars
Company-owned or leased vehicles made at the disposal of an employee for commuting and business travel. This category also includes hired vehicles used for business expansion reasons (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (refer to reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure through which company objectives are set, the means of attaining those objectives and monitoring performance.

Corporate responsibility
Corporate responsibility is the umbrella term for the obligation a company has in considering the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

CR Materiality Matrix
The Corporate Responsibility (CR) Materiality Matrix reflects TNT Express' priorities, strengths, opportunities, risks and dilemmas and provides information on the importance and materiality of these areas to stakeholders and to TNT Express. These priorities are categorised in three dimensions: social, environmental and business.

Customer satisfaction score
Annual worldwide customer satisfaction survey conducted by TNT Express to measure customer satisfaction on all customer touch points and across all customer segments expressed in one overall score distinguishing TNT Express' performance between 'meeting expectations' and 'exceeding expectations' in the reporting period.

Depot
This is the location where transport vehicles load and unload goods, either from collections or for deliveries. In addition to serving as operational platforms, TNT Express' depots also include Sales, Marketing, Finance & Accounting, Customer Service and IT departments.

Dow Jones Sustainability Indexes
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information, refer to www.sustainability-indexes.com.

Eco Drive
'Eco Drive' is an intelligent speed-limiter plugged into a vehicle engine that actively prevents TNT Express drivers and subcontractors from driving vehicles in a fuel inefficient manner.

Employees with a disability
Employees with a disability are employees on payroll whose medical condition is recognised by the relevant authorities as a disability.

Employee engagement
Employee engagement relates to the number of employees (employed by TNT Express for 3 months or more) who stated in the employee engagement survey that they were engaged or more than engaged by TNT Express as an employer.

Environmental incident
An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks, leakages and so forth. The environmental incidents are divided in on-site and off-site incidents. On-site incidents occur at depots, hubs, offices and other

locations owned, leased, rented or operated directly by TNT Express. Off-site incidents occur at depots, hubs, offices and other locations not owned, leased, rented or operated directly by TNT Express.

European emission standards
Euro 4 and Euro 5 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like particular matters (PM), nitrogen oxides (NO_x) and carbon monoxide (CO).

European Union
The European Union consists of the following countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Full time equivalents (FTEs)
FTEs are the total number of hours worked by the headcount divided by the local number of contract hours (for example: 40 p/w or 196 p/m).

Gateway
A gateway is a specific dedicated hub that forms the link between TNT Express' air and road operations. Its activities include consolidating or separating shipments, but it does not have a full sorting activity. The gateway is often the international entry and exit point for a country.

Global Reporting Initiative (GRI)
The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. Starting in1997, the GRI gained independence in 2002, is an official collaborating centre of the United Nations Environment Programme, and works with the United Nations Global Compact. For more information, refer to www.globalreporting.org.

Greenhouse Gas Protocol
The Greenhouse Gas Protocol Initiative (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Hazardous waste
Hazardous waste is waste that could prove harmful to human health or the natural environment.

Headcount
Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Hub
A hub is a nodal point in a network, connecting multiple locations together to ensure optimum connectivity. TNT Express' hubs include: central hubs (Liège and Duiven), road transit hubs, global transit hubs, country hubs and gateways. Many hubs are characterised by their sorting activity, which handles shipments from many inbound sectors to a number of outbound sectors.

Internal promotion
The number of TNT Express employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

International Organization for Standardization (ISO)
The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information, refer to www.iso.org.

Investors in People (IiP)
Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. For further information refer to, www.investorsinpeople.co.uk.

ISO 9001 (quality management)
The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)
The ISO 14001 standard is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPIs)
KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Less than Truck Load (LTL)
LTL carriers collect and consolidate freight from various senders onto enclosed trailers for linehaul to the delivering depot or to a hub/gateway.

Linehaul
In the transport industry, a linehaul refers to the transport movements from and to a hub.

Lost time accident (LTA)
For the purpose of CR reporting, LTAs are defined as the number of employees that are absent from work as a result of a work related accident for at least one day in the reporting period, excluding the day that the accident occurred.

Management positions by gender
Management positions are defined as the number of females/males employed in management positions or above (i.e. with responsibilities for other employees (including subcontractors) or with budget responsibility).

Network
In the transport industry, a network is the sum of facilities on which consignments are moved. TNT Express' network, which is composed of its depots and hubs, supports the company's standard solutions (core product and services).

Noise complaints
Noise complaints are the number of written or documented verbal expression of grievance and/or dissatisfaction from external parties received during the reporting period relating to noise caused by an operation onsite or offsite.

Non-blameworthy road traffic incident
A road traffic incident is defined by TNT Express as a crash or collision involving a TNT Express vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered non-blameworthy if a TNT Express driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Non-blameworthy road traffic fatal accident
A non-blameworthy road traffic fatal accident is where a TNT Express employee or third-party is fatally injured. This means that the employee or third-party died because of the accident of any person driving a company-owned or operated vehicle. Non-blameworthy road traffic fatal accidents that occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered non-blameworthy when the TNT Express driver is not at fault. Non-blameworthy road traffic accidents at subcontractors are not included.

Non-OECD countries
Please refer below for the definition of OECD. Non-OECD countries in which TNT Express has operations include Argentina, Bahrain, Brazil, Bulgaria, Cambodia, China, Cyprus, Egypt, Fiji, Hong Kong, India, Indonesia, Jordan, Kenya, Kuwait, Latvia, Lithuania, Malaysia, Namibia, Philippines, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, United Arab Emirates and Vietnam.

NO_x
NO_x (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperature.

Organisation for Economic Co-Operation and Development (OECD)
The OECD comprises 34 member countries that share a commitment to democratic government and the market economy. Member countries – sometimes referred to as OECD countries – represent the world's most developed countries. For further information, refer to www.oecd.org.

On-time delivery
Delivery of a consignment within the timeframe set for the service in question.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information, refer to www.ohsas-18001-occupational-health-and-safety.com.

PACI (Partnering Against Corruption Initiative)
The PACI's mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. The PACI places the private sector in a unique position to guide governments' and international organisations' strategies and policies on anti-corruption and has built strong relationships with the key players and institutions from the global anti-corruption landscape. For more information, refer to www.weforum.org/en/initiatives/paci.

PM
Particulates, alternatively known as particulate matter (PM), fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM is used to describe particles of 10 micrometers or less.

Pick-up Delivery (PUD)
The process that involves all movements from the sender to the collecting depot and from the delivering depot to the receiver.

Road traffic fatal accident
A road traffic fatal accident is one where a TNT Express employee or third-party is fatally injured such that the employee or third-party died because of the accident and where any person driving a company-owned or company-operated vehicle is involved. Road traffic fatal accidents which occur in company owned or leased vehicles during weekends, non-working days or on the way to and from the office are also included. Road traffic fatal accidents with TNT Express employees involved that are still under investigation are reported as non-blameworthy fatal road traffic accidents until proof is provided to the contrary.

Road traffic serious accident
A road traffic serious accident is defined as a physical injury to a TNT Express employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related road traffic accident.

Subcontractor road traffic fatal accidents
A subcontractor road traffic fatal accident occurs when a subcontractor or other third party is fatally injured by a person driving a subcontractor-owned or hired vehicle, which is operated on behalf of TNT Express.

Sustainable energy
Sustainable energy is energy from 'green' or 'renewable' sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear energy.

Transparency Benchmark
The Transparency benchmark provides the Dutch Ministry of Economic Affairs a transparent view on the way Dutch companies externally report on their CR activities. For further information, refer to www.transparantiebenchmark.nl.

Voluntary turnover
Voluntary turnover is the number of TNT Express employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours
The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

Workplace fatal accident
The death of a TNT Express employee due to a work-related accident or the death of a third-party, while working at a TNT Express facility.

Workplace serious accident
A workplace serious accident is defined as a physical injury to a TNT Express employee or third-party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related workplace accident.

World Economic Forum
The World Economic Forum is an independent international organisation committed to improving the state of the world. It provides a collaborative framework for the world's leaders to address global issues and engage its corporate members in global citizenship. For further information, refer to www.weforum.org.

'Zero-emission' supply chain solutions
The smart, stackable 'zero-emission' supply chain solutions, designed and piloted through TNT Express City Logistics initiative, contribute to cleaner, less congested city centres. The solutions work by eliminating sources of inefficiency from the supply chain (including that of the suppliers and customers) in several ways, such as integrating networks and infrastructure, bundling multiple parcel deliveries or shifting to off peak period. They also reduce CO_2 and pollution by replacing conventional vehicles with 'zero-emission' transport, with the aim of securing crucial access to city centres.

'Zero-emission' last-mile solutions
The 'zero-emission' last-mile solutions such as tricycles or electric small vans contribute to reduce city centre congestion, noise and pollution. Combined with optimised networks and infrastructure, they help to mitigate TNT Express' environmental footprint and improve operational efficiency at city level.

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