ANNUAL REPORT 2010

Introduction and financial and corporate responsibility highlights

This is TNT's annual report for the financial year ended 31 December 2010, prepared in accordance with Dutch regulations. TNT delisted its American Depositary Receipts from the New York Stock Exchange on 18 June 2007, and its reporting obligations with the United States Securities and Exchange Commission terminated on 16 September 2007. TNT is therefore no longer required to file its annual report on Form 20-F.
However, where TNT thinks it is helpful, certain information is retained for comparative purposes. In this way TNT intends to provide its stakeholders with a clear overview of its financial year 2010.

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

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

As required by EU regulation, as of 2005 the consolidated financial statements of TNT 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 TNT's financial statements.

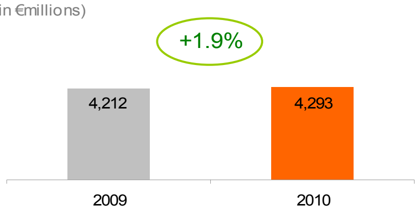
TNT has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on certain metrics and limited assurance on other metrics of CR. This assurance work is performed in accordance with the Assurance Standard 3410N "Assurance Engagements Relating to Sustainability Reports" as drawn 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 18.

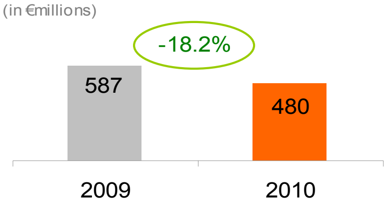
TNT AT A GLANCE

MAIL

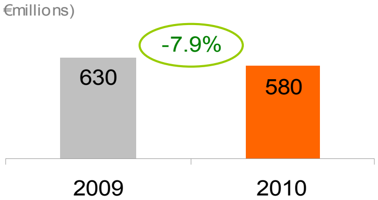
Reported revenues
(in €millions)



Reported operating income
(in €millions)

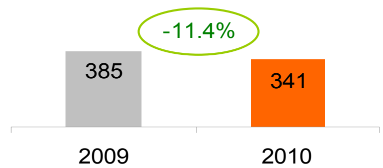


Underlying operating income *
(in €millions)



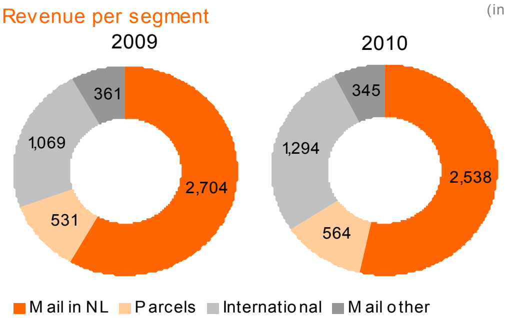
* operating income minus non-recurring items

Underlying cash operating income*
(in €millions)

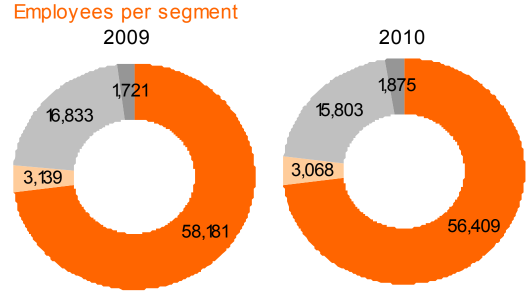


* underlying operating income minus addtional cash pension contributions

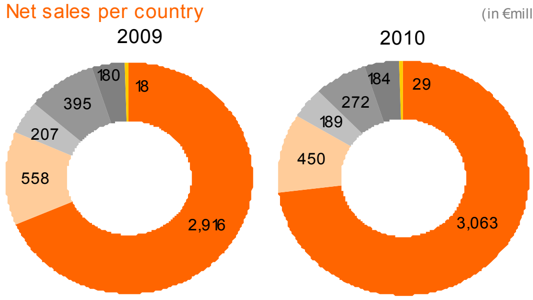
Revenue per segment (in €millions)



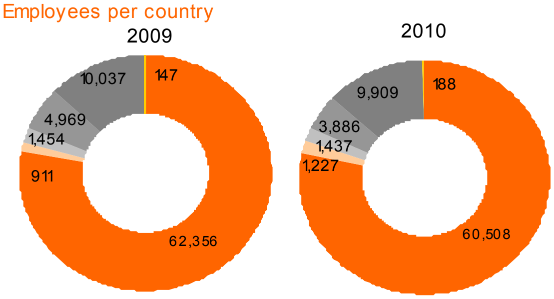
Employees per segment



Net sales per country (in €millions)



Employees per country



The Netherlands   United Kingdom   Italy   Germany   Rest of Europe   Rest of the World

TNT AT A GLANCE

Operating income

	2009	% change	2010
Mail in NL	456	-58.8%	188
Parcels	57	40.4%	80
International	(181)	-84.0%	(29)
Mail other	255	-5.5%	241
TNT total	587	-18.2%	480

(in €millions, except percentages)

Volumes

	2009	% change	2010
Mail in NL	4,473	-9%	4,070
Single items	1,008	-7%	941
Bulk mail	3,465	-10%	3,129
Parcels	90	7%	96

(in €millions, except percentages)

Debt maturity

	< 1yr	1 - 3 yr	3 - -5 yr	> 5 yr
Euro Bonds				1,537
Other loans		32	1	
Financial leases	2	2	1	

(in €millions, for full schedule see note 30 of our financial statements)

Financial performance

	2009	2010
Price/Earnings (closing share price/ earnings per share)	28.0	21.3
Shareholder return (annual growth of the change in closing share price plus dividend)	60.7	55.3
Dividend yield (closing share price/dividend per share)	2.47	2.89
Quick ratio (current assets minus inventory/current liabilities)	1.0	0.5
Debt/Equity ratio (long term debt/equity of the equity holder)	0.9	0.7
Interest coverage (operating income/interest and similar expenses)	3.6	4.0

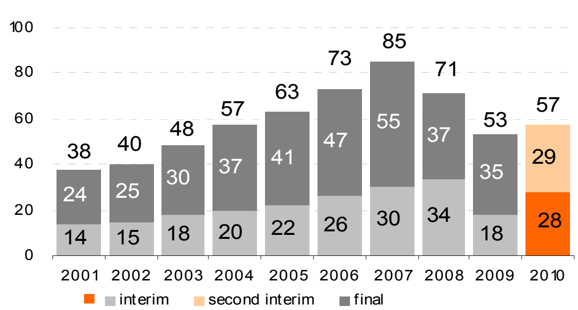
Corporate responsibility performance

	2009	2010
CO_2 emissions ktonnes	83	83
CO_2 efficiency index	68.9	70.4
Fatal accidents own employees and subcontractors	4	1
Lost time accident frequency rate lost time accidents per 100 FTEs.	2.08	4.37
Customer satisfaction	90%	89%
Employee engagement	-	54%

TNT

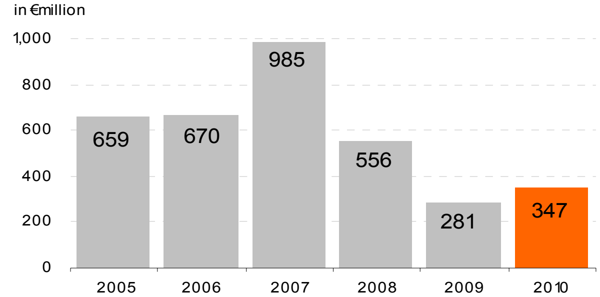
Dividend per share

in €cents



Profit for the shareholders [1]

in €million



1 Pre 2005 data not meaningfull as they pertain to the period before our first time adoption of IFRS

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

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

This annual report can also be viewed on TNT's corporate website: group.tnt.com. Any information on the website other than the contents of this annual report does not form part of TNT's annual report.

Investing in TNT's securities involves risk. Carefully consider the principal key risks set out in chapter 18 of this annual report.

Chapter 1 – NEW DIRECTIONS

Dear stakeholders,

Looking back, 2010 was a year of large operational challenges. From the volcanic ash cloud in the spring to the mail strikes and harsh winter conditions, our company faced issues that tested our *'Sure we can'* mentality.

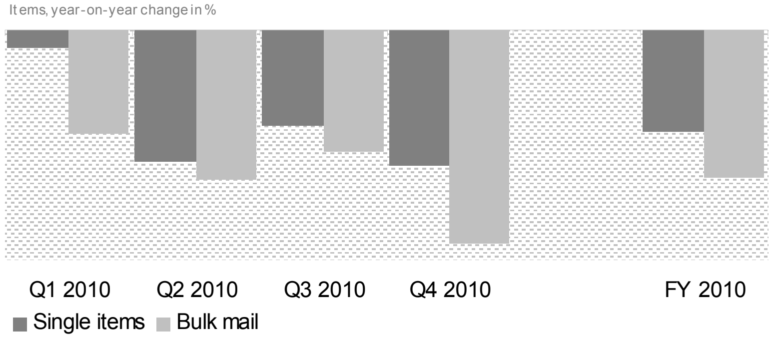
But 2010 also saw the return of Express volumes to pre-economic crisis levels, and the volume growth in Parcels continued. On a corporate level we decided we would best serve our stakeholders' interests and the company's future by putting forward to the shareholders a proposal to separate the mail and express businesses.

Mail

In Mail, the ongoing substitution of physical mail by electronic forms of communication and competition in the first full year of a liberalised market led to a letter mail volume decline in the Netherlands of 9.0 %.

Volume decline versus 2009

Items, year-on-year change in %



FROM THE CEO

Fewer letters to be delivered, leads to less work for our employees. To deal with further volume decline, Mail needs to continue to make its work force more flexible. As a result, in 2007, the company announced its intention to replace 11,000 full-time mailmen jobs in the next few years. Most of the redundancies will be voluntary or through natural attrition, but in September 2010, Mail estimated the number of forced redundancies at 4,500. These restructuring plans affect some of our most loyal and long-serving employees in a hard way. Protests against the restructurings led to four consecutive strikes in the Netherlands in November and December 2010. On 16 December 2010, Mail reached an in principle agreement with the unions. In this agreement, the restructuring plans were adjusted to reduce the number of forced redundancies to 2,800, with a further possible reduction of 200 jobs as a result of future organisational changes and a maximum effort by Mail to move as many people as possible into new jobs outside of TNT. The majority of the union members ratified this agreement at the end of January 2011.

Online shopping continues to drive the volume growth in Parcels. In 2010, the number of parcels delivered in the Netherlands grew by 6.7%.

Parcels volume growth

Items in millions

In order to accommodate this growth, Mail will invest a total of €240 million in the coming years to implement a new parcels infrastructure throughout the Netherlands that caters for a further 40% volume increase.

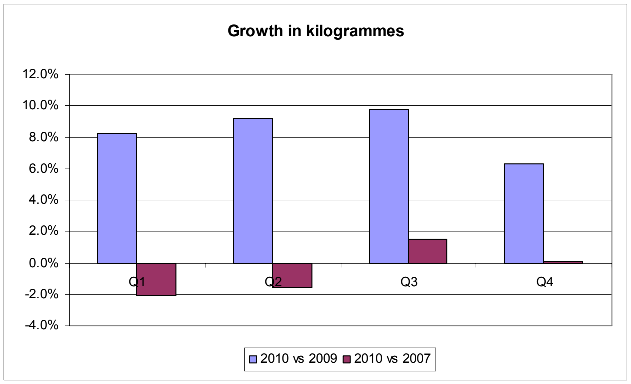
Mail is concentrating its international activities on the addressed mail segments in the United Kingdom, Germany and Italy. Since 2005, revenues in these activities have grown from 0 to €1.3 billion. The focus will be on improving the profitability of this portfolio.

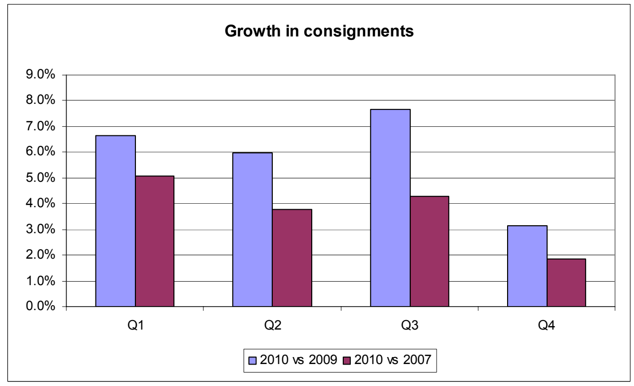
Express

The eruption of a volcano in Iceland in April 2010, led to a severe disruption of air travel and transport in Europe. Our express air hub in Liège, Belgium closed down for two days. We were successful in shifting all air volumes to our road operations, minimising the consequences for our customers. Later in the year, the threat of explosives caused further operating challenges, as did the harsh winter weather in Europe.

As the economy recovered Express volumes returned to 2007 levels in the third quarter.

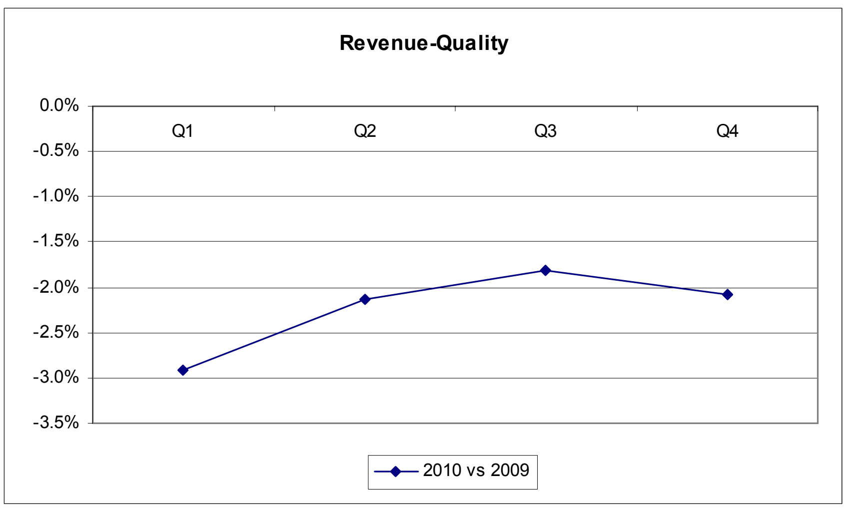
FROM THE CEO





Note: Average daily Domestic and International volumes growth by quarter excluding Hoau (China) and acquisitions in Brazil and Chile

Competition and the higher growth in the large customer segment continued to put pressure on revenue-quality yield. Express is addressing this by a price increase announced in July and a yield management programme. The positive results will improve 2011 profitability.



Note: Revenue-quality yield is the average of the growth in revenue per consignment and revenue per kilogramme for the domestic and international products excluding acquisitions

In the first half of 2010, volumes on the Asia to Europe route rose sharply, which required Express to add two Boeing 747 freighters between Hong Kong, Shanghai and Liège. Since October, Express has added three additional stops in Chongqing, which makes it the first integrator to operate dedicated flights to Europe from this main port destination in western China.

To cater for the positive development of volumes on the Asia to Europe route Express has ordered three Boeing 777 freighters, the most energy efficient longhaul aircraft currently available on the market. These airplanes are expected to be delivered in 2011.

Corporate strategy

On 2 December 2010, TNT presented its next chapter in the development of our company with the launch of our proposal to separate our Mail and Express businesses into two independently listed companies. This separation is now in full motion and will be tabled for final decision at the Annual General Meeting of Shareholders on 25 May 2011. The separation decision is already reflected in the way this annual report is structured: Express is reported as discontinued operations and in order to maintain transparency a separate report on Express is provided.

FROM THE CEO

In August, CFO Henk van Dalen unexpectedly left TNT. However we were able to quickly fill this vacancy with an internal candidate: Bernard Bot, formerly group director Business Control.

In the area of corporate responsibility (CR) we have for the fourth consecutive time become a supersector leader in the Dow Jones Sustainability Indexes. This annual report is the second in which we provide an integrated presentation of both our financial and CR performance.

In our partnership with the World Food Programme in 2010 we offered more than 14,000 hours of support in two major crises, in Haiti and Pakistan. After the separation the partnership will be continued by Express.

Looking ahead

The coming months will see us preparing and publishing the demerger documents. After the announcement of the first quarter results, Express and Mail will be presented to the capital market during so-called Capital Markets days on 3 May 2011 and 9 May 2011, respectively. Following this, on 25 May 2011 the demerger proposal will be put to the vote at the Annual General Meeting of Shareholders. After shareholders agreement the separation will come into force at the end of May.

Outlook

Mail expects addressed volume decline in 2011 in the Netherlands of between 8% to 10% due to ongoing substitution and competition, in this second full year after full liberalisation. Master Plan savings of €50 to €60 million are targeted for the year. Mail's underlying cash EBIT (defined as underlying EBIT minus pension cash outflows and cash out for restructuring) is expected to be €130 to €170 million. After separation, Mail's dividend guidelines for the next few years will include a payout of around 75% of underlying net cash income, with a minimum of €150 million per annum. In addition, shareholders will be given the dividend that Mail receives from the Express business.

For 2011, TNT assumes a mostly stable economic environment. To counter inflationary cost pressures (including fuel) and possible mix effects, Express will focus on structural costs and cash alongside yield improvements which continue to be a priority. For the full year, Express targets underlying revenue of €7.3 billion to €7.5 billion and underlying operating income of €400 to €420 million (operating income including the allocation of €20 million of TNT central costs). After separation, Express' dividend guideline will include a payout of around 40% of normalised net income.

The above excludes extra one-off costs directly related to the separation currently estimated at around €35 million.

I would like to thank all stakeholders for their interest in and support of TNT over the past year. A special mention is due to our employees whose energy and enthusiasm to the company helped us overcome significant operational challenges in 2010, including some of the worst weather we have seen in Europe in recent years. I salute all our truck drivers, delivery people and mail men and women who did their utmost to deliver express parcels and mail in spite of snow, wind and icy roads.

After the separation, the two new companies will be led by new management teams headed by Marie-Christine Lombard for Express and Harry Koorstra for Mail. I wish them a lot of wisdom and a clear strategic vision for the new directions they will choose for their companies. I'm confident of their ability and leave the legacy of 12 years of combined TNT in their capable hands.

The separation marks the end of the holding company, and with it the end of my role as CEO. I would like to thank everyone who over the years has helped to make TNT into what it is now: one of the most special companies in the world. I wish and expect Mail and Express to continue their success into the future.
Kind regards,

Peter Bakker,
CEO

Chapter 2 Strategic direction

TNT is a leader in the global transportation and distribution industry, dedicated to providing delivery solutions to its customers. In 2010, TNT announced its intention to separate its divisions, Mail and Express, and create two stand-alone companies. After the separation, TNT N.V. will focus solely on mail activities and will be rebranded, with the TNT name continuing with Express. The following section describes the separation in more detail.

COMPANY HISTORY

TNT has a long history of more than 250 years. The roots of the mail business can be traced back to 1752. In 1989, the Dutch post and telecommunication activities were privatised and became KPN, a combined postal/telecommunications company. In 1996, KPN acquired TNT, an international express company with origins in Australia. Two years later KPN demerged its postal and express business, which was then listed independently on the stock exchange under the name of TNT Post Group (TPG) and was rebranded to TNT in 2005. In 2006, TNT decided to sell its logistics division in order to focus entirely on its core competency of managing delivery networks.

CONCLUSION OF VISION 2015: SEPARATION OF EXPRESS AND MAIL

General

On 3 December 2009, TNT launched its Vision 2015 strategy, which identified five focus areas, one in Mail and four in Express.

During 2010, as part of the Vision 2015 strategy, the Board of Management of TNT concluded that it was in the best interest of the company, its shareholders and other stakeholders to separate TNT's divisions into two separate companies: Mail and Express. The intention to separate was first announced on 2 August 2010, and detailed plans were presented on 2 December 2010. Subject to shareholder approval, the demerger is scheduled to take place by the end of May 2011. As of January 2011, the internal legal and organisational separation was completed.

The main reasons for separation are the increasingly divergent strategic profiles of the two divisions and the limited synergies existing between them. Mail is faced with a continuously declining mail market within the Netherlands and has to focus on sustaining a solid cash flow and operational efficiency, as well as business renewal. The challenges and opportunities for Express are to leverage its existing strong European networks, to improve yield, to continue to grow the intercontinental business from and to Europe, to grow into adjacent markets, and to build on its first mover advantage and continue to grow in emerging markets.

The separation will also enable greater focus on each business, with single-business investment discipline and capital allocation, as well as leaner, more flexible organisations. Externally, separation is intended to provide more transparency as well as two distinct investment opportunities for shareholders and a clear choice of investment between a value stock (Mail) and a growth stock (Express). Separation will also facilitate participation in sector consolidation and acquisitions.

The Board of Management considers a strong and focused management team coupled with a solid capital structure of crucial importance to both Mail and Express after the separation. These strong platforms will enable successful implementation of their respective strategies, for the benefit of their shareholders and all other stakeholders.

Separation requirements

The separation of the Mail and Express divisions is only possible if certain requirements are met. Specifically, separation requires positive TNT N.V. distributable equity at and following demerger (*absence of 'equity gap'*) and solid funding positions (target BBB+ credit rating) for Express and Mail (*absence of 'funding gap'*).

Equity gap

The demerger requires positive distributable equity on TNT N.V.'s balance sheet and the demerger is only possible up to the level of the positive distributable equity. As estimated at the time of the announcement of the demerger in December 2010, a 100% demerger of the Express division would result in a shortfall of around €900 million.

In addition, it was foreseen that as a direct result of changes to be introduced in the IAS 19 'Employee benefits' accounting standard, TNT N.V. could face an additional write-down against equity in 2012 or 2013 of €900 million (which was estimated for illustrative purposes on the status of pension accounts as of the third quarter of 2010). The impact of this change must be anticipated at demerger because negative equity in the future would constrain TNT N.V. (Mail)'s ability to make dividend payments and raise listing issues.

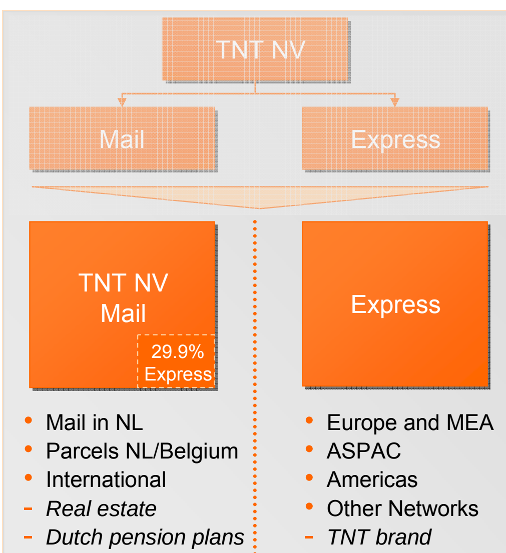
Funding gap

Based on an assumed TNT N.V. net debt at separation of around €1,200 million, the additional capital required to maintain a BBB+ (S&P) credit rating for Express and Mail was estimated to be between €700 million and €900 million. The aggregate net debt capacity of Express and Mail is lower than that of the current Group since the two separate companies are smaller and less diversified than the two combined and because of the cyclical nature of Express and restructuring pressure in Mail.

Separation structure

Based on an extensive review of alternatives, TNT concluded that the optimal solution, which met separation requirements, would create two independently listed entities through the statutory demerger of the Express activities by TNT N.V., with the retention of a minority financial shareholding in Express by TNT N.V. (Mail) of 29.9%.

Demerger structure



The sole objective of the retained minority shareholding is to secure positive distributable equity in the demerger accounts of TNT N.V. at the time of the demerger. The subsequent value step-up for accounting purposes after the demerger will also contribute to offset the assumed potential future equity write-down as a result of the revision of IAS 19 'Employee Benefits.'

Sell-down of the retained minority shareholding is anticipated over time, with proceeds to be used to reduce the debt in TNT N.V. (Mail). Depending on the equity position, any excess capital will be returned to shareholders. The reduction in debt and possible capital returns to shareholders of TNT N.V. (Mail) is required in order to reach the target credit rating of BBB+.

As part of the arrangements relating to the demerger, it is expected that TNT N.V. (Mail) will enter into contractual arrangements with Express regarding the shareholding retained by TNT N.V. (Mail) in Express. These will include arrangements for TNT N.V. (Mail) to offer its Express shares in the event of a recommended/non-recommended public offer for the shares in Express and other arrangements in the event of a (potential) sale by TNT N.V. (Mail) of such shareholding. Provisions will also be included on the exchange of certain information enabling TNT N.V (Mail) and Express to fulfil their respective duties and disclosure obligations. Finally, specific arrangements will be included to prevent TNT N.V. (Mail) from unintentionally requiring it to make a mandatory offer. All these arrangements will be included in a so-called ‘Relationship Agreement’, the main elements of which will be shared with the shareholders prior to the anticipated demerger.

The Board of Management and Supervisory Board concluded that the proposed transaction is the best separation alternative as it:

- permits immediate Express and Mail listing, (Mail continuing as TNT N.V.),
- permits two independent strategies including mergers and acquisitions,
- avoids embarking on capital raising transactions or other capital markets transactions prior to demerger,
- received positive works councils advice and provides an optimal solution that best satisfies all stakeholders,
- retains TNT N.V. as sponsoring employer for the Dutch pension plans,
- is not dependent on market conditions and is fully in TNT’s control, with high execution certainty,
- does not create any impediment to Mail’s and/or Express’ strategic agendas, and
- enables shareholders to vote on the proposed solution.

Two stand-alone companies

The demerger of Express from TNT N.V. will result in two strong stand-alone companies: TNT N.V. (Mail) and Express. TNT N.V. (Mail) and Express will be separately listed on the Euronext Amsterdam stock exchange. Each separate company will have its own Board of Management and Supervisory Board.

Following demerger, both companies will follow new reporting requirements with changes in segment reporting. TNT N.V. (Mail)’s segments will be (1) Mail in the Netherlands, (2) Parcels, and (3) International. Express’ segments will be (1) Europe, Middle East and Africa (Europe & MEA), (2) Asia-Pacific (ASPAC), (3) Americas, and (4) Other Networks.

TNT N.V. (Mail) continues to fall under the rules of the large company regime while Express will be exempt from it. In this annual report, Express is reported as a discontinued operation. For further details on Express please refer to the separate supplementary report.

SEPARATION PROCESS

To ensure a smooth transition the Board of Management and Supervisory Board have agreed interim governance rules to govern the interests of the group until demerger. Preparation of the demerger transaction will continue unabatedly, with filing of documentation planned by mid-April. At the Annual General Meeting of Shareholders planned for 25 May 2011, the shareholders will vote on the proposal. The separation is planned to become effective shortly thereafter.

STRATEGIES OF MAIL AND EXPRESS

With the separation in place, the two companies will be in a better position to pursue their respective strategies. A brief summary of the two entities’ strategies is provided below. More details can be found in chapter 4 of this annual report and in the Express supplementary report. Upon approval and execution of the demerger, it is expected that both companies will further refine their strategies.

Mail strategy

The business strategy of Mail is to build an integrated and balanced Mail portfolio. Mail aims to:

- optimise cash flow performance and value of the main Dutch mail business,

– develop value-added services in mail and mail-related markets,
– grow the standard parcels business in the Netherlands and Belgium, and
– develop cross-border activities, improve the profitability and accelerate the growth of international networks.

Over the next five years, Mail intends to focus on managing cash flow in the face of ongoing declining mail volumes and expand activities in areas with core competencies, generating around €300 million to €370 million cash EBIT in 2015.

Express strategy

In line with its customers and the rapidly changing global business environment, the Express strategy is twofold:

– to strengthen its existing business with a focus on service quality and cost efficiency in its operations and expansion of its connected strong networks, and
– to unlock value from the identified market trends, translated into growth opportunities centred on Parcels, Freight, Value-added services and Emerging platforms.

As customers are increasingly requiring clean transport solutions and transparent information, Express aims to lead the industry in the development of clean transport measures in both its existing and growth activities.

By 2015, Express intends to have grown substantially, profitably and responsibly to become a global company focused on a broad range of day-definite delivery services, generating between €10 billion and €11 billion in revenue and between €900 million and €1,000 million in EBIT.

Chapter 3 Business profile and organisation

TNT N.V. to focus solely on Mail following demerger - TNT N.V. to be rebranded

The separation of the Express and Mail divisions will take place through the statutory demerger of the Express activities by TNT N.V., with the retention of a minority financial shareholding in Express by TNT N.V. of 29.9%. In light of the intended legal demerger of Express from TNT N.V., Express is presented as a discontinued operation within this annual report.

Following TNT N.V.'s legal demerger of the Express business, TNT N.V. will focus solely on the Mail business. In the context of the legal demerger, TNT N.V. will be rebranded and the Mail business will be conducted under a new name.

The demerger is expected to be effective by the end of May 2011, following shareholder approval. As of 1 January 2011, the internal legal and organisational restructuring was completed.

BUSINESS DESCRIPTION

TNT N.V. (Mail) is responsible for the delivery of documents, small packages and standard parcels in the Netherlands and around the world. In addition, Mail in the Netherlands is responsible for the provision of the universal postal service in the Netherlands. Mail collects, transports, sorts, and delivers these items by combining physical infrastructures such as depots, trucks, sorting centres and delivery capabilities.

The items transported range from documents to parcels to palletised items. Mail's home market is the Netherlands, but it also competes with incumbent Mail operators by providing addressed mail services in several European countries (with a focus on the United Kingdom, Germany and Italy) and provides international services worldwide (among others through its subsidiary, Spring Global Mail).

Mail is increasingly active in offering mail-related data, communications and e-commerce solutions to its target customers. These solutions are largely provided through its subsidiary Cendris and include:

- <u>E-commerce/fulfilment solutions</u> including online retail management, webshop development and maintenance, payment, fulfilment, delivery and customer service.
- <u>Marketing and sales services</u> covering all activities to acquire, develop, retain (or win back) customers in addition to fulfilment, delivery and customer service.
- <u>Invoice to cash services</u> covering invoicing, delivery, financial services, customer service and payment.
- <u>Data services</u> covering a variety of activities including data capture, display, movement, storage, access and disposal.

Mail is organised in three segments: Mail in the Netherlands, Parcels and International.

- Mail in the Netherlands is responsible for mail services in the Netherlands, including the provision of the universal postal service. Mail continues to be the largest private employer in the Netherlands.
- Parcels provides standard parcel services in the Netherlands and Belgium for both domestic and cross-border parcel distribution, through TNT Post Pakketservice (TPP).
- International covers the mail activities in the United Kingdom, Germany and Italy. These activities are focused on domestic addressed mail services. This segment also covers the management of cross-border mail services through its subsidiary Spring Global Mail.

KEY FIGURES

In 2010, Mail generated €4,293 million in revenues and an operating income of €479 million. Mail delivered 941 million single items and 3,129 million bulk mail items. Mail employs more than 77,000 people and had an estimated market share in the Netherlands of 83% in 2010.

BOARD OF MANAGEMENT TNT N.V.

Until the demerger, the current Board of Management of TNT N.V. is responsible for setting TNT's mission, vision and strategy and the implementation thereof, and takes responsibility for TNT's overall results. The Board of Management consists of four members: the CEO, the acting CFO and the two group managing directors of Mail and Express.

The group managing directors of TNT's two divisions are primarily responsible for the development and execution of the business strategy and operational results of each division within the framework set by TNT's corporate strategy. The Board of Management is collectively responsible for the management of TNT as a whole and for all decisions taken in this regard.

As of January 2011, TNT completed its internal separation of the Mail and Express businesses. The Board of Management of TNT N.V. has agreed interim procedures to ensure proper management of TNT pending the proposed demerger.

BOARD OF MANAGEMENT - MAIL

Following the demerger, the Board of Management of Mail will be responsible for setting and executing Mail's strategy and will consist of four members: Mr Koorstra, CEO of Mail, also responsible for operations of Mail in the Netherlands; Mr Bos, CFO of Mail, Ms Verhagen, responsible for Parcels and International, and Mr Aben, the Human Resources director of Mail.

Mr Koorstra
CEO

Mr Bos
CFO

Ms Verhagen
Parcels and International

Mr Aben
HR director

Chapter 4 Market overview, trends, strategy and outlook

Mail's primary focus is to retain its leading position in the declining mature mail market in the Netherlands. In addition to this, Mail is well positioned to capture growth opportunities in mail-related businesses, standard parcels and in mail markets in the United Kingdom, Germany and Italy.

MARKET OVERVIEW

Regulatory environment

In most countries, the postal sector is highly regulated, with an incumbent in a protected, monopolistic position. In Europe, the sector is being liberalised slowly and unevenly. The majority of the European markets should *de jure* be liberalised by 2011, with a fully liberalised market expected throughout the EU by 2013. Formally, the Netherlands, the United Kingdom, Germany, Estonia, Sweden and Finland have fully liberalised their domestic markets. Nevertheless, different tax and regulatory regimes in many countries hinder *de facto* liberalisation. As a result of this, in most European markets, the incumbent continues to dominate with challengers holding a small, but slowly increasing market share. The incumbents also benefit from their historically developed extensive collection and delivery networks and their brand reputation.

In the United Kingdom, Germany and Italy, countries where Mail is active, barriers are being removed gradually, in part through increased pressure from customers for a choice of alternative delivery options. For more information on the regulatory situation, see chapter 14.

Universal postal service

In all European domestic postal markets, the regulatory environment prescribes a universal postal service, with a minimum set of service requirements (universal service obligation, USO) that have to be covered by the postal industry as a whole in a particular country. These requirements usually include accessibility, collection and frequency of delivery, quality of service and the range of services that have to be covered. In all countries, the incumbent, or in fully liberalised countries the former monopolist is either designated as a universal service provider (USP) or provides a service that covers the demands of the USO. The USP is obliged to keep separate financial accounts of the USO and often has to comply with regulation with respect to tariff setting.

In most countries, the delivery of parcels is part of the USO. Often, this is provided by the same incumbent as the mail services. The parcels market is more fragmented than the postal market; in most countries several parties provide specialised parcel delivery solutions.

In the Netherlands, the universal postal service includes the collection and delivery of mail six days a week at a next-day service standard for at least 95% of single-item addressed mail. The universal postal service covers single piece items for domestic and cross-border letter mail and parcels. For cross-border mail and parcels, it also includes bulk mail. In addition to the delivery requirements, the USO includes accessibility standards such as a defined density for street letter boxes and a minimum number and geographical spread of post offices. For more detail on the USO and its implications, see chapter 14.

Labour conditions

Given the labour intensive nature of the postal business, debates on fair labour conditions of the new postal companies are prominent throughout Europe. Legislation in the Netherlands requires postal companies to employ at least 80% of their mail deliverers under a labour contract. In order to reach compliance from new postal companies on this requirement, a gradual growth schedule was imposed by the government. Following this growth schedule, the 80% target level should be reached by the end of 2012. For more details, see chapter 14.

MARKET TRENDS

Major trends that influence both the postal and the parcels market are as follows:

Digitisation

The main challenge for the postal market as a whole is the changing role of traditional mail in the communication between individuals and between businesses and their customers. New communication technologies continue to replace physical mail, leading to a decline in the postal market as a whole. The dependence on mail for communication, and as a result the demand from customers for a next-day mail delivery service, is changing. Companies such as telecommunication providers, energy suppliers and banks have intensified their efforts to encourage their customers to convert to electronic channels rather than mail. Additionally, the high penetration level of high-speed internet (in the Netherlands over 90% of all households) has led to a change in communication patterns. In 2010, it is estimated that the Dutch addressed postal market volumes (for all providers combined) declined by around 6%.

E-commerce

The penetration of high-speed internet and secure digital payment options are aiding the development of e-commerce. In addition to the pure e-retailers, traditional retailers are transitioning to the internet by combining well-known ‘physical’ brands with digital shopping offerings. Furthermore, individuals and local retailers are establishing small webshops. As a result of these changes, entirely new fulfilment chains are created, which require reliable and flexible last mile delivery options.

This has also impacted the market for to-consumer parcel delivery services and has resulted in new market demands for an end-to-end service offering for small webshops, including not only the value-chain from picking to delivery, but extending this to order intake at the front end and invoicing at the back end.

New entrants

New entrants are capturing the opportunity created by market liberalisation, as they are not under the obligation to provide a universal service and can therefore focus on increasing business postal volumes. This allows them to design a dedicated operational solution using technology to avoid high fixed network costs. In the Netherlands, the first step towards a consolidation of new entrants was taken with the announcement of the intended takeover of SelektMail by Sandd, who will jointly have a market share of around 15%.

Market requirement for integrated solutions

For customers, delivery is only a part of their fulfilment chain. The demand for integrated service solutions including customer communication activities and parcels delivery is increasing. Delivery companies are moving to integrated fulfilment solutions to meet these requirements.

Cross-border development

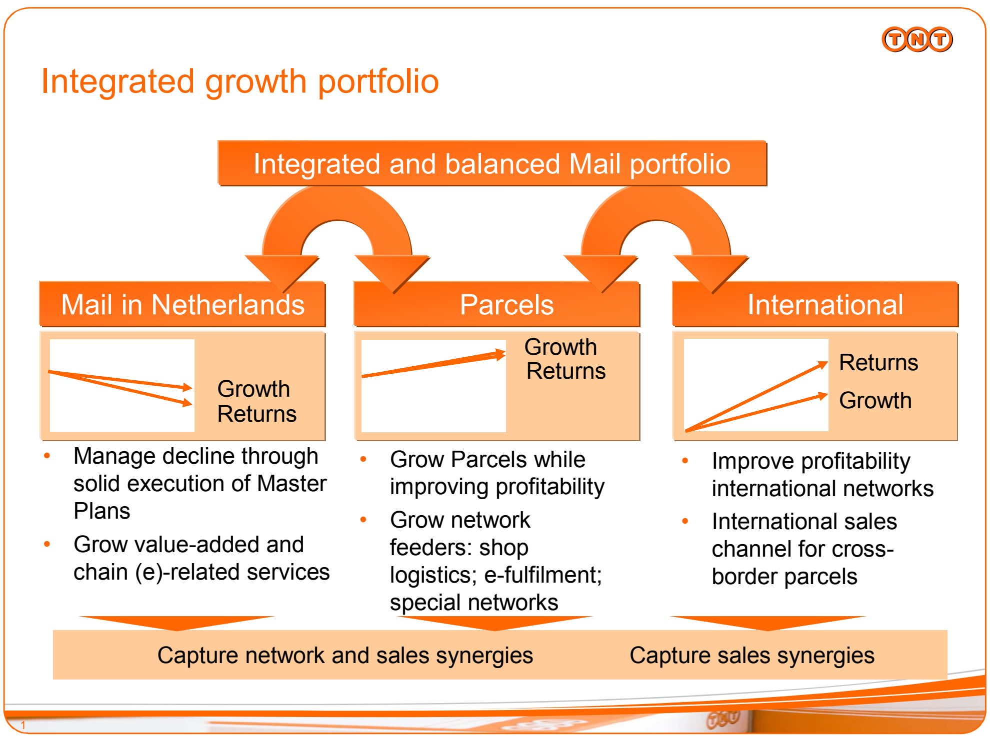
The widespread use of the internet erodes national retail borders and stimulates the development of international, national and local multi-domestic fulfilment solutions. This trend also stimulates a growth in cross-border parcels fulfilment solutions.

Privatisation

The European agenda for liberalisation forces governments to rethink their relationship with the national postal companies. Funding of these companies, including the financing of the USO, are important considerations. However, with the exception of the Netherlands, in countries where privatisation has taken place, governments still hold a sizeable direct or indirect stake in the national provider of the universal service.

MAIL STRATEGY AND ACTIONS

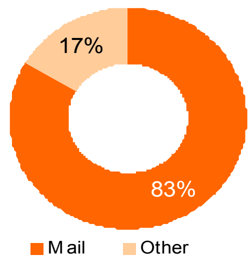
Mail's strategy is to capture the opportunities of the identified market trends while managing the decline of postal volumes in the Netherlands. This includes positioning Mail as an important player in the changing electronic communications market, including the development of the position of a service integrator offering value-added and supply chain-related services, and the introduction of new services that fit the developments in the growing parcel delivery market. Furthermore, Mail intends to capture growth opportunities outside the Netherlands and develop its addressed postal delivery services in the United Kingdom, Germany and Italy, and its parcel solutions in the Netherlands and Belgium.



Mail has established positions in several European countries. In the Netherlands, Mail is the market leader with a market share estimated at around 83% in 2010. In the United Kingdom, Germany and Italy, Mail is the main challenger to the incumbent.

In the fast growing business-to-consumer (B2C) parcels market, Mail is the market leader in the Netherlands, and is expanding its position in Belgium.

Mail market share in the Netherlands



Mail in the Netherlands

In the Netherlands, Mail continues to face volume declines due to increasing substitution by new media (digitisation), competitive pressure, relatively high labour costs and uncertainty in the regulatory environment.

As a consequence of the combined market trends, the addressed postal volume decline in 2010 was 9%. For 2011, Mail estimates the decline of its addressed postal volumes to be around 8% to 10%. In the years thereafter, Mail estimates its annual volume decline to be 6% on average. Mail is continuously implementing change management and restructuring programmes to cope with this decline, and in 2010, Mail took further steps to prepare for the complete redesign of its postal network, which will be implemented in 2011.

Essential to this redesign is the concentration of sorting and preparation of mail in a limited number of locations, and further mechanisation of the preparation of mail rounds. As a result, the job of a traditional full-time mailman will cease to exist and Mail in the future will employ mainly part-time mail deliverers. The tasks of the part-time mail deliverers are significantly simplified compared with those of traditional mailmen. The implementation of this redesign will result in the loss of a significant number of jobs. In total 11,000 jobs in operations will be shed, most of which will be resolved through natural attrition and voluntary mobility. By the beginning of 2011, an agreement with labour unions was reached, including arrangements to limit the number of forced redundancies. This agreement lays the foundation for the transformation of Mail's operations to a sustainable long term efficient mail operation, while reflecting the responsibility that the company holds towards its employees.

In addition to the operational consequences of the redesign, a peak-day delivery service will be introduced. This is a competitive service offering targeted at non-time-sensitive business mail that is delivered within three peak days only.

The redesign is a successor to earlier Master Plans initiated between 2001 and 2006. In 2010, €93 million was realised. A further €337 million is planned up to 2017.

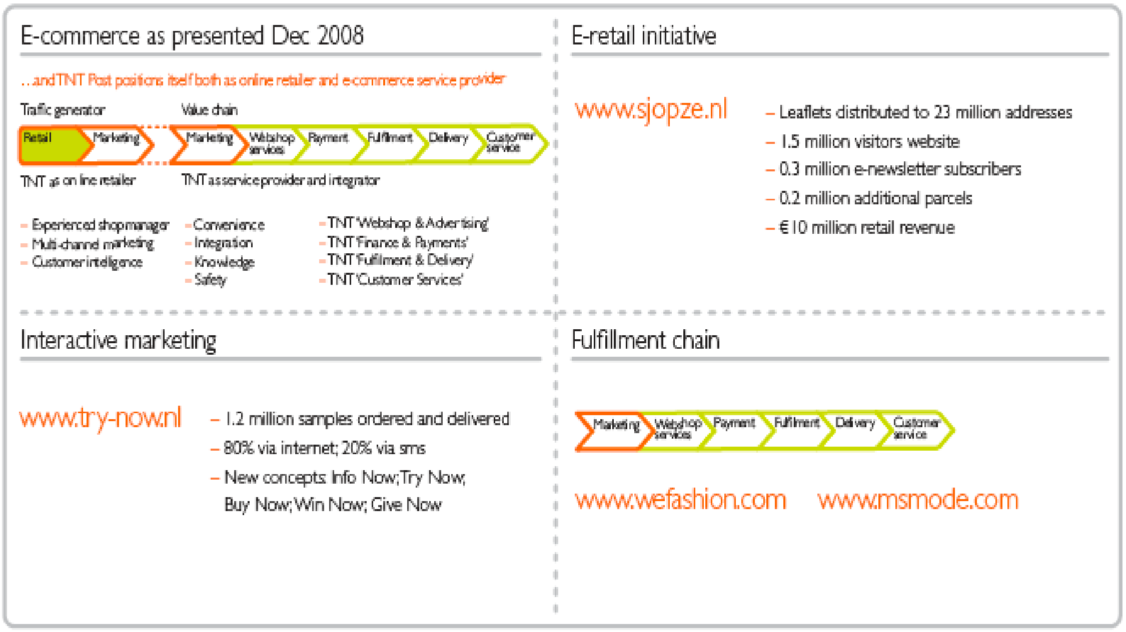
To realise these long-term savings, restructuring payments and investments in the new infrastructure will be needed in the years 2011 – 2013. This will impact the cash EBIT during this period. For more information, see the financial outlook below.

Other services

In addition to mail delivery services, Mail in the Netherlands also offers data and document management services and inbound call centres through Cendris, a leader in this market. Cendris is not only a strong supporting partner for mail and parcel delivery, but also offers Mail the opportunity to extend its position in the value-chain, with key activities fuelling Mail's growth. Cendris and Mail have experience in both online and off-line marketing.

In the area of fulfilment, Mail is well positioned with its mailing house Euro Mail. Mail has integrated these abilities to provide its customers with leading products through its website tntpost.nl and its webshop kadowereld.nl. In 2010, Mail combined these abilities with the abilities of its Parcels segment (see below) and marketed the full service offering to fashion retailers such as WE and M&S Mode.

Developments and new growth areas



Parcels

Mail operates parcels businesses in the Netherlands and Belgium. In the fast-growing B2C parcels market, Parcels is the market leader in the Netherlands with a 57% market share (2008). In the business-to-business (B2B) parcels market, it has a market share of 16%. The Dutch domestic standard parcels market was worth around €1.1 billion in 2010, €340 million of which was in the fast-growing B2C market. While the B2B market has shown single-digit growth over the years, the B2C market has experienced double-digit growth fuelled by e-commerce activities of many retailers. Parcels has benefited more from this growth than other market players, with volumes increasing by 50% over the last five years, leading to a robust operational result. Parcels has a good starting position to benefit from further developments in the parcels market and to extend its portfolio.

As part of its growth initiatives, Parcels is in the process of strengthening its position in the parcel market through a combination of e-fulfilment services, special mail and parcel services, and shop and media logistics. In addition to the traditional home and office delivery, Parcels is developing cargo and pallet distribution and is expanding in Belgium and in cross-border services. Retail distribution and specialised services also offer new opportunities for Parcels.

Through various acquisitions, Parcels has made steps to extend its propositions. The acquisition of Micropakket Nederland B.V. in 2009 enabled Parcels to target the high-end segment. Parcels moved further into the specialised distribution services and e-fulfilment services through the development in 2010 of a new service offering, 'Extra@Home', specialised in the delivery of white goods and furniture, and with the acquisition of TopPak Holding B.V. Parcels intends to further extend its service portfolio to other dedicated services.

Furthermore, using its international contracts and services Parcels aims to strengthen its position as a broker for international parcel distribution and offer its international customers, including other postal operators, a broad range of parcel solutions services, through integrated networks where possible and specialised networks where necessary. Both in Germany and the United Kingdom, Parcels is in the process of establishing a small sales force to direct volumes to these services.

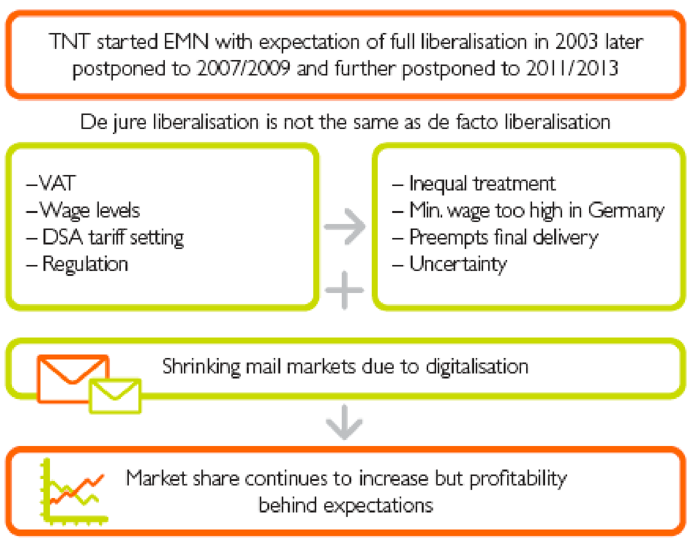
To absorb future growth, Parcels is changing its logistical operational infrastructure through the 'New Logistical Infrastructure' programme. Currently, Parcels operates a 'hub and spoke' model with three large sorting centres and a countrywide network of depots. This offers limited flexibility in a rapidly developing market. The new infrastructure has smaller hybrid hub and/or sorting locations throughout the country. This solution offers Parcels the opportunity to grow while at the same time reducing costs and remaining flexible to market developments. This process, which started in 2009, is expected to take until 2015, and requires an investment of around €240 million in total, spread over the period from 2010 to 2016. With this investment, the operational capacity will be increased by 40%.

International

Since the mid 1990s, Mail has taken steps to become the challenger in those European postal markets that were in the first phase of liberalisation. In terms of volume handled, Mail has an estimated market share in the addressed postal market of 16% in the United Kingdom, 5% in Germany and 4% in Italy. The uneven and often delayed liberalisation of postal markets has influenced the pace at which Mail's market share in Europe is able to grow and resulted in Mail focusing its international ambitions on the United Kingdom, Germany and Italy.

In line with this strategy, Mail is in the process of divesting its activities in other European countries. Mail's Austrian activities were divested in 2010 and it divested its Belgian subsidiary, De Belgische Distributiedienst, and its Italian unaddressed activities at the beginning of 2011. Mail believes it is well positioned to capture opportunities in the three large European postal markets of the United Kingdom, Germany and Italy, while taking into account the impact of regulatory discussions on its business.

European market liberalisation to date



In the United Kingdom, Mail has put more emphasis on a regional structure, which has helped to accelerate the development of TNT Post UK. Mail is currently investigating opportunities to develop end-to-end service offerings. In Germany, Mail's primary focus is to increase the profitability of its business. In Italy, the market share of TNT Post Italy is growing, particularly through the Formula Certa service offering, which includes a form of registered mail service. In all countries, despite regulatory uncertainty, Mail has managed to grow its positions, and to improve its operational results.

International includes the management of cross-border mail activities, both under the USO and through its subsidiary Spring Global Mail. These activities are strongly influenced by electronic media, due to the cost difference between traditional cross-border mail and electronic communication.

OUTLOOK 2011

Market outlook

Mail expects addressed volume decline in 2011 in the Netherlands of between 8% to 10% due to ongoing substitution and competition, in this second full year after full liberalisation. Master Plan savings of €50 to €60 million are targeted for the year. Mail's underlying cash EBIT (defined as underlying EBIT minus pension cash outflows and cash out for restructuring) is expected to be €130 to €170 million. After separation, Mail's dividend guidelines for the next few years will include a payout of around 75% of underlying net cash income, with a minimum of €150 million per annum. In addition, shareholders will be given the dividend that Mail receives from the Express business.

The 2011 additional financial indicators relevant to underlying cash EBIT:

- Pensions: gross cash contributions for defined benefit obligations approximately €265 million (2010: € 240 million) – the P&L impact will be adjusted at the moment of demerger
- Restructuring cash outflows: around €80 – €90 million (2010: €58 million)

Other 2011 additional financial indicators:

- Effective tax rate: around 25%
- Cash capex: around €200 million
- Implementation costs Master Plans: around €70 million (2010: €35 million)
- Net financial expense: around €120 million
- Rebranding and additional central costs: around €30 million

The above excludes extra one-off costs directly related to the separation currently estimated at around €35 million.

Chapter 5 Change in format, presentation and scope of results

Following the completion of the announced internal legal restructuring on 1 January 2011, the full legal scope of the Express entities to be demerged as well as the legal scope of the remaining TNT N.V. (Mail) Group after demerger have been defined. Accounting standards require TNT N.V. to publish its full-year 2010 results and subsequent reports anticipating the demerger of Express.

As a result, the Express entities to be demerged are presented in a single line in the income statement and balance sheet. In order to provide additional insight into the strategy, business performance, financial position and other topics relevant to Express, a separate supplementary report has been prepared.

The most notable differences between the 'new' reporting structure and the former segment reporting of TNT are the following:

Express reported under discontinued operations: The results of TNT N.V. will show the results of the Express entities to be demerged in a single line in the income statement ('Profit from discontinued Express operations') and in the balance sheet ('Express assets classified as held for demerger and related liabilities classified as held for demerger'). For comparison purposes, the 2009 income statement has been adjusted.

Difference in scope of Express and Mail: 'Other Networks' in addition to certain centrally-managed entities included in Non-allocated will be included in the scope of the demerged Express entity. The remaining centrally-managed entities, including TNT N.V., will be included in the scope of the remaining Mail entity. The actual revenues and costs incurred by this changed scope differ from that reported under the previous segment reporting, which was aligned with divisional management responsibilities.

Temporary adjustment - profit pooling arrangement: Previously, a profit pooling arrangement was in place, whereby Express' legal entities absorbed the fiscal losses of Mail. Given that the new reporting structure is on a legal entity basis, these losses are reflected in Express' operating income in 2010 and in the adjusted figures for 2009. In anticipation of the demerger, the profit pooling arrangement was terminated on 30 November 2010.

Temporary differences - defined benefit pension expense and actual payable pension contributions: As disclosed previously in our annual reports, for segment reporting purposes the total defined benefit pension cost for the Dutch pension plans was allocated to the units on the basis of the total pensionable salary of the employees concerned. For statutory purposes, however, the relevant entities recognise the cost equal to the contributions payable for the period in their financial statement (IAS 19.34a). TNT N.V., the sponsor for such plans, recognises the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. As a consequence, TNT N.V. will show a net benefit given that the contributions received are higher than the defined benefit pension expense. The results of the Express entities to be demerged will show the higher pension cost based on the contributions paid. However, following the demerger, the new Express entity will no longer qualify as a TNT Group entity and will only report defined benefit pension expenses in its income statement.

As a result of the differences explained above, the operating income under the previous segment reporting differs from the operating income for the new Mail and Express entities. A reconciliation of the previous divisional operating income into the operating income for the new entities is shown in the following table:

Reconciliation 2010

Year ended at 31 December	2010 Results previous structure	Scope	Profit pooling	Pensions	2010 Results new structure
Express	6,782	271			7,053
Mail	4,298	(5)			4,293
Other networks	271	(271)			
Non-allocated and intercompany	(22)	22			
Total operating revenues	11,329	17	0	0	11,346
Express	309	(63)	(41)	(25)	180
Mail	402	12	41	25	480
Other networks	11	(11)			
Non-allocated	(62)	62			
Total operating income	660	0	0	0	660

(in €millions)

Reconciliation 2009

Year ended at 31 December	2009 Results previous structure	Scope	Profit pooling	Pensions	2009 Results new structure
Express	5,956	252			6,208
Mail	4,216	(4)			4,212
Other networks	253	(253)			
Non-allocated and intercompany	(23)	23			
Total operating revenues	10,402	18	0	0	10,420
Express	193	(16)	(92)	(24)	61
Mail	472	(1)	92	24	587
Other networks	7	(7)			
Non-allocated	(24)	24			
Total operating income	648	0	0	0	648

(in €millions)

Underlying development 2010 and 2009

The Group operating income in 2010 and 2009 was impacted by various non-recurring items. In order to analyse the operational results excluding non-recurring and exceptional items, management assesses the underlying operating income for a deeper understanding of the business performance.

The following table shows the underlying adjustments made to the previous divisional structure operating income.

Reconciliation 2010

Year ended at 31 December	Results previous structure	Restructuring related charges	Impairments and other value adjustments	Other	Bad weather/ Strike	Demerger costs	Underlying previous structure 2010
Express	309	16		16	15		356
Mail	402	167	11	(12)	10		578
Other networks	11						11
Non-allocated	(62)			(10)		45	(27)
Operating income	660	183	11	(6)	25	45	918

(in €millions)

Reconciliation 2009

Year ended at 31 December	Results previous structure	Restructuring related charges	Impairments and other value adjustments	Other	Underlying previous structure 2009
Express	193	37	22	4	256
Mail	472	28	146	(15)	631
Other networks	7				7
Non-allocated	(24)				(24)
Operating income	648	65	168	(11)	870

(in €millions)

To clarify the underlying performance of the two newly-created groups, similar adjustments can be made for various one-off and exceptional charges related to ongoing activities within these units as well as the one-off charges related solely to the demerger. The table below includes a reconciliation between the operating income of the new Express and Mail entities and the underlying performance.

Reconciliation 2010

Year ended at 31 December	Reported 2010	Restructuring related charges	Impairments and other value adjustments	Other	Brazil	Bad weather/ Strike	Demerger costs	Profit pooling	Pensions	Underlying 2010
Express	180	16		(4)	20	15	45	41	25	338
Mail	480	167	11	(22)		10		(41)	(25)	580
Operating income	660	183	11	(26)	20	25	45	0	0	918

(in €millions)

Reconciliation 2009

Year ended at 31 December	Reported 2009	Restructuring related charges	Impairments and other value adjustments	Other	Profit pooling	Pensions	Underlying 2009
Express	61	37	22	4	92	24	240
Mail	587	28	146	(15)	(92)	(24)	630
Operating income	648	65	168	(11)	0	0	870

(in €millions)

The differences between the underlying operating income and the underlying operating income of the previous structure are due to the inclusion of Other Networks, and certain centrally-managed entities previously included in Non-allocated, in either the new Express or Mail entities.

Reconciliation summary

	Underlying 2010		Underlying 2009	
	Previous structure	New structure	Previous structure	New structure
Express	356	338	256	240
Mail	578	580	631	630
Other networks	11		7	
Non-allocated	(27)		(24)	
Total operating income	918	918	870	870

(in €millions)

The total underlying operating income for the new groups as included in the reconciliation does not take into account additional future measures to optimise head office functions. The impact from foreign currency exchange differences and working days is not included.

For further details on the various adjustments made for the underlying operating income, refer to chapter 6.

Chapter 6 Operating and financial review

On 2 December 2010, TNT announced its proposed separation. As of January 2011, the internal legal and organisational separation was completed. As noted in chapter 5, the presentation of the 2010 results has changed due to the change in the legal scope of TNT N.V., and the Express activities are accounted for in the 2010 financial statements as discontinued operations.

MAIL ECONOMIC ENVIRONMENT

In general, Mail activities are relatively unaffected by economic growth. Gross domestic product (GDP) in the Netherlands continued the recovery trend that began in late 2009. European growth accelerated during the second quarter, driven by growth in industrial production. However, the drive by Mail's customers for lower costs and the effects of substitution were clearly visible in 2010.

MAIL BUSINESS PERFORMANCE

In 2010, Mail formulated a strict and transparent agenda focused on cash and costs, while still maintaining the foundations for sustainable medium-term and long-term profitable growth. Corporate responsibility remained important.

To adapt its operating expenses to the shift in volumes, Mail is continuously implementing change management and restructuring programmes.

After ratification of the collective labour agreement (1 April 2009 – 31 December 2011) and the social plan (1 April 2009 – 31 December 2012) by the trade unions, which agreed on a 0.7% pay rise as of 1 January 2010, a 1% rise as of 1 January 2011 and a 0.2% as of 1 October 2011, a complete redesign of the postal network was initiated (Master Plan III). The implementation of this redesign will result in a loss of 11,000 jobs in operations. Allowing for natural attrition and voluntary departures, 4,500 compulsory redundancies were expected to be necessary among operational staff.

After discussion with the unions and six days of strikes, an agreement was reached on 16 December 2010. The agreement provides the basis for a redesign of the mail operation and lays the foundation for a socially responsible transition. In January 2011, the union members ratified an agreement in which the number of compulsory redundancies will now be substantially reduced. A confirmed total of 1,700 jobs will be retained, including at Mail's new Auto Unit and Parcels. Mail will examine the possibility of retaining another 200 jobs at the Auto Unit as part of future organisational changes. Temporary work will be offered to 300 employees until the end of 2013. Greater use will be made of TNT Mobility, with the aim of avoiding unemployment for an additional 500 workers.

Parcels continued to grow in 2010, with revenues up 6.2% compared to 2009. A renewal programme for Parcels' infrastructure was announced. Investments in the currently outdated and inadequate infrastructure are planned to secure and expand Parcels' leading market position in the Netherlands. The new infrastructure will be web-based, comprising 18 depots with full integrated sorting and distribution functions. The new network will allow for 40% increased capacity and more flexibility in case of emergencies. A total investment of €240 million is scheduled, spread evenly over the period 2010 - 2016.

In International, the strategic focus was on the addressed mail activities in the United Kingdom, Germany and Italy. Following this strategy, Mail disposed part of its activities in Austria, Germany, Czech Republic and Slovakia. In January 2011, Mail announced the sale of its mail activities in Belgium and its unaddressed activities in Italy.

Mail focuses on improving the running of the business in the areas of Customers, Cost, Cash, Care and Climate.

Customer satisfaction scores, based on the annual customer satisfaction survey of small and medium-sized enterprises in Mail in the Netherlands slightly deteriorated from 90% to 89% in 2010.

The focus on costs resulted in Master Plan cost savings of €93 million, exceeding the guidance of €75 million. Some 760 employees moved from work-to-work through TNT Mobility.

Net capex was €91 million, mainly related to IT and maintenance capex. Tight working capital management resulted in improved trade working capital as a percentage of revenue. Trade accounts receivable decreased by 1% with an increase in sales in Mail of 1.9%, while trade accounts payable remained at a similar level to year-end 2009. As a result of this, trade working capital as a percentage of revenue improved to 6.1%, down from 6.3% in 2009. Net cash from operating activities decreased by €529 million to €171 million in 2010, impacted by taxes paid of €205 million in 2010 compared to a tax receivable of €116 million in 2009.

Employee engagement was 54% in an environment of ongoing changes. An ArboNed investigation showed some signs of disquiet among staff. It has been agreed with the unions that these signs will be addressed. Currently, a plan of action for this is being drawn up.

In 2010, the number of fatal accidents was one compared to four in 2009.

In 2010, Mail reported 76 serious accidents. The adjusted number of serious accidents is 37, an increase of five compared to 2009. Germany started reporting serious accidents in 2010, and accounted for 21 serious accidents. The extreme winter conditions accounted for 18 serious accidents.

In 2010, Mail reported 4.37 lost time accidents (LTAs) per 100 FTEs. The adjusted number of LTAs per 100 FTEs is 2.34, an increase of 0.26 compared to 2009. Germany started reporting LTAs in 2010, and accounted for an effect of 1.22 on the reported LTAs per 100 FTEs for Mail. In Germany, employees frequently use motorised scooters to deliver mail, which may lead to higher accident rates and increased accident severity.

For 2010, the CO_2 efficiency index for Mail was 70.4, a deterioration of 1.5 points compared to 2009 (68.9). Management has analysed the underlying reasons for this deterioration and has concluded that it is mainly caused by increased gas usage as a result of the extreme winter conditions. The CO_2 efficiency index improved by an estimated 2.2 points according to management. Management therefore believes that the 2010 reported CO_2 efficiency indicator, when adjusted to reflect the extreme weather conditions, shows an improvement in 2010, with a figure of 66.7 compared with 68.9 in 2009.

The key factors that affect Mail's financial results include:

- the volumes of mail and parcels Mail delivers,
- the mix of services Mail provides to its customers and the customer mix,
- the prices Mail obtains for its services,
- the number of working days in a year,
- operating expenses, provisions and impairments,
- changes in pension liabilities and restructuring payments, and
- Mail's ability to adapt its operating expenses to shifting volume levels.

In 2010, Mail revenues grew by 1.9% to €4,293 million. The decline in revenues in Mail in the Netherlands was offset by revenue growth in Parcels and International, which resulted in an overall growth in revenues. The increase in International revenues of €225 million includes €148 million from additional revenues following a change in VAT regulation in Germany. Mail operating margin decreased from 13.9% in 2009 to 11.2%. Organic revenue growth was 1.7%, the acquisition and disposal effect was -0.4% and change in currency rates accounted for 0.6%. The number of working days had no impact when comparing the 2010 results to 2009, as both years had 255 working days.

Addressed mail items in the Netherlands declined by 9%, at the upper end of the guided range for 2010 of 7% to 9%. Parcels experienced good growth, with volumes up 11%.

Mail underlying operating income was €580 million in 2010, 7.9% lower than in 2009 (2009: 630). The main driver of the Mail result is development of the volume decline in Mail in the Netherlands. The impact of this decline was partly offset by Master Plan savings of €93 million and a positive result in Parcels.

In addition to the adjustments for non-recurring items, Mail also takes into account a correction for the non-cash pension costs for defined benefit plans (including transitional plans for early retirement). This is done by replacing the IFRS-based defined benefit plan pension cost with the non-IFRS measure of the actual cash contributions for such plans. Mail's cash earnings performance is also significantly impacted by restructuring cash outflows. The resulting 'earnings' measure, cash operating income, more closely monitors the underlying cash earnings basis. Underlying cash operating income in 2010 was €341 million, 11.4% lower than last year. The underlying cash operating income margin was 7.9% in 2010 (2009: 9.1%). The changes in pension liabilities were €181 million (€199 million in 2009) and cash-out for restructuring was €58 million (2009: 46).

FINANCIAL PERFORMANCE OF MAIL

GROUP REVENUES AND EARNINGS

The continued operations of the Group relate to the provision of mail services to customers and are accounted for on a daily basis. Results of operations are therefore influenced by the average number of working days in a year.

The following table sets out the financial performance of the Group for the past two years.

Consolidated results

Year ended at 31 December	2010	variance %	2009
Total operating revenues	4,293	1.9	4,212
Other income	22	(40.5)	37
Operating expenses excluding depreciation, amortisation and impairments	(3,715)	(8.9)	(3,410)
EBITDA	600	(28.5)	839
Depreciation, amortisation and impairments	(120)	52.4	(252)
Total operating income	480	(18.2)	587
as % of total operating revenues	11.2		13.9
Net financial expense	(106)	(28.4)	(148)
Income taxes	(91)	33.1	(136)
Results from investments in associates	(1)	83.3	(6)
Profit for the period from continuing operations	282	(5.1)	297
Profit from discontinued operations	69	962.5	(8)
Profit for the period	351	21.5	289
Attributable to:			
Non-controlling interests	4	(50.0)	8
Equity holders of the parent	347	23.5	281
Earnings per ordinary share (in cents) [1]	92.9	21.1	76.7
Earnings per diluted ordinary share (in cents) [2]	92.5	21.4	76.2

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

1 In 2010 based on an average of 373,536,123 of outstanding ordinary shares (2009: 366,322,316). See note 32.

2 In 2010 based on an average of 375,026,008 of outstanding ordinary shares (2009: 368,966,939). See note 32.

In 2010, the Group had total operating revenues of €4,293 million (2009: 4,212) and other income of €22 million (2009: 37).

Total operating revenues increased by €81 million or 1.9% in 2010 compared to 2009, mainly due to an increase in operating revenues in International of €225 million, offset by lower revenues in Mail in the Netherlands of €166 million due to volume decline and price pressure. Organic operating revenues increased by €72 million (1.7%), mainly due to a strong increase in International following a change in invoicing method due to changes in VAT regulation in Germany, offset by an organic decrease in revenues in Mail in the Netherlands. In 2010, the net negative acquisition and disposal effect compared to 2009 amounted to -€16 million (-0.4%), following divestments in International. Foreign currency exchange rate changes (mainly the euro against the British pound) accounted for an increase of €25 million (0.6%) in operating revenues.

Other income decreased to €22 million (2009: 37) and consisted mainly of the sale of real estate.

Operating expenses, excluding depreciation, amortisation and impairments, increased by €305 million to €3,715 million (2009: 3,410). This was mainly due to the restructuring-related charges for the execution of Master Plan III as discussed below and an increase in work contracted out in International of €197 million related to the change in VAT regulation in Germany. Pension costs decreased by €70 million compared to 2009 due to the inclusion in 2010 of a pension curtailment gain of €74 million related to Master Plan III.

In 2010, total restructuring-related charges amounted to €167 million, which covers the restructuring programme Master Plan III, for a net amount of €159 million and €8 million for a restructuring programme in Data and Document Management, both part of Mail in the Netherlands. The restructuring-related charges of €159 million for Master Plan III consist of an addition of €308 million, total releases of €69 million, the pension curtailment gain of €74 million and a €6 million curtailment gain for other employee benefits.

Total operating income of €480 million decreased by €107 million (18.2%) in 2010 compared to 2009, mainly due to lower operating income for Mail in the Netherlands of €268 million due to net restructuring-related charges following Master Plan III, for a total of €159 million (2009: 16) and a lower contribution due to increased volume decline and price pressure. The decline in Mail in the Netherlands was partly offset by lower impairment charges and other value adjustments in International of €135 million compared to 2009.

Compared to 2009, the profit for the period attributable to the equity holders of the parent increased by €66 million, largely due to a higher contribution from the discontinued Express business of €77 million, lower interest expenses of €42 million and lower taxes of €45 million, partly offset by lower operating income of €107 million.

Group operating expenses

Year ended at 31 December	2010	variance %	2009
Cost of materials	178	9.2	163
Work contracted out and other external expenses	1,701	12.4	1,514
Salaries and social security contributions	1,561	6.0	1,473
Depreciation, amortisation and impairments	120	(52.4)	252
Other operating expenses	275	5.8	260
Total operating expenses	3,835	4.7	3,662

(in €millions, except percentages)

Group operating expenses, including depreciation, amortisation and impairments, increased by €173 million (4.7%) to €3,835 million in 2010. The organic growth in operating expenses was €181 million (4.9%) mainly due to a €202 million organic increase in work contracted out and other external expenses primarily in International. Foreign currency exchange rate changes accounted for a decline of €25 million (0.7%). The consolidation effect from acquisitions and the deconsolidation effect from disposals accounted for a decrease of €33 million (0.9%).

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. Total work contracted out and other external expenses increased by €187 million (12.4%) in 2010 compared to 2009, partly due to higher subcontractor cost following the growth realised in International. Work contracted out and other external expenses include €1 million of restructuring-related charges.

In 2010, costs of salaries and social security contributions increased by €88 million to €1,561 million (6.0%). This was mainly caused by total restructuring costs of €149 million and growth in International of €62 million, partly offset by Master Plan cost savings of €93 million as a result of Master Plan restructuring programmes. The organic increase in salary costs of €90 million was largely due to the overall increase in general economic activities.

Total depreciation, amortisation and impairment costs decreased by €132 million compared to 2009, mainly due to the recorded impairment charges and other value adjustments of €146 million within International in 2009, of which €118 million related to goodwill.

Other operating expenses include items such as marketing expenses, other (non-employee related) restructuring-related costs, insurance costs and various other operating costs. Other operating expenses increased by €15 million (5.8%) in 2010 compared to 2009, mainly due to lower compensation of €51 million resulting from the profit and loss pooling arrangement in place with Express (€41 million in 2010 compared to €92 million in 2009). Included in other operating expenses is an amount of €17 million of restructuring-related costs for new Master Plan initiatives and restructuring programmes within Data and Document Management, both in Mail in the Netherlands.

Group operating income

Total operating income for the Group was €480 million in 2010, a decrease of €107 million or 18.2% compared to 2009. This decline is mainly due to restructuring charges in 2010, lower addressed volumes in the Netherlands and negative price-mix effects. This was partly offset by lower pension costs (pension curtailment gain of €74 million in 2010) and recorded impairment charges and other value adjustments of €146 million in International in 2009.

Underlying development 2010 and 2009

Group operating income in 2010 and 2009 was impacted by various non-recurring and exceptional items. In the table below, the reportable segments are presented as Mail in the Netherlands, Parcels and International. 'Mail other' represents the unaddressed activities outside the Netherlands classified as held for sale and head office entities, including the difference between the recorded IFRS pension expense for the defined benefit pension plans and the actual cash payments.

In order to analyse the result of the operations excluding such items, management assesses the underlying operating income for a deeper understanding of the business performance.

Underlying operating income 2010

Year ended at 31 December	Reported 2010	Restructuring related charges	Impairments and other value adjustments	Other	Bad weather/ Strike	Profit pooling	Pensions	Underlying 2010
Mail in NL	188	167		(6)	10			359
Parcels	80							80
International	(29)		11	(6)				(24)
Mail other	241			(10)		(41)	(25)	165
Operating income	480	167	11	(22)	10	(41)	(25)	580

(in €millions)

Underlying operating income 2009

Year ended at 31 December	Reported 2009	Restructuring related charges	Impairments and other value adjustments	Other	Profit pooling	Pensions	Underlying 2009
Mail in NL	456	16		6			478
Parcels	57	3					60
International	(181)		145	(20)			(56)
Mail other	255	9	1	(1)	(92)	(24)	148
Operating income	587	28	146	(15)	(92)	(24)	630

(in €millions)

The 2010 underlying operating income amounts to €580 million (2009: 630). Underlying operating income excludes certain non-recurring and exceptional items such as restructuring related charges of €167 million (2009: 28), the impact of extreme weather conditions and the strike in the Netherlands of €10 million (2009: 0), the impact of the profit pooling arrangement of €41 million (2009: 92), pensions of €25 million (2009: 24) and various other items of -€22 million (2009:-15). Foreign currency exchange rate differences impacted revenue and costs by €25 million each, so operating income was not impacted.

In 2010, the recorded non-recurring restructuring-related charges of €167 million relate to the announced Master Plan III initiatives (€159 million) and to restructuring programmes within Data and Document Management (€8 million).

The 2010 impairment relates to a write down of goodwill allocated to the CGU Spring Global Mail. In 2009, impairment and other value adjustments related mainly to the write down of goodwill and other assets within International.

Until the end of November 2010, a profit pooling arrangement was in place, whereby Express legal entities absorbed fiscal losses of Mail. Given that the new reporting is on a legal entity basis, these losses are reflected as part of the Express numbers in 2010 and 2009. This profit pooling arrangement has been terminated, so will no longer apply in 2011.

In 2010, a portion of the contributed cash pensions related to Express. After the demerger, the current group plan definition in accordance with IAS 19.34a will no longer be valid, as a result of which both new groups will account for their defined benefit pension costs separately. The underlying income adjustments represent the difference between the IFRS expense and the cash contribution paid from Express to the Group.

The various other items in 2010 consist of a refund of the initial OPTA penalties of €6 million in 2009, positive book results on divestments within International of €6 million related to Austria and Germany, and the release of a provision for claims and indemnities of €10 million.

In 2009, operating income was impacted by non-recurring restructuring charges for International, initial OPTA penalties, a book profit following the sale of the Asia-Pacific activities within its subsidiary Spring Global Mail, and impairment and other value adjustments in International.

Total operating income for 'Mail other' amounts to €241 million (2009: 255), which relates to non-allocated for an amount of €231 million (2009: 247) and to the unaddressed activities classified as held for sale for an amount of €10 million (2009: 8).

In 2010, non-allocated operating income amounted to €231 million (2009: 247). Included is the operating income of TNT N.V., which includes the difference between the recorded IFRS pension expense for the two Dutch pension plans and the actual cash payments received from its group companies of €189 million (2009: 168). For TNT N.V., the contributions received from the group companies (including the discontinued Express business) offset the defined benefit pension expense. Furthermore, non-allocated includes the profit and loss pooling arrangement which resulted in a benefit of €41 million (2009: 92). Other income in non-allocated of €1 million (2009: -13) relates to shared services and unallocated head office costs (including the remainder of TNT N.V.).

Underlying cash operating income

In addition to the adjustments for the non-recurring items, in the analysis of the underlying performance, management also takes into account a correction for the non-cash pension cost for defined benefit plans, including transitional plans for early retirement. By replacing the IFRS-based defined benefit plan pension cost with the non-IFRS measure of the actual cash contributions for such plans, the resulting earnings measurement more closely monitors the underlying cash earnings basis.

The cash-out for restructuring-related payments in 2010 amounted to €58 million (2009: 46).

The change in pension liabilities of €181 million (2009: 199) is the difference between the underlying pension expense of €57 million (2009: 52) for the defined benefit plans and the actual cash payments of €239 million (2009: 250). The underlying pension expense of €57 million (2009: 52) is derived from the recorded pension income of €42 million (2009: charge 28) corrected for the pension curtailment gain of €74 million (2009: 0) and the €25 million (2009: 24) adjustment related to Express.

Underlying cash operating income 2010

Year ended at 31 December	Mail in NL	Parcels	International	Mail other	Total
Underlying operating income [1]	359	80	(24)	165	580
Restructuring payments	(53)			(5)	(58)
Changes in pension liabilities	(38)	1		(144)	(181)
Cash operating income	268	81	(24)	16	341

(in €millions)

Underlying cash operating income 2009

Year ended at 31 December	Mail in NL	Parcels	International	Mail other	Total
Underlying operating income	478	60	(56)	148	630
Restructuring payments	(43)			(3)	(46)
Changes in pension liabilities	(54)	1		(146)	(199)
Cash operating income	381	61	(56)	(1)	385

(in €millions)

[1] at actual 2010 rates of exchange

Group financial income and expenses

Year ended at 31 December	2010	variance %	2009
Interest and similar income	14	(17.6)	17
Interest and similar expenses	(120)	27.3	(165)
Net financial expense	(106)	28.4	(148)

(in €millions, except percentages)

Interest and similar expenses in 2010 of €120 million mainly relate to interest expense on long-term borrowings of €99 million (2009: 96) and interest on provisions of €5 million (2009: 7).

In accordance with IFRS, interest income and expense on cash pools are reported on a gross basis. From an economic and legal perspective the €1 million (2009: 1) interest income offsets 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.

Group income taxes

Year ended at 31 December	2010	variance %	2009
Current tax expense	96	21.5	79
Changes in deferred taxes	(5)	(108.8)	57
Total income taxes	91	(33.1)	136

(in millions, except percentages)

Group income taxes amount to €91 million (2009: 136), a decrease of 33.1% compared to 2009.

Income taxes differ from the amount calculated by applying the Dutch statutory income tax rate to the income before income taxes. In 2010, the effective tax rate was 24.4% (2009: 31.4%), which is lower than the statutory income tax rate of 25.5% in the Netherlands (2009: 25.5%). For further details, see note 23 of the consolidated financial statements of TNT N.V.

The profit for the period from continuing operations was €282 million (2009: 297). The discontinued Express activities contributed €69 million (2009: -8).

FINANCIAL POSITION

At 31 December	2010	variance %	2009
Non-current assets	1,849	(62.1)	4,879
Current assets	634	(77.3)	2,789
Assets classified as held for sale	123	355.6	27
Assets classified for demerger	5,531	0.0	0
Total assets	8,137	5.7	7,695
Equity	2,443	17.5	2,080
Non-current liabilities	2,395	(13.8)	2,778
Current liabilities	1,262	(55.5)	2,837
Liabilities related to assets classified for demerger	2,011	0.0	0
Total liabilities and equity	8,137	5.7	7,695

(in millions, except percentages)

The 2009 financial position as presented above includes the Express activities, whereas in the 2010 financial position the net assets and liabilities of the Express activities are presented as assets classified for demerger of €5,531 million and liabilities related to assets classified for demerger of €2,011 million after elimination of a net intercompany position of €526 million.

The net equity of the discontinued Express business amounts to €2,994 million. During the Annual General Meeting of Shareholders on 25 May 2011, it will be proposed to demerge 70.1% of the discontinued Express business. This represents a value of €2,099 million.

The non-current assets of €1,849 million at 31 December 2010 consist mainly of goodwill of €120 million (largely related to International), other intangibles of €46 million (related mainly to IT software), property, plant and equipment of €499 million (related to land, depots and sorting machinery) and pension assets of €1,153 million.

The current assets of €634 million at 31 December 2010 mainly relate to trade accounts receivable of €412 million. Cash and cash equivalents totalled €65 million at 31 December 2010 (2009: 910, of which 830 was related to the discontinued operations of Express).

Off-balance sheet items

The Group has no off-balance arrangements other than those disclosed in note 29 of the consolidated financial statements of TNT N.V.

CASH FLOW DATA

Liquidity and capital resources

The Group's capital resources include funds provided by Mail's operating activities and capital raised in the financial markets.

SECTION A: REPORT OF THE BOARD OF MANAGEMENT
CHAPTER 6 OPERATING AND FINANCIAL REVIEW CONTINUED

The following table provides a summary of cash flows from continuing operations.

Year ended at 31 December	2010	variance %	2009
Cash generated from operations	475	(29.9)	678
Interest paid	(99)	(5.3)	(94)
Income taxes paid	(205)	(276.7)	116
Net cash from operating activities	171	(75.6)	700
Net cash used for other investing activities	2	(66.7)	6
Net cash used for acquisitions and disposals	(3)	(200.0)	(1)
Net cash used for capital investments and disposals	(91)	(19.7)	(76)
Net cash used in investing activities	(92)	(29.6)	(71)
Net cash used for dividends and other changes in equity	(117)	(265.6)	(32)
Net cash from debt financing activities	24	104.2	(577)
Net cash used in financing activities	(93)	84.7	(609)
Changes in cash and cash equivalents	(14)	(170.0)	20

(in millions, except percentages)

Net cash from operating activities

Net cash from operating activities decreased to €171 million in 2010 from €700 million in 2009, mainly due to a €321 million increase in tax payments in 2010 to €205 million (2009: 116, tax received) and a decrease of €203 million relating to cash generated from operations.

The cash generated from operations decreased due to lower profit before income taxes of €60 million and €192 million if adjusted for the non-cash impact of depreciation, amortisation and impairments.

The change in provisions was -€110 million in 2010 (2009: 254), which was €144 million less than in 2009, mainly due to positive movements in other provisions and a pension curtailment gain of €74 million in 2010.

In 2010, total working capital stabilised compared to 2009. In 2009, working capital was significantly enhanced by improved working capital management, resulting in a cash inflow of €124 million.

Cash flow for income taxes was negative, mainly due to increased tax payments relating to prior years and increased preliminary payments relating to the current year.

Net cash used in investing activities

The total net cash used in investing activities amounts to -€92 million (2009: -71). Net cash used for other investing activities mainly relates to interest received (€3 million). Net cash used for acquisitions and disposals of -€2 million mainly relates to acquisitions of TopPak and Kowin (Kortingsbon.nl).

Net cash used for capital investments and disposals relates to capital expenditures on property, plant and equipment and other intangible assets of €109 million (2009: 99) and proceeds obtained from the sale of buildings and equipment in 2010 of €17 million (2009: 22). The net expenditures on property, plant and equipment relate mainly to investments in depots, fleet replacements and investments in Mail's network.

Net cash used in financing activities

In 2010, dividends of €119 million (2009: 34) were paid as final cash dividend over 2009 and an interim cash dividend over 2010. The net cash from debt financing activities of €24 million in 2010 (2009: -577), mainly relates to settlements in former intercompany balances between TNT N.V. and the discontinued Express business of €41 million (2009: -612). This is partly offset by repayments on long-term borrowings of -€12 million (2009: -2).

The 2009 financing related to discontinued Express business of -€612 million mainly relates to the net of financings between Express and TNT N.V.

Capital expenditures and proceeds

Year ended at 31 December	2010	variance %	2009
Property, plant and equipment	88	20.5	73
Other intangible assets	21	(19.2)	26
Cash out	109	10.1	99
Proceeds from sale of property, plant and equipment	17	(22.7)	22
Disposals of other intangible assets	1	0.0	1
Cash in	18	(21.7)	23
Netted total	91	19.7	76

(in millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets totalled €109 million in 2010, an increase of 10.1%. The main capital expenditures in 2010 related to machinery and equipment (€54 million), information technology (€21 million) and housing (€34 million). Significant investments were made in the new Parcels infrastructure (€21 million), green office (€13 million), unaddressed packaging machinery (€6 million) and the new retail system (€5 million).

The total projected 2011 capital expenditures on property, plant and equipment and other intangible assets for the Group are estimated to be around €200 million. This capital expenditure is expected to be spent on investments relating to the Master Plans and investments (replacement and new capacity) in Parcels. Mail believes that the net cash provided by its operating activities will be sufficient to fund these capital expenditures.

Financial structure and credit rating

TNT's financial standing as at the end of 2010 was solid and based on a balanced and long-term secured funding position with a targeted credit rating of BBB+ (S&P) / Baa1 (Moody's).

S&P maintained their BBB+ rating for TNT, while placing TNT on CreditWatch Negative on 6 December 2010. This is due to its belief that TNT's credit metrics are likely to weaken if the demerger takes place.

As a result of the separation proposal announced on 2 December 2010, Moody's downgraded TNT on 3 December 2010 from A3 'negative' to Baa1 'negative'. The downgrade reflected their view that TNT will be weakly positioned over the short to medium term after the demerger while awaiting financial deleveraging. In the opinion of Moody's, the current valuation of the 29.9% stake in Express could, subject to potential delays and volatility in market prices, be sufficient to reduce Mail's debt to guidance metrics for a Baa1 rating.

TNT has €1.1 billion in committed revolving credit facilities, which also functions as a 'back-stop' for redemptions under its €1 billion commercial paper programme, which was fully undrawn as of the end of 2010. The committed revolving credit facilities will be refinanced by two separate Mail and Express facilities upon the demerger. Apart from this, TNT has no material credit facilities or debt refinancing in the short term, with the first €400 million bond maturing in mid-2015. The demerger will have no impact on the outstanding Eurobonds.

At the end of 2010, net debt of the Group stood at €993 million (€1,070 million including the discontinued Express business), compared to 2009's €1,106 million (including net debt related to the discontinued Express business).

Credit rating agencies apply various corrections to the reported debt to determine their own 'adjusted' debt figures used for ratio analyses. The main debt corrections typically include corrections for operating leases, pensions and restricted cash.

Working capital

Trade working capital as a percentage of revenue improved in 2010, due to lower working capital requirements and increased sales. As a percentage of revenue, trade working capital improved to 6.1%, down from 6.3% at year-end 2009.

Pensions

As a result of the drop in the coverage ratio of TNT's largest Dutch pension fund to around 101% at 30 June 2010, below the 105% minimum funding requirement as prescribed by De Nederlandsche Bank (DNB), TNT's largest Dutch pension fund had to submit an updated short-term and long-term recovery plan to the DNB. The recovery plan, which was approved by the DNB in January 2011, resulted in an additional contribution by TNT of €12 million during 2010.

In 2010, the main fund performed a risk management study aimed at reducing the chance of very low coverage ratios. As a result of this study the fund decided to change its investment policy to include equity and interest rate derivatives. The strategic weight of direct equity investments decreased with the proceeds invested in bonds. To preserve part of the upward potential on equity and at the same time be protected for substantial decreases in equity valuations, the fund entered into equity derivatives. In addition, the fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities.

In accordance with IFRS, the charge to the income statement for the defined benefit obligations in 2010 totalled €32 million (2009: 28), excluding the pension curtailment gain of €74 million. The total cash contributions for defined benefit obligations were €239 million, compared to €286 million in 2009 (of which €36 million related to the discontinued Express business).

By the end of 2010, the coverage ratio of the main Dutch pension fund had increased to around 107%, well ahead of the updated recovery plan, due principally to the increase in the long-term interest rate and the fund's overall investment return. The fund's coverage ratio includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association ("Actuarieel Genootschap").

Taxes paid

In 2010, cash taxes paid were €205 million, compared with €116 million taxes received in 2009. The net tax cash outflow in 2010 is the combined result of increased preliminary tax payments relating to the current year and increased tax payments relating to previous years.

DIVIDEND PROPOSAL 2010

The Board of Management of TNT has decided, with the approval of the Supervisory Board, to declare a second interim dividend of €0.29 per share over 2010.

The second interim dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash. The election period is from 22 February 2011 to 8 March 2011, inclusive. To the extent the dividend is paid in shares, it will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 8 March 2011, after the close of trading on Euronext Amsterdam based on the volume-weighted average price ('VWAP') of all TNT shares traded on Euronext Amsterdam over a three trading day period from 4 March 2011 to 8 March 2011 inclusive.

The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 2% above the cash dividend. There will be no trading in the stock dividend rights. The ex-dividend date will be 22 February 2011, the record date 24 February 2011 and the dividend will be payable as from 11 March 2011.

The Supervisory Board approved the decision by the Board of Management to propose to the Annual General Meeting of Shareholders a distribution of a final 2010 dividend of nil per ordinary share as the retained earnings set at the disposal of the shareholders at the Annual General Meeting of Shareholders will have been consumed by two interim dividends.

DIVIDENDS PAID IN 2010

On 29 April 2010, TNT paid a final dividend of €0.35 per ordinary share over 2009. Over 50% of the outstanding capital has elected for dividend to be paid in stock, which resulted in a cash payout of €64 million and the issuance of 2,900,567 shares.

The first 2010 interim dividend of €0.28 per share, optional for the shareholder in cash or shares, was paid on 20 August 2010. Approximately 47% of the dividend was paid in shares and the rest in cash, leading to a cash payout of €55 million and the issuance of 2,450,010 million shares.

FINANCIAL PERFORMANCE BY SEGMENT

MAIL IN THE NETHERLANDS

Financial review

Year ended at 31 December	2010	variance %	2009
Total operating revenues	2,538	(6.1)	2,704
Other income	11	(31.3)	16
Total operating expenses	(2,361)	(4.3)	(2,264)
Total operating income	188	(58.8)	456
as % of operating revenues	7.4		16.9

(in €millions, except percentages)

Operating expenses

Year ended at 31 December	2010	variance %	2009
Cost of materials	130	(2.3)	133
Work contracted out and other external expenses	685	(0.1)	686
Salaries and social security contributions	1,246	7.6	1,158
Depreciation, amortisation and impairments	70	(5.4)	74
Other operating expenses	230	8.0	213
Total operating expenses	2,361	4.3	2,264

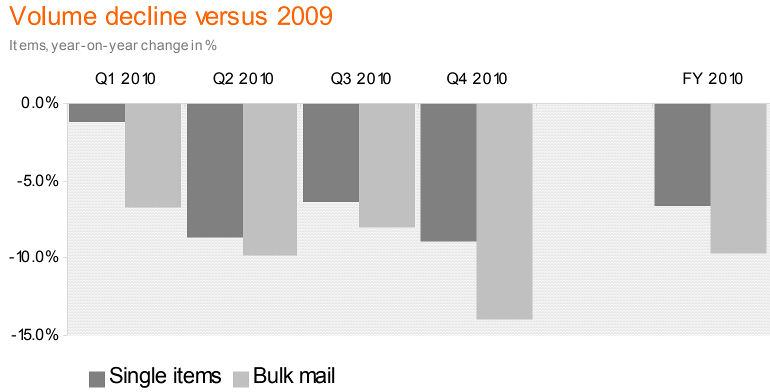
(in €millions, except percentages)

Operating statistics

Year ended at 31 December	2010	variance %	2009
Addressed postal items delivered by Mail Netherlands:			
single items (millions)	941	(6.6)	1,008
bulk mail (millions)	3,129	(9.7)	3,465
Addressed postal items delivered by Mail Netherlands:			
per Netherlands delivery address (items)	513	(9.6)	568
per Netherlands inhabitant (items)	244	(9.5)	270
per FTE [1] (thousands of items)	169	9.1	155
per delivery day (millions)	13.3	(8.9)	14.6
average percentage of national mail sorted automatically (%)	82	(3.5)	85

1 The FTE (full-time employee equivalent) definition is based on a 37-hour work week.

Mail in the Netherlands experienced decreasing volumes of addressed postal items in 2010, resulting largely, as expected, from substitution (314 million items) in the Dutch mail market. In total, addressed mail items in the Netherlands decreased by 9.0%. In 2011, the volume decline is expected to be around 8% to10%. The volume of unaddressed mail items increased by 11.4%.



Prices are another key factor in financial performance. In August 2010, OPTA set the starting tariffs for 2010 following Mail's proposal. After that, Mail announced a 4.5% average increase for stamp prices, effective 1 January 2011. The basic domestic mail rate for the Netherlands will increase by two euro cents to €0.46; for mail to other European destinations, the basic rate will increase to €0.79, also a two-cent rise. The rate for mail being sent outside Europe will remain at its present €0.95. There are no fixed prices for bulk mail and other mail items. The price for bulk mail was under pressure in 2010, particularly in the second half of the year due to fierce competition.

The current economic situation has had a negative impact on the sales and operating income of Data and Document Management activities. Data and Document Management implemented restructuring plans in 2010 to deal with the ongoing price pressure and strong competition in all segments of its business portfolio.

In 2010, Mail continued the implementation of the existing Master Plans in the Netherlands. Master Plan initiatives consist of efficiency measures and a restructuring of labour costs. €93 million of Master Plan savings were achieved. In 2011, Mail will initiate the implementation of Master Plan III. The exact reorganisation proposals will be determined over the coming months in consultation with the works council.

Operating revenues for Mail in the Netherlands decreased by €166 million (6.1%) in 2010 compared to 2009. This revenue decrease is mainly due to organic volume decline in addressed mail items, accompanied by a negative price-mix effect due to price pressure. Organic revenues decreased by €165 million (6.1%). The acquisitions and disposals effect was €1 million (0.0%).

The continued underlying decline in addressed postal item volumes in 2010 was primarily due to a decline in single items and reduced demand for bulk mail as a result of cost saving programmes initiated by some of Mail's key customers and due to the continued substitution by electronic media. The economy product delivered through TNT Post and the budget mail service delivered through Netwerk VSP retained volumes in the market, resulting overall in a limited loss of volumes to competition.

Mail in the Netherlands' operating expenses increased by €97 million in 2010 compared to 2009. Costs of salaries and social security contributions increased by €88 million, including the impact of the Master Plan restructuring programmes.

In 2010, Mail in the Netherlands' operating income decreased by €268 million (58.8%). This decline is mainly due to the decline in the volumes of addressed mail in the Netherlands and restructuring-related charges for the Master Plan III of €159 million and Data and Document Management restructuring programmes of €8 million. Master Plan savings of €93 million partly offset the lower revenues. The impact of the six days of strikes and the extreme winter weather conditions in December was €10 million.

PARCELS

Financial review

Year ended at 31 December	2010	variance %	2009
Total operating revenues	564	6.2	531
Other income	-		-
Total operating expenses	(484)	(2.1)	(474)
Total operating income	80	40.4	57
as % of operating revenues	14.2		10.7

(in €millions, except percentages)

Operating expenses

Year ended at 31 December	2010	variance %	2009
Cost of materials	15	15.4	13
Work contracted out and other external expenses	305	2.3	298
Salaries and social security contributions	129	(0.8)	130
Depreciation, amortisation and impairments	9	28.6	7
Other operating expenses	26		26
Total operating expenses	484	2.1	474

(in €millions, except percentages)

Operating statistics

Year ended at 31 December	2010	variance %	2009
Parcels delivered:	96	6.7	90

(in miilion parcels)

Parcels continued its volume and revenue growth in 2010. Volume growth clearly benefited from the e-commerce trend as well as growth in B2B volumes, resulting in 6.7% overall growth in volumes.

The overall price trend continues to be negative (-3.8% in 2010), especially in the bulk mail segment in the Netherlands and in the international parcel volumes. Fierce competition in Europe and the Netherlands between the service providers, as well as an increased customer focus on delivery costs during the recession, resulted in lower average revenue per parcel.

TNT acquired TopPak in 2010, to extend its service portfolio to include B2C fulfilment services. As the market leader in B2C parcel delivery in the Netherlands, cross selling fulfilment services to Parcels' existing customer base offers opportunities for further growth to secure parcel volumes in the future. The acquisition contributed positively to the financial results.

Parcels' operating revenues increased by 6.2% in 2010 compared to 2009. Organic growth in operating revenues of Parcels was €21 million (4.0%). Acquisitions and disposals in 2010 had a net positive effect of €12 million (2.2%) on operating revenues.

Parcels' operating expenses increased by €10 million in 2010 compared to 2009 following the growth in volumes. In 2010, the percentage of parcel volumes delivered by subcontractors increased from 83% to over 85%. Additionally, the sorting activities in Utrecht were fully contracted out. As a result, work contracted out increased by €7 million. The costs of salaries and social security contributions were unchanged due to limited collective labour agreement effects and tight control on personnel costs. The additional depreciation costs are related to investments in IT and sorting equipment in 2010.

In 2010, Parcels' operating income increased by €23 million to €80 million (40.4%). This increase is mainly due to volume growth, optimisation in the domestic parcel delivery network, effective cost control in its transportation network and tight control over overhead costs.

INTERNATIONAL

Financial review

Year ended at 31 December	2010	variance %	2009
Total operating revenues	1,294	21.0	1,069
Other income	13	(45.8)	24
Total operating expenses	(1,336)	(4.9)	(1,274)
Total operating income	(29)	84.0	(181)
as % of operating revenues	(2.2)		(16.9)

(in €millions, except percentages)

Operating expenses

Year ended at 31 December	2010	variance %	2009
Cost of materials	30	87.5	16
Work contracted out and other external expenses	976	25.3	779
Salaries and social security contributions	243		243
Depreciation, amortisation and impairments	20	(86.8)	151
Other operating expenses	67	(21.2)	85
Total operating expenses	1,336	4.9	1,274

(in €millions, except percentages)

Revenues in International grew by 21.0% to €1,294 million in 2010 compared to 2009. Adjusting for €148 million from the changed invoicing method in Germany, revenues increased 7%. The new invoicing method applies an agent fee to gross revenue of client contracts for a part of the business (PostCon) as a result of a change in the regulatory environment (primarily related to VAT). In 2010, International operating income was a loss of €29 million, an improvement of €152 million, mainly due to recorded impairment charges and other value adjustments of €146 million in International in 2009.

In the United Kingdom, the downstream access business continued to grow strongly. Alongside large customers, Mail is increasingly targeting the market for small and medium-sized enterprises. Prices continued to fall amid competitive pressure. These developments were the main drivers for revenue and volume growth, and positively contributed to operating income. Revenue totalled €550 million, an increase of 25%, and operating income was positive. Profitability of the business in the United Kingdom is stable.

Increasing volumes and the new invoicing method for a part of the business (PostCon) contributed to the growth in German mail revenues to €396 million, an increase of 69.6%. Adjusting for the effect of the change in invoicing method, the increase was 5.8%. Prices were under pressure, particularly in the second half of the year, across all business lines in Germany. The pricing environment was negatively affected by a 12% price discount that the largest market player offered some of its clients to compensate the effect of the implementation of the new VAT regulation. There is currently a discussion taking place in Germany which suggests the competition authorities might look into this. Regioservice implemented a three-day delivery model with a specific focus on costs and quality.

Revenue growth and cost savings had a positive impact on operating income, yet operating income was still negative. Excluding the network expansion costs, operating income in Germany was positive.

In Italy, Formula Certa continued to grow. With this service, Mail offers a track-and-trace service on regular mail. In 2010, Formula Certa expanded its activities by launching a product for registered mail which contributed to the 24% revenue growth in the Italian addressed mail business. The mail-related business, which is comprised of mailroom and fulfilment activities, was stable compared to 2009. Overall, these developments added to operating income, which was positive in 2010.

Within Spring Global Mail, revenue declined compared to 2009, mainly as a result of increased competition and a general decline in international volumes. After a process of six years, legislation in Canada has been changed, improving Spring Global Mail's competitive position in the Canadian mail market.

Beginning in 2009, Mail reviewed its operations (particularly related to unaddressed mail) in a number of countries and as of 2010 disposed of activities in Austria, Germany, Czech Republic and Slovakia. The divestments resulted in a book gain of €6 million.

In January 2011, Mail announced the sale of its mail activities in Belgium (De Belgische Distributiedienst) and its unaddressed activities in Italy (RSM Italia). Together with the remaining Czech Republic and Slovakia businesses these operations are recorded as discontinued operations in 2010. In 2010, total revenues of these entities amounts to €124 million. Completion of the transaction is expected in the first quarter of 2011. As a result, it is expected that a book gain will be recorded.

International disposals

	Entities/operations sold	Country
2010	TNT Direckt werbung (unaddressed mail activities)	Germany
	DIMAR (call centre activities)	Czech Republic and Slovakia
	Redmail (joint venture - 50% stake)	Austria
2011	De Belgische Distributiedienst (mail activities)	Belgium
	RSM Italia (Unaddressed mail activities)	Italy

International operating expenses increased by €62 million (4.9%) in 2010 compared to 2009. Work contracted out increased by €197 million, of which €148 million was offsetting extra revenues from the change in invoicing method. Costs of salaries and social security contributions were the same as in 2009. Depreciation, amortisation and impairments decreased by €131 million, mainly as a result of impairment and other value adjustment expenses for International in 2009, following the Vision 2015 strategy as announced on 3 December 2009. In 2010, operating expenses included an €11 million impairment relating to a write down of goodwill on CGU Spring Global Mail following a strategic review of the business.

MAIL OTHER

Mail other

Year ended at 31 December	Assets held for sale	Non-allocated	2010	Assets held for sale	Non-allocated	2009
Total operating revenues	124	221	345	124	237	361
Other income	(2)		(2)	(3)		(3)
Total operating expenses	(112)	10	(102)	(113)	10	(103)
Total operating income	10	231	241	8	247	255

(in €millions, except percentages)

Total operating income for 'Mail other' amounts to €241 million (2009: 255), which relates to non-allocated for an amount of €231 million (2009: 247) and to the activities classified as held for sale for an amount of €10 million (2009: 8). The table below shows an overview of the elements included in 'Mail other' and non-allocated operating income.

Non-allocated operating income

Year ended at 31 December	2010	2009
Pensions	189	168
Profit pooling	41	92
Other	1	(13)
Total	231	247

(in €millions)

In 2010, non-allocated operating income amounted to €231 million (2009: 247). Included in this operating income is €189 million (2009: 168), the difference between the recorded IFRS employer pension expense for the defined benefit pension plans for the Group and the actual cash payments received from the other Mail segments and Express. The profit and loss pooling arrangement resulted in a benefit of €41 million (2009: 92). Other income relates to shared services and unallocated head office costs (including TNT N.V.). In 2010, other income includes a release of a provision for claims and indemnities.

Chapter 7 Discontinued operations (Express)

On 2 December 2010, TNT announced the demerger of the Express business after it received positive advice from the works council and obtained approval from the Board of Management and Supervisory Board. This demerger will be proposed to the shareholders of TNT during the Annual Meeting of Shareholders on 25 May 2011, and will be effective pending shareholder approval.

The former Express division and relating entities that are part of the demerger are reported in this annual report as 'discontinued operations/assets held for demerger' as of 31 December 2010 following the announcement on 2 December 2010 and the finalisation of the internal legal restructuring in late December 2010. (See note 9 of the consolidated financial statements of TNT N.V).

This chapter contains a condensed financial review of Express - it provides details on its business performance, statements of income and cash flow statements. A separate supplementary report on Express is available which provides more insight into a selection of elements of the Express business: it includes among others its strategy, business performance and financial position.

OVERVIEW

Express transports goods and documents around the world with a focus on time-certain and/or day-certain delivery.

Goods and documents have different weights, shapes and sizes and can have different requirements in terms of speed of delivery, security and point of delivery. Goods and documents can have very different distance requirements, ranging from domestic (volumes within the boundaries of a country) to international (volumes shipped between countries) e.g. cross-border and/or regional as well as intra-continental and intercontinental.

The express services provided and the prices Express charges are primarily classified by speed, distances to be covered, sizes and weights of consignments. Express provides its customers express and economy express (less time sensitive) services which differ in price. The revenue-quality is the average of the growth in revenue per consignment and revenue per kilo for the domestic and international products excluding acquisitions and foreign exchange translation impacts.

Express' customers range from small and medium enterprises, major customers, high volume shippers and global customers. Each category of customers is managed by dedicated teams and processes. Express builds strong relationships with its customers through regular personal contact and visits, as well as a wide range of communications media. The main sectors Express serves are high-tech, automotive and industrial, healthcare and lifestyle (fashion).

Express is among the leading Express players in Europe, and its global coverage extends to more than 200 countries with company-owned activities in 62 countries. In 2010, Express continued to build its positions in emerging markets while enhancing connectivity between those markets and Europe.

At present, Express operates in four reportable segments. Following the demerger, Express will report along these segments. There are three geographical segments and one business segment:

- Europe, Middle East and Africa (Europe & MEA) is the home market of Express and its main revenue and profit generator;
- Asia-Pacific (ASPAC) is a key growth area for Express, with China at its centre;
- Within Americas, Brazil and Chile have been the focus of the most recent expansion of Express, while maintaining a presence in the United States and Canada in order to provide its customers with full service access to these major economies, and
- Finally the business segment 'Other Networks' that consists of Express' Fashion and Innight activities.

Additionally, non-allocated consists of among others of the Express Head Office and ICS (Information Communication Services) activities

BASIS OF PREPARATION

For a detailed discussion on the basis of preparation of the financial statements and this chapter, please see chapter 5 of the Express supplementary report which does not form part of this annual report.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS

The key factors that affect Express' financial results include:

The number of consignments and kilogrammes transported through Express' networks, which is strongly correlated with the macroeconomic environment (GDP growth and trade volumes) and by the number of working days in a year

The upward trend experienced in the global economy late 2009, continued in 2010 with an estimated global GDP growth of around 4% (GDP information source: EIU). In Europe, the growth in the economy accelerated during the second quarter, resulting in a real GDP growth of around 2.2% for the full year, driven by a strong increase in industrial production. However, growth in southern countries was clearly weaker (e.g. Italy 1.1%, Spain -0.2%). Growth in Asia-Pacific economies was robust, with China's growth accelerating to 10%, due to strong performance in all sectors of the economy, with the exception of exports. India also grew strongly with real GDP growth of around 8.8%. Growth in the emerging American countries was 7.4% on average, with the Brazilian economy growing by 7.5%.

The mix of domestic and international express and economy express services the Company provides to its customers and the customer mix

In the economic recession Express saw a shift from its express services to economy express services as during the economic downturn customers sought to control costs.

The customer mix is the proportion of each of the customer categories e.g. small and medium enterprises, major customers, and global customers. The optimal combination of customers results in the highest margin given the available network capacity.

The price levels (including surcharges) Express obtains for its services

Express has different rates per service, origin-destination lane, weight band, volume and size and applies various surcharges, among others related to fuel.

Given the nature of its business, fuel is an important component of Express' operating costs, especially for international air lifted services. Brent crude oil prices traded in a range of $70 – $94/barrel (source: US Energy Information Administration), with a constant increase in prices as of early summer 2010 to a level above $90 at the end of 2010. Express seeks to recover the increase in fuel costs through a fuel surcharge linked to the Brent crude price. There is typically a two month lag between changes in fuel price and the corresponding adjustment of the fuel surcharge, therefore, the increase in the fuel cost in the fourth quarter was not fully recovered in 2010.

Ongoing restructuring actions to further optimise the efficiency of its Network and the positive impact of previous years' restructuring

Against the backdrop of an improving but still uncertain business environment in 2010, Express continued its focus on costs and cash. As volumes increased, yield remained negative, Express focused on implementation of yield measures such as improved customer and product mix, general price increase in Europe of on average 3.5% for customers on standardized tariffs, contract-specific price increases and surcharges. Cost per consignment continued to decline despite inflationary pressure as a result of the wide range of global and local cost saving programs.

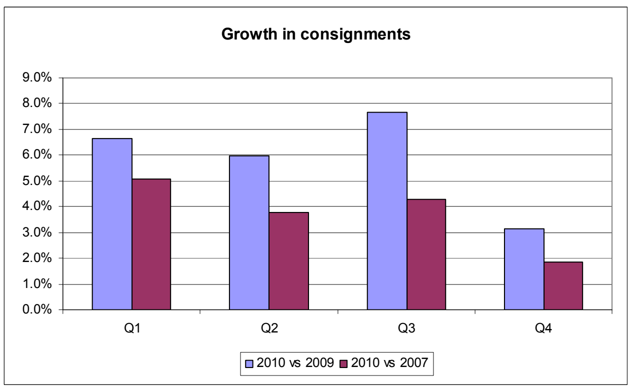
Currency developments, impacting the translation of the Company's results outside the Euro zone

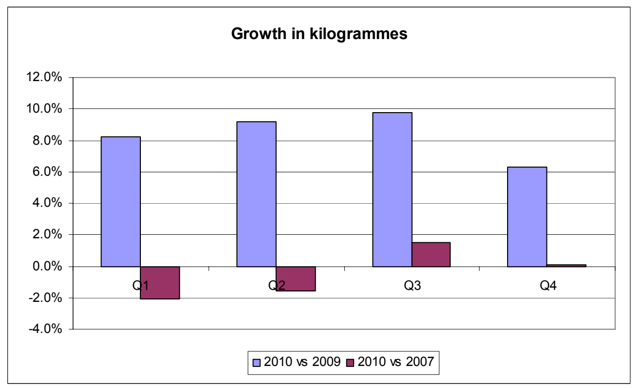
Express operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, Express' functional and reporting currency. The company's treasury 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 main two currencies of Express external hedges are the British pound and US dollar. Management has set up a policy to require Group companies to manage their foreign exchange risk against the functional and reporting currency.

EXPRESS BUSINESS PERFORMANCE

Volumes

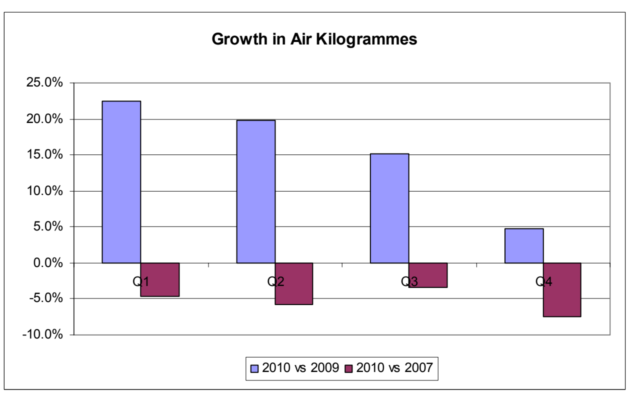
In 2010, average daily volumes grew at a faster rate than initially expected in all quarters compared to 2009. Consignments were ahead of the 2007 levels (the last year unaffected by the economic crisis) but coupled with the decrease in weights per consignment, growth based on kilogrammes lagged behind.

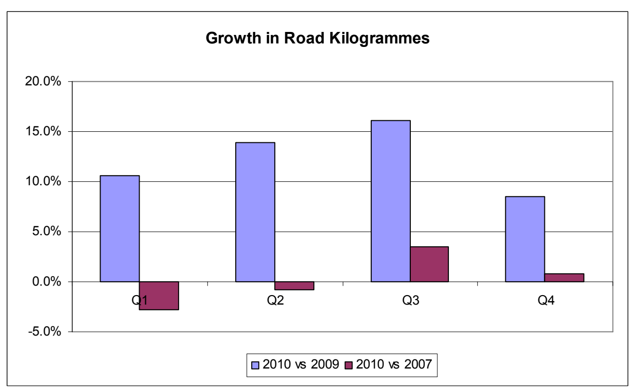




Note: Average daily Domestic and International volumes growth by quarter excluding Hoau (China) and acquisitions in Brazil and Chile

Express international volumes experienced significant growth in 2010. Kilogrammes carried by the European Air and the European Road Network grew by 16.1% and 13.3% respectively, compared to 2009.





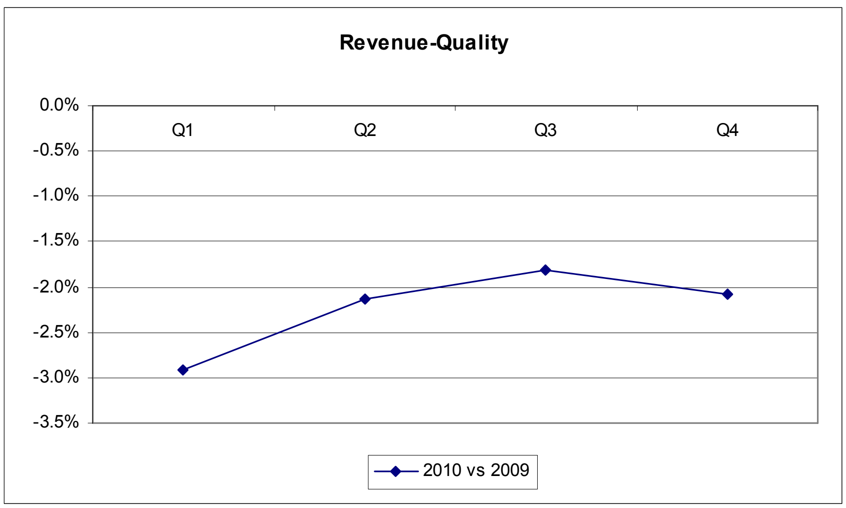
Note: Growth in average daily kilogrammes carried by the European Air Network and by the European Road Network

International growth was absorbed by adding additional road and air capacity to the network.

Domestic volumes grew albeit at a lower rate than international. In Europe, domestic consignments grew by 6.4% outperforming European GDP growth in 2010 compared to 2009. In Asia–Pacific, Express experienced strong domestic revenue growth, particularly in Australia and India. Hoau focused on replacing lower yielding domestic volumes with the new day-definite product offering which grew more than five times compared to 2009. In Americas (primarily Brazil), domestic volumes were down as a result of yield actions and contract rationalisation.

Revenue-Quality

While overall volumes grew faster than anticipated for both domestic and international, pressure on revenue-quality in 2010 remained significant, compared to both 2009 and the benchmark year 2007. The decline in revenue-quality stabilised throughout 2010 although the yield was still behind the level of 2009. Customer mix was a key reason for this development, with stronger growth in global and major accounts, trading at previously agreed contract rates. Several yield-improvement measures were rolled out in July 2010. These included targets for improving Express' product and customer mix, increases in standardised tariffs, contract-specific increases and broader application of surcharges. However, given the lead time for these measures, the full effect will be felt in 2011. The yield dropped in the fourth quarter versus the third quarter, due to the adverse weather conditions in Europe in December, which had a larger impact on the international, higher yielding product than on domestic products.



Note: Revenue-quality is the average of the growth in revenue per consignment and revenue per kilo for the domestic and international products excluding acquisitions

Network performance optimisation

In 2010, cost per consignment continued to decrease despite inflationary pressure, due to a wide range of cost saving programmes in the areas of procurement, network and operations optimisation coupled with an overall cost focus.

Cost per consignment excluding fuel, one-off costs relating to operation restructuring and foreign exchange charges in Europe & MEA was 2.6% lower than in 2009. Cost per consignment in ASPAC was 3.3% higher and in Americas was 11.4% higher due to significantly higher inflation pressure and higher average weights, more than offset on the revenue side by higher yields.

In the European Air Network, Express increased capacity while achieving its highest cargo load factor in recent history. The additional capacity was primarily addressed through additional chartered aircraft, which permitted greater capacity flexibility.

In light of intercontinental volume growth, Express added another two dedicated Boeing 747 freighters from its Liege hub to Hong Kong and Shanghai. In October, Express introduced a direct scheduled Boeing 747 service between Chongqing, a fast-growing high-tech manufacturing centre in Central China, and Europe. Express is the first express integrator to offer dedicated flights between Europe and Chongqing in response to growing demand from the region's high-tech industry. Express also announced the lease and delivery of three new Boeing 777 long range freighters, to commence service in 2011. The Boeing 777 freighters will replace the two Boeing 747 freighters currently on short term lease, and add capacity to Express' longhaul routes, mainly between Europe and China.

Express continued its roll-out of company wide 'Common Information and Communication Systems' in 2010, which over time are expected to lead to both improved processes and cost savings, once the legacy systems have been decommissioned.

Express took measures to streamline its organisation and align it with the new management structure announced on 2 December 2010. This realignment and several country specific reorganisations resulted in one-off restructuring charges of around €16 million.

FINANCIAL PERFORMANCE EXPRESS

Express revenues and earnings

Year ended at 31 December	2010	variance %	2009
Total operating revenues	7,053	13.6	6,208
Other income	12	0.0	0
Operating expenses excluding depreciation, amortisation and impairments	(6,676)	(13.0)	(5,910)
EBITDA	389	30.5	298
Depreciation, amortisation and impairments	(209)	11.8	(237)
Total operating income	180	195.1	61
as % of total operating revenues	2.6		1.0
Net financial expense	(37)	184.6	(13)
Income taxes	(57)	(32.6)	(43)
Results from investments in associates	(17)	(30.8)	(13)
Profit for the period from continuing operations	69	962.5	(8)
Profit from discontinued operations	0	0.0	0
Profit/(loss) for the period	69	962.5	(8)
Attributable to:			
Non-controlling interests	3	0.0	3
Equity holders of the parent	66	700.0	(11)

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

In 2010, Express revenues grew by 13.6% to €7,053 million. Express' operating income as percentage of revenue increased from 1.0% in 2009 to 2.6% in 2010.

Revenue growth was mainly due to the economic recovery leading to increased volumes within Express, which resulted in higher operating revenues predominantly from organic growth of €450 million (including €83 million higher fuel surcharge revenue). Furthermore, operating revenues were positively impacted by foreign currency exchange differences of €350 million mainly due to the depreciation of the euro against the Australian dollar, Brazilian real and various Asian currencies and the full-year impact of acquisitions (LIT Cargo in February 2009 and Expresso Araçatuba in May 2009) of €45 million. Higher volumes compared to 2009 contributed to organic revenue growth, partly offset by lower revenue-quality.

Underlying operating income as stated on page 49 was €338 million or 41% higher than 2009 (32% at constant foreign exchange rates). Higher volumes and the continuous reduction of Express' cost per consignment or kilogramme had a positive impact on the operating income development. Lower revenue-quality, higher cost of commercial linehaul, negative contribution of the Brazilian operations, adverse weather conditions in December and increased security costs, all impacted operating income negatively. Restructuring costs and impairment charges decreased compared to 2009. Express maintained its focus on optimising its network with the continuation of various efficiency improvement initiatives.

Express' 2010 performance can be explained further in the context of the following specific events:

- Express operations in Europe were negatively impacted by exceptionally adverse weather conditions in December. Express' Liege hub was closed for two days, with extensive disruptions to service and deliveries across Europe. Express' European road hub in Arnhem and road linehauls, were also significantly impacted due to temporary road closures for trucks. The estimated negative impact on operating income was €15 million.
- Brazil experienced significant margin pressure due to a number of factors, including planned investment in transforming business processes and a statutory 7.5% wage increase. In addition, Brazil had to absorb around €20 million of additional integration-related costs due to claims and provisions. New systems and processes are being implemented in 2011. These are expected to improve efficiency and service level to customers and enhance administrative processes and controls.
- Heightened security requirements addressing the threat of bomb-parcels led to the implementation of additional security measures, reinforcing ground and air security controls, covering Express' own operation and that of its associates, subcontractors and partner airlines. The additional incurred costs are expected to be recovered from customers through an Enhanced Security Surcharge introduced at the beginning of December 2010.

Other income increased to €12 million (2009: 0) and consists mainly of the book profit of the sale of real estate and aircraft.

Express operating expenses

Total operating expenses, including depreciation, amortisation and impairment increased by €738 million (12.0%) to €6,885 million in 2010. Operating expenses increased by €408 million (6.6%) if excluding for foreign currency exchange impact of €330 million. The increase in operating expenses was mainly due to higher work contracted out and other external expenses driven by increased volumes and an increase in fuel costs of €83 million as well as significant one-off costs related to the demerger of €45 million.

As a result, operating income in Express increased by €119 million or 195.1% in 2010 compared to 2009.

Compared to 2009, the profit for the period increased by €77 million largely due to increased revenues and lower total one-off costs.

Year ended at 31 December	2010	variance %	2009
Cost of materials	401	38.3	290
Work contracted out and other external expenses	3,650	15.6	3,157
Salaries and social security contributions	2,190	9.1	2,007
Depreciation, amortisation and impairments	209	(11.8)	237
Other operating expenses	435	(4.6)	456
Total operating expenses	6,885	12.0	6,147

(in €millions, except percentages)

Cost of materials increased by €111 million (38.3%) in 2010 compared to 2009. Excluding foreign currency exchange impact, cost of materials increased by €90 million (31.0%) in 2010, mainly due to an increase in fuel costs of €83 million and higher volumes.

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. Total work contracted out and other external expenses increased by €493 million (15.6%) in 2010 compared to 2009. Excluding foreign currency exchange impact, work contracted out and other external expenses increased by €295 million (9.3%) in 2010, mainly driven by higher volumes and costs of €45 million related to the anticipated demerger.

Salaries, pensions and social security contributions increased by €183 million to €2,190 million (9.1%) in 2010 compared to 2009. Excluding foreign currency exchange impact, salaries, pensions and social security contributions increased by €61 million (3.0%) in 2010. The increase in salary costs was largely due to the overall increased volumes and annual salary inflation. Included in salaries, pensions and social security contributions is an amount of €16 million relating to restructuring related charges (2009: 37) and €69 million pension costs (2009: 59).

Total depreciation, amortisation and impairment costs decreased by €28 million (-11.8%) in 2010 compared to 2009, due to impairment charges of €22 million in 2009 and lower investments in additional capacity in 2010.

Other operating expenses include items such as marketing expenses and insurance costs. Other operating expenses decreased by €21 million (-4.6%) in 2010 compared to 2009. Excluding foreign currency exchange impact, other operating expenses decreased by €43 million (-9.4%) in 2010, mainly due to the lower impact from profit pooling arrangement (refer to table below).

Underlying development 2010 and 2009

Express operating income in 2010 and 2009, was impacted by various non-recurring items. In the table below the reportable segments presented are Europe & MEA, Asia-Pacific, America's and Other Networks. Non-allocated represents the head office entities.

In order to analyse the results excluding non-recurring and exceptional items, management assesses the underlying operating income for a deeper understanding of the business performance. Underlying operating income is calculated as operating income after the adjustment of restructuring and other non-recurring or extraordinary items as per the bridge below.

Underlying operating income

Year ended at 31 December	Reported 2010	Restructuring related charges	Other	Brazil	Bad weather	Demerger costs	Profit pooling	Pensions	Underlying 2010	Foreign exchange	Underlying 2010 (at constant rates)
Europe & MEA	371	8	(4)		15			9	399	(4)	395
Asia Pacific	14								14	(1)	13
Americas	(67)	8		20					(39)	8	(31)
Other Networks	18							1	19	-	19
Non-allocated	(156)					45	41	15	(55)	(24)	(79)
Operating income	180	16	(4)	20	15	45	41	25	338	(21)	317

(in €millions)

Underlying operating income

Year ended at 31 Decembe	Reported 2009	Restructuring related charges	Impairments and other value adjustments	Other	Profit pooling	Pensions	Underlying 2009
Europe & MEA	281	30	8			11	330
Asia Pacific	(32)	3	9				(20)
Americas	(32)	3	5				(24)
Other Networks	18					1	19
Non-allocated	(174)	1		4	92	12	(65)
Operating income	61	37	22	4	92	24	240

(in €millions)

The 2010 underlying operating income amounts to €338 million (2009: 240). Underlying operating income excludes some non-recurring and exceptional items such as restructuring related charges of €16 million (2009: 37), impact of €20 million (2009: 0) related to integration related costs in Brazil, adverse weather conditions had an impact of €15 million, demerger related costs of €45 million (2009: 0), the impact of the profit pooling arrangement of €41 million (2009: 92), pension charges of €25 million (2009: 24) and various other items of -€4 million (2009: 4).

In 2010, Express recorded non-recurring restructuring charges of €16 million mainly related to restructuring programmes in the Americas of €8 million and Europe & MEA of €8 million.

Express' operations in Europe were negatively impacted by exceptionally adverse weather conditions in December. Notably, Express' Liege hub was closed for two days, with extensive disruptions to service. This led to an estimated negative impact on Express' results of €15 million.

TNT Headoffice BV is included in Express and is the contractual entity for the majority of the services and support related to the demerger. The total demerger cost incurred amounted to €45 million in 2010.

In the past years a profit pooling arrangement was in place, whereby Express' legal entities absorbed the fiscal losses of Mail International operations in Germany. Given that the new reporting structure is on a legal entity basis, these losses are reflected in Express' operating income in 2010. In anticipation of the demerger the profit pooling arrangement was terminated at 30 November 2010.

In 2010, Express contributed cash pension contribution towards TNT N.V. for its Dutch Group pension plans. After the demerger the current group pension plan definition in accordance with IAS 19.34a will no longer be valid as a result of which both entities (Mail and Express) will account for their defined benefit pension costs separately. The underlying cost adjustment represents the difference between the IFRS expense and the cash contribution paid by Express to TNT N.V.

The various other items in 2010 consist of a €2 million book gain on the sale of an aircraft and a €2 million impairment reversal on aircraft that will be put back into operation in 2011.

In 2009, operating income was also impacted by impairments and other value adjustments mainly include a €10 million impairment charge related to impaired customer relationships and an impairment on vehicles of €5 million.

Express financial income and expenses

Year ended at 31 December	2010	variance %	2009
Interest and similar income	22	(65.6)	64
Interest and similar expenses	(59)	23.4	(77)
Net financial expense	(37)	(184.6)	(13)

(in millions, except percentages)

Interest and similar income of €22 million in 2010 (2009: 64) of which €11 million (2009: 45) is income from loans with TNT and €9 million (2009: 19) is interest income on banks, loans and deposits, taxes and interest on foreign currency hedges.

Interest and similar expenses 2010 of €59 million (2009: 77) relate mainly to interest expenses on external financing of €41 million (2009: 54), interest expenses linked to financing in relation to a loan with TNT for an amount of €12 million (2009: 13) and foreign currency exchange effect of €5 million (2009: 7).

Express income taxes

Year ended at 31 December	2010	variance %	2009
Current tax expense	88	41.9	62
Changes in deferred taxes	(31)	(63.2)	(19)
Total income taxes	57	32.6	43

(in €millions, except percentages)

Income taxes amount to €57 million (2009: 43), or 45.2% (2009: 122.9%) of income before income taxes. In 2010, the current tax expense amounted to €88 million (2009: 62). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

In 2010, the effective income tax rate was 45.2% and is significantly higher than the statutory corporate income tax rate of 25.5% in the Netherlands. The effective income tax rate was impacted by non-deductible costs and current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets, partly offset by positive effects from several optimisation projects.

Financial position

	2010	variance %	2009
Non-current assets	3,281	1.9	3,219
Current assets	2,246	4.9	2,142
Assets classified as held for sale	4	(60.0)	10
Total assets	5,531	3.0	5,371
Net in	3,002	9.0	2,754
Non-current liabilities	468	(18.6)	575
Current liabilities	2,061	0.9	2,042
Total liabilities and net investment	5,531	3.0	5,371

(in €millions, except percentages)

The non-current assets of €3,281 million at 31 December 2010 consist mainly of goodwill of € 1,703 million, largely related to the acquisitions of TNT and GD Express Worldwide; and other intangibles of €189 million mainly relate to IT software; property, plant and equipment of €1,089 million relate to depots, aircraft and vehicles and financial fixed assets of €294 million.

The current assets of €2,246 million at 31 December 2010 relate to total accounts receivable of €1,241 million, cash and cash equivalents of €807 million and other current asset items of €198 million.

Off-balance sheet items

Express has no off-balance sheet arrangements other than those disclosed in the financial statements of TNT N.V.

Cash flow data

Liquidity Risk

The following table provides a summary of cash flows from Express' operations.

Year ended at 31 December	2010	variance %	2009
Cash generated from operations	356	(14.4)	416
Interest paid	(39)	40.9	(66)
Income taxes paid	(76)	(123.5)	(34)
Net cash from operating activities	241	(23.7)	316
Net cash used for other investing activities	16	(23.8)	21
Net cash used for acquisitions and disposals	(23)	70.1	(77)
Net cash used for capital investments and disposals	(143)	(10.9)	(129)
Net cash used in investing activities	(150)	18.9	(185)
Net cash used for dividends and other changes in equity	0	0.0	0
Net cash from debt financing activities	(121)	(146.4)	261
Net cash used in financing activities	(121)	(146.4)	261
Changes in cash and cash equivalents	(30)	(107.7)	392

(in €millions, except percentages)

Net cash from operating activities

Cash generated from operations decreased by €60 million. This was due to cash flow impact of €80 million from profit before income taxes adjusted for non-cash items, €19 million from change in provisions and €159 million lower contribution from working capital. The negative cash flow impact from change in working capital was mainly a result of higher revenue and related increase in trade receivables in 2010.

Overall, net cash from operating activities decreased by €75 million from €316 million in 2009 to €241 million in 2010, which is primarily due to significantly higher tax payments in several countries in 2010 and lower cash generated from operations as described above.

Net cash used in investing activities

The total net cash used in investing activities amounts to -€150 million in 2010 (2009: -185). This mainly relates to interest received of €13 million (2009: 22), capital expenditures on property, plant and equipment of €121 million (2009: 120) and intangible assets of €50 million (2009: 36), remaining cash payment of €23 million for the acquisition of Expresso Aracatuba (2009: 62 relating to Expresso Aracatuba and LIT Cargo) and proceeds obtained from the sale of buildings, aircrafts, vehicles and other depot equipment of €26 million (2009: 26). The decrease in net cash used in investing activities was mainly due to lower cash payments for acquisitions in 2010.

Net cash used in financing activities

The net cash from debt financing activities amounted to -€121 million and mainly relates to the repayments on short term borrowings of -€51 million (2009: -377) and settlements in former intercompany balances between TNT N.V. and Express of -€41 million (2009: 612).

Capital expenditures and proceeds

Year ended at 31 December	2010	variance %	2009
Property, plant and equipment	121	0.8	120
Other intangible assets	50	38.9	36
Cash out	171	9.6	156
Proceeds from sale of property, plant and equipment	26	0.0	26
Disposals of other intangible assets	2	100.0	1
Cash in	28	3.7	27
Netted total	143	10.9	129

(in €millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets totalled €171 million in 2010, an increase of 9.6 %. The main capital expenditures in 2010 related to machinery and other depot equipment (€51 million) and software (€45 million).

Working capital

Trade working capital is calculated as trade accounts receivable less trade accounts payable (refer to combined statement of financial position in the Express supplementary report). As a percentage of revenue, trade working capital improved from 10.3% in 2009 to 9.4% in 2010. With the increased volume in 2010, trade accounts receivable remained at 15% of revenue while trade payables as a percentage of revenue increased from 5% to 6%. This is mainly a result of initiatives employed in the past year to improve payment terms with suppliers.

Pensions

In accordance with IFRS, the charge to the income statement for the defined benefit obligations in 2010 amounted to €7 million (2009: 9) in total. The total cash contributions for defined benefit obligations were €13 million (2009: 12). In 2010, amounts expensed in the income statement related to defined contribution plans were €62 million (2009: 50), of which €27 million (2009: 24) related to the cash pension contributions towards TNT N.V. for the Dutch pension plans.

FINANCIAL PERFORMANCE BY SEGMENT

General

Total underlying operating income grew by €98 million from €240 million in 2009 to €338 million in 2010 (€317 million at constant foreign currency exchange). All segments contributed to this improvement, with the exception of the Americas. Underlying operating income is calculated as operating income after the adjustment of restructuring and other non-recurring or extraordinary items.

Europe & MEA

Year ended at 31 December	2010	variance %	2009
Operating revenues	4,453	7.5	4,142
Operating income (EBIT)	371	32.0	281
Underlying operating income (EBIT)	399	20.9	330

(in €millions, except percentages)

Europe & MEA's revenue improved organically (excluding acquisitions/disposals and external factors, i.e. fuel and foreign currency exchange differences) in 2010, mainly due to higher volumes, partially offset by the lower revenue-quality. Eastern Europe, Middle East and Africa experienced double-digit growth while the mature markets increased at a slower rate albeit from a higher base. Continued focus on cost efficiency led to further unit cost reductions, in spite of inflationary pressure in many markets.

Asia-Pacific

Year ended at 31 December	2010	variance %	2009
Operating revenues	1,656	33.2	1,243
Operating income (EBIT)	14	143.8	(32)
Underlying operating income (EBIT)	14	170.0	(20)

(in €millions, except percentages)

Asia-Pacific experienced organic revenue growth of 17% (excluding acquisitions/disposals and foreign currency exchange differences) with the most significant contribution from China, mainly due to higher volumes from existing and new global customers. Currency effects added 15.9% to the revenue growth. Operating income improved in most markets, with the most significant improvement in China. Cost per consignment increased in line with higher inflation in most of these markets, but was offset by positive development of revenue-quality. Express increased its own capacity between China and Europe through the introduction of two additional Boeing 747 freighters to improve service and reduce its reliance on commercial linehaul, allowing the company to have more control over its linehaul costs in order to reduce costs.

Americas

Year ended at 31 December	2010	variance %	2009
Operating revenues	502	25.8	399
Operating income (EBIT)	(67)	(109.4)	(32)
Underlying operating income (EBIT)	(39)	(62.5)	(24)

(in €millions, except percentages)

Total Americas' revenue grew by 25.8%, driven by acquisitions (LIT Cargo, acquired in February 2009, and Expresso Araçatuba, acquired in May 2009: 10.3%) and currency related effects (17.8%). Americas' organic revenue decreased by 2.3% due to contract rationalisation in Brazil, partially offset by the positive improvement of revenue-quality.

Express operates on a relatively small scale in North America, predominantly catering for US inbound demands of its global customers; as such it is an important part of the Express global network even though it does not have the size that allows for a profitable operation.

The underlying operating income for the Americas includes an adjustment of €20m related to Brazil integration, customer claims and provisions. The reduction in underlying operating income is related to foreign currency exchange differences, and lower results in Brazil.

Other Networks

Year ended at 31 December	2010	variance %	2009
Operating revenues	448	4.2	430
Operating income (EBIT)	18		18
Underlying operating income (EBIT)	19		19
(in €millions, except percentages)			

Revenue increased organically by 3.5% mostly driven by increase in Innight activities. The operating income increase in Innight was offset by a similar decrease in the Fashion business, related to a few specific contracts.

Non-allocated

Year ended at 31 December	2010	variance %	2009
Operating revenues	(6)		(6)
Operating income (EBIT)	(156)	10.3	(174)
Underlying operating income (EBIT)	(55)	15.4	(65)
(in €millions, except percentages)			

Non-allocated operating income

Year ended at 31 December	2010	2009
Demerger costs	(45)	
Projects	(7)	(5)
Profit pooling	(41)	(92)
Pensions	(15)	(12)
Other costs	(48)	(65)
Total	(156)	(174)
(in €millions)		

In 2010, non-allocated operating costs amounted to €156 million (2009: 174) including €45 million of demerger costs and €41 million (2009: 92) relating to the profit and loss pooling arrangement (see chapter 5). Non-allocated pension costs of €15 million relate to Head Office employees, which have not been allocated to segments. Other costs relate to specific assigned tasks and events related to corporate activities which are not charged to segments.

CORPORATE RESPONSIBILITY PERFORMANCE

On the whole, CR performance in 2010 was positive with many key focus areas showing improvement compared to 2009. The highlights of Express' CR performance are summarised below.

The absolute CO_2 emission of Express' own operations increased as a result of business growth and as a result of a shift from subcontracted air transport to Express' own aircraft.

Significant progress has been made to improve the CO_2 efficiency, which is reflected by 5.4 points improvement of the CO_2 efficiency index compared to 2009. The underlying CO_2 efficiency performance of air transport and buildings is responsible for the improvement.

Despite the strong focus to improve road safety the number of fatalities increased in 2010. Express' Management Board remains fully committed to improving road safety across all of Express' operations, with a particular emphasis on the emerging markets. Specific detailed action plans have been developed that take a country's culture and road safety conditions into consideration and to ensure that subcontractors working for Express also adopt similar road safety standards. These action plans further set minimum standards for vehicle, driver, journey and subcontractor's management to ensure that effective road safety management systems are implemented and monitored.

Customer satisfaction (meeting customer expectations) within Express decreased from 93.6% in 2009 to 92.2% in 2010. However, consistent with 2009, 40% of customers rated Express services as exceeding expectations. The overall decrease was seen across all customer classifications. A key part of the continuous improvement approach in 2011 is the implementation of the 'Lean Improvement' methodology within the countries to ensure that the stated view of the customers drives the improvement initiatives.

The employee engagement survey (VOICE) was used in 2010 to measure employee engagement. The survey showed a decrease from 76% in 2008 (no survey performed in 2009) to 69% in 2010. The decrease is partly due to the organisational and economic climate. Actions plans have been developed to address this decline.

Corporate Responsibility Performance

Year ended at 31 December	2010	2009
CO_2 emissions	1,020	788
CO_2 efficiency index	92.8	98.2
Fatal accidents own empoyees and subcontractors	36	27
Lost time accidens frequency rate (per 100 FTE)	2.98	3.04
Customer satisfaction	92.2%	93.6%
Employee engagement	69%	-

Chapter 8 Corporate responsibility strategy and performance summary

CORPORATE RESPONSIBILITY STRATEGY

It is Mail's ambition to share responsibility for the world in which it operates. This commitment is translated into its integrated corporate responsibility (CR) strategy, which builds on TNT's group strategy implemented in 2009.

Mail's CR strategy is based on four internationally-recognised management standards:
- workplace safety (OHSAS 18001),
- personal growth of employees (Investors in People),
- environmental management (ISO 14001), and
- operational excellence (ISO 9001).

TNT began to comply with the management standards back in 2004 and Mail remains committed to them.

Mail's CR strategy encompasses the following three pillars:
- employees (employee engagement and health and safety),
- environment (carbon efficiency and air quality), and
- other stakeholders, such as customers, subcontractors and suppliers (customer satisfaction and green services).

These three pillars of focus are complemented by the fourth pillar of voluntary contributions to society. Mail will continue to support the United Nations World Food Programme (WFP) by active involvement and financial support of the School Feeding Programme in Malawi.

For 2011, Mail will concentrate on the following sustainability programmes:
- investing in improvement of employee engagement,
- stimulating voluntary job moves,
- improving CO_2 performance related to fleet and buildings,
- maintaining high customer satisfaction,
- developing and implementing a subcontractor strategy, and
- supporting the School Feeding Programme in Malawi.

In 2011, Mail will continue with the process of integrating CR within its existing business systems, including the financial planning and control cycle. Mail intends to continue with the stakeholder dialogue to review its CR strategy and to better understand stakeholders' perspectives and concerns regarding risks and responsibilities resulting from operations.

In 2010, TNT (Mail and Express) announced an ambitious target to improve its CO_2 efficiency index by 45% by 2020, compared with 2007 (the baseline year). In 2011, Mail will review its CO_2 target for its business to align with the overall TNT target. In order to monitor CR performance, quantitative targets are set, which are included in management contracts.

CORPORATE RESPONSIBILITY PERFORMANCE

In 2010, Mail in the Netherlands focused on responsible downsizing. After approval in the collective labour agreement, including the social plan in March 2010, Mail and the unions discussed the implementation of the final restructuring (Master Plan III). After six days of strikes, an agreement was reached on 16 December 2010. The agreement provides the basis for an efficient mail operation and lays the foundation for a socially responsible transition. The agreement was ratified by the union members in January 2011.

The restructuring will decrease the number of FTEs by 11,000. Allowing for natural attrition and voluntary departures, 4,500 compulsory redundancies were expected to be necessary among operational staff. Ratification of the agreement by union members means that this number will now be substantially reduced. A confirmed total of 1,700 jobs will be retained, primarily at Mail's new 'Auto Unit' and Parcels. Mail will examine the possibilities of retaining another 200 jobs at the Auto Unit as part of future organisational changes. Temporary work will be offered to 300 employees until the end of 2013. Also, greater use will be made of TNT Mobility, with the aim of avoiding unemployment for an additional 500 workers.

Furthermore, Mail renewed certifications for OHSAS 18001, Investors in People (IiP), ISO 14001 and ISO 9001. The highlights of Mail's CR performance with regard to employees, the environment and other stakeholders are provided in the table below:

Corporate responsibility data

Year ended at 31 December

			2010	2009
	Employees			
▲	OHSAS 18001 (in % of total FTEs working in certified sites)		88%	86%
	Fatal accidents (own and subcontractor)		1	4
	Serious accidents	▲	76	32
	Lost time accidents per 100 FTEs	▲	4.37	2.08
▲	Investors in People (in % of total headcount working in certified sites)		91%	90%
	Employee engagement		54%	no data
	Environment			
▲	ISO 14001 (in % of total FTEs working in certified sites)		88%	86%
▲	CO_2 emissions absolute (ktonnes)		83	83
	CO_2 efficiency index	▲	70.4	68.9
▲	CO_2 efficiency small trucks and vans (g CO_2/km)		237	236
▲	CO_2 efficiency large trucks (g CO_2/km)		715	737
▲	CO_2 efficiency buildings (kg CO_2/m^2)		29.4	26.9
▲	Sustainable electricity (in % of total electricity)		83%	81%
	Other stakeholders			
▲	ISO 9001 (in % of total FTEs working in certified sites)		89%	87%
	Customer satisfaction		89%	90%

Figures with a triangle (▲) fall within the reasonable assurance scope

Detailed analysis of these and other CR performance figures is provided in chapter 16.

In order to make a like-for-like comparison between the 2010 and 2009 CR results, management assessed the impact of changes in scope and severe weather. In the following parts of this report, these corrections are included and explained where relevant.

During 2010, Germany increased the coverage of its CR reporting activities. This had significant influence on some key CR indicators.

Severe winter weather conditions also influenced certain indicators. The winter period of 2010 was intense and long. This can be demonstrated by normalisation of adverse weather. This is done by analysing the number of degree days, defined as a measure of how much (in degrees), and for how long (in days), outside air temperature was lower than a specific 'base temperature' (18°C). Normalising adverse weather conditions is also used by energy companies to correct energy use for extreme winter weather conditions. The year 2010 had over 20% more degree days than the long-term average in the Netherlands (3,374 degree days versus 2,797 degree days on average).

Where relevant, the effects mentioned above are presented to explain the influence on the reported numbers in order to improve comparability with the reported 2009 numbers.

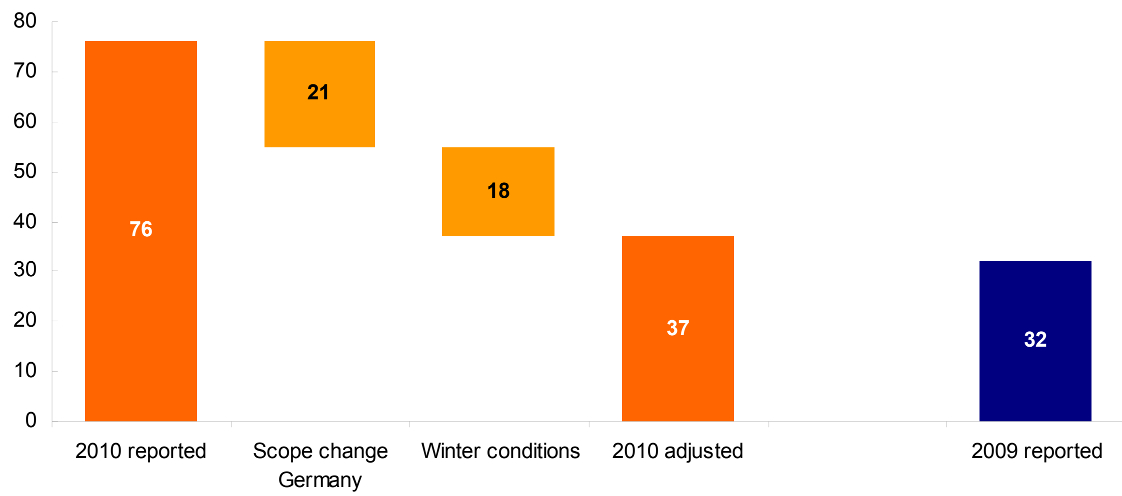
Employees

In 2010, Mail reported one fatal accident, which occurred in the Netherlands, compared to four fatal accidents in 2009.

In 2010, an increased number of serious accidents and lost time accidents occurred. These significant increases could lead to the conclusion that there is a serious underlying deterioration in the health and safety management system at Mail. The Mail health and safety management system requires all accidents to be reported and consolidated monthly. Management has tracked year-on-year trends and can clearly demonstrate that serious and lost time accidents were materially higher in January, February, March and December 2010 than in the same periods of 2009. Each accident has been investigated and management concluded that a large part of the accidents can be contributed to either a road traffic accident as a direct result of ice and snow, which led to treacherous driving conditions, or falls and slippage of mail delivery personnel as a result of untreated pavements and cycle paths.

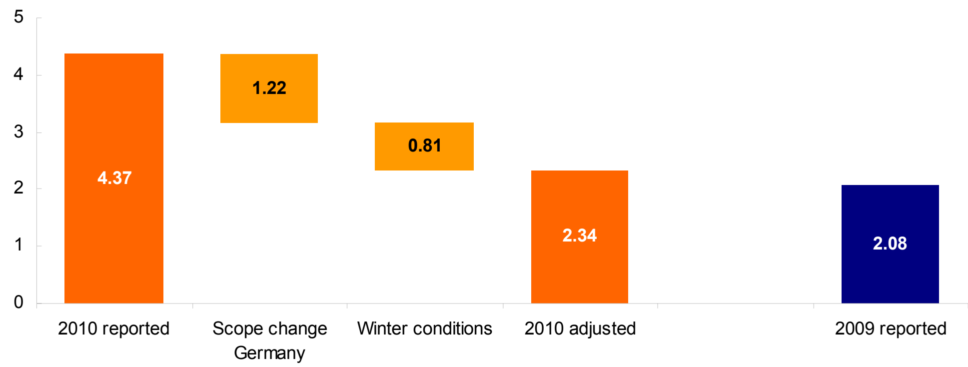
Management has therefore assessed the impact of scope changes and extreme winter conditions for a better comparison. The adjustment for extreme winter conditions regarding accidents is based on the 2009 results for Mail in the Netherlands.

Number of serious accidents



In 2010, Mail reported 76 serious accidents, compared with 32 in 2009. The adjusted number of serious accidents is 37, an increase of five compared to 2009. Germany started reporting serious accidents in 2010, and accounted for 21 serious accidents. The extreme winter conditions accounted for 18 serious accidents.

Lost time accidents frequency rate (per 100 FTEs)



In 2010, Mail reported 4.37 lost time accidents per 100 FTEs, compared with 2.08 in 2009. The adjusted number of lost time accidents per 100 FTEs is 2.34, an increase of 0.26 compared to 2009. Germany started reporting lost time accidents in 2010, and accounted for an effect of 1.22 on the reported LTAs per 100 FTEs for Mail. In Germany, employees frequently use motorised scooters to deliver mail, which may lead to higher accident rates and increased accident severity.

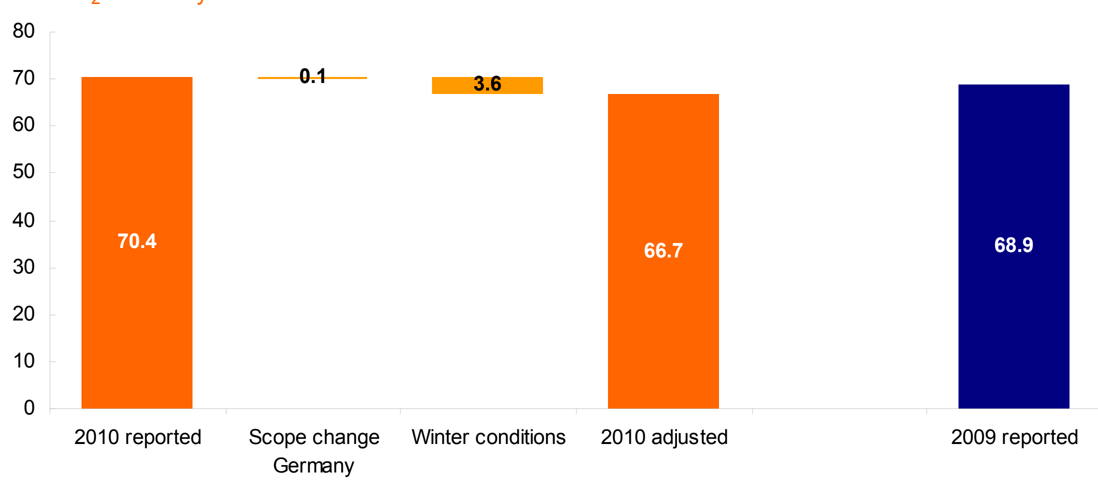
The extreme winter conditions accounted for 0.81 LTAs per 100 FTEs. Many accidents were caused by slippery roads and pavements.

Employee engagement declined to 54%, which is below the results of the previous survey conducted in 2008 (64%). The timing of the survey, at the height of the economic downturn and with the announcement of redundancies, is likely to have influenced the response and outcome of the Global Engagement Survey.

Environment

Mail is committed to reducing its CO_2 footprint, and has developed several initiatives to achieve this. The absolute CO_2 footprint for Mail's own operations remained stable at 83 ktonnes, whereas the CO_2 footprint including that of subcontractors decreased by four ktonnes in 2010.

CO_2 efficiency index



For 2010, the CO_2 efficiency index for Mail was 70.4, a deterioration of 1.5 points compared to 2009 (68.9). Management has analysed the underlying reasons for this deterioration and has concluded that it is mainly caused by increased gas usage as a result of the extreme winter conditions. The CO_2 efficiency index improved by an estimated 2.2 points, according to management. Management therefore believes that the 2010 reported CO_2 efficiency indicator, when adjusted to reflect the extreme weather conditions, shows an improvement in 2010, with a figure of 66.7 compared with 68.9 in 2009.

The percentage of sustainable electricity consumed increased from 81% in 2009 to 83% in 2010. Nevertheless, a deterioration in the reported CO_2 efficiency for buildings occurred, from 26.9 to 29.4 kilogrammes CO_2 per m^2. The deterioration in CO_2 efficiency is a result of the increased gas consumption during the extreme winter months, as explained above.

For small trucks and vans, the CO_2 efficiency was 237 grammes CO_2 per kilometre in 2010 (236 in 2009), while the CO_2 efficiency of large trucks was 715 grammes CO_2 per kilometre in 2010 (737 in 2009). The improvement of the CO_2 efficiency of large trucks is a result of the United Kingdom, as this entity reported for the first time in 2010 and its large trucks are more efficient than the average large truck in Mail. In 2010, the United Kingdom also added new trucks to the fleet that are more efficient than the most common large trucks of Mail.

Other stakeholders

In 2010, Mail conducted an annual survey among the small and medium-sized business customers of Mail in the Netherlands. Customer satisfaction for Mail customers decreased from 90% in 2009 to 89% in 2010.

Voluntary contributions to society

In 2010, Mail employees participated in a number of projects with the United Nations World Food Programme (WFP), and assisted in developing an essential package designed to improve the health and nutrition of schoolchildren. A number of fundraising activities were organised for the Malawi school feeding programme and over 100 employees played an active role as Game Guides (assisting Kids Moving the World), visiting primary schools in the Netherlands to create awareness of the world food problem. Mail also continued its initiatives on the cookery book Master Chefs for Home Chefs and on the recycling of mobile phones, with the earnings transferred to WFP.

Chapter 9 Financial statements

Consolidated statement of financial position

At 31 December	Notes	2010	variance %	2009
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		120		1,803
Other intangible assets		46		258
Total		166	(91.9)	2,061
Property, plant and equipment	(2)			
Land and buildings		294		809
Plant and equipment		119		342
Aircraft		0		280
Other		33		151
Construction in progress		53		28
Total		499	(69.0)	1,610
Financial fixed assets	(3)			
Investments in associates		4		62
Other loans receivable		3		6
Deferred tax assets	(23)	21		233
Other financial fixed assets		3		23
Total		31	(90.4)	324
Pension assets	(11)	1,153	30.4	884
Total non-current assets		1,849	(62.1)	4,879
Current assets				
Inventory	(4)	8		24
Trade accounts receivable	(5)	412		1,370
Accounts receivable	(5)	38		221
Income tax receivable	(23)	3		28
Prepayments and accrued income	(6)	108		236
Cash and cash equivalents	(7)	65		910
Total current assets		634	(77.3)	2,789
Assets classified as held for sale	(8)	123		27
Assets classified for demerger	(9)	5,531		
Total assets		8,137	5.7	7,695
Liabilities and equity				
Equity	(10)			
Equity attributable to the equity holders of the parent		2,424		2,060
Non-controlling interests		19		20
Total		2,443	17.5	2,080
Non-current liabilities				
Deferred tax liabilities	(23)	327		391
Provisions for pension liabilities	(11)	231		292
Other provisions	(12)	255		165
Long term debt	(13)	1,582		1,925
Accrued liabilities		0		5
Total		2,395	(13.8)	2,778
Current liabilities				
Trade accounts payable		154		470
Other provisions	(12)	134		203
Other current liabilities	(14)	257		687
Income tax payable	(23)	135		265
Accrued current liabilities	(15)	582		1,212
Total		1,262	(55.5)	2,837
Liabilities related to assets classified as held for sale	(8)	26		0
Liabilities related to assets classified for demerger	(9)	2,011		
Total liabilities and equity		8,137	5.7	7,695

(in €millions, except percentages)

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

Consolidated income statement

Year ended at 31 December	Notes	2010	variance %	2009
Net sales	(16)	4,274		4,187
Other operating revenues	(17)	19		25
Total revenues		4,293	1.9	4,212
Other income	(18)	22	(40.5)	37
Cost of materials		(178)		(163)
Work contracted out and other external expenses		(1,701)		(1,514)
Salaries and social security contributions	(19)	(1,561)		(1,473)
Depreciation, amortisation and impairments	(20)	(120)		(252)
Other operating expenses	(21)	(275)		(260)
Total operating expenses		(3,835)	(4.7)	(3,662)
Operating income		480	(18.2)	587
Interest and similar income		14		17
Interest and similar expenses		(120)		(165)
Net financial (expense)/income	(22)	(106)	28.4	(148)
Results from investments in associates		(1)		(6)
Profit before income taxes		373	(13.9)	433
Income taxes	(23)	(91)		(136)
Profit for the period from continuing operations		282	(5.1)	297
Profit/(loss) from discontinued operations	(9)	69		(8)
Profit for the period		351	21.5	289
Attributable to:				
Non-controlling interests		4	(50.0)	8
Equity holders of the parent		347	23.5	281
Earnings per ordinary share (in €cents) [1]		92.9		76.7
Earnings per diluted ordinary share (in €cents) [2]		92.5		76.2
Earnings from continuing operations per ordinary share (in €cents) [1]		74.4		78.9
Earnings from continuing operations per diluted ordinary share (in €cents) [2]		74.1		78.3
Earnings from discontinued operations per ordinary share (in €cents) [1]		18.5		(2.2)
Earnings from discontinued operations per diluted ordinary share (in €cents) [2]		18.4		(2.1)

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

1 In 2010 based on an average of 373,536,123 of outstanding ordinary shares (2009: 366,322,316). See note 32.

2 In 2010 based on an average of 375,026,008 of outstanding ordinary shares (2009: 368,966,939). See note 32.

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

Consolidated statement of comprehensive income

Year ended at 31 December	2010	variance %	2009
Profit for the period	351	21.5	289
Continued operations			
Gains/(losses) on cashflow hedges, net of tax	7		(21)
Currency translation adjustment net of tax	0		1
	7	135.0	(20)
Discontinued operations			
Gains/(losses) on cashflow hedges, net of tax	(7)		13
Currency translation adjustment net of tax	105		65
	98	25.6	78
Total other comprehensive income for the period	105	81.0	58
Total comprehensive income for the period	456	31.4	347
Attributable to:			
Non-controlling interests	4		8
Equity holders of the parent	452	33.3	339

(in €millions, except percentages)

The 2010 tax impact on the cash flow hedges included in the continued operations is €2 million (2009: -7). The 2010 tax impact on the cash flow hedges included in the discontinued operations is -€1 million (2009: 5). There is no tax impact on the currency translation adjustment.

Consolidated statement of cash flows

Year ended at 31 December	Notes	2010	variance %	2009
Cash flows from continuing operations				
Profit before income taxes		373		433
Adjustments for:				
Depreciation, amortisation and impairments		120		252
Share based payments		5		5
Investment income:				
(Profit)/loss of assets held for sale	(8)	(11)		(16)
(Profit)/loss on sale of Group companies/joint ventures		(3)		(20)
Interest and similar income		(14)		(17)
Interest and similar expenses		120		165
Results from investments in associates		1		6
Changes in provisions:				
Pension liabilities		(281)		(223)
Other provisions		170		(31)
Changes in w orking capital:				
Inventory		2		0
Trade accounts receivable		(28)		30
Accounts receivable		(16)		42
Other current assets		(5)		31
Trade accounts payable		30		(38)
Other current liabilities excluding short term financing and taxes		12		59
Cash generated from operations		475	(29.9)	678
Interest paid		(99)		(94)
Income taxes received/(paid)		(205)		116
Net cash from operating activities	(24)	171	(75.6)	700
Interest received		3		7
Acquisition of subsidiairies and joint ventures (net of cash)		(5)		(20)
Disposal of subsidiaires and joint ventures		2		23
Investments in associates				(4)
Capital expenditure on intangible assets		(21)		(26)
Disposal of intangible assets		1		1
Capital expenditure on property, plant and equipment		(88)		(73)
Proceeds from sale of property, plant and equipment		17		22
Other changes in (financial) fixed assets				4
Changes in non-controlling interests		(1)		(5)
Net cash used in investing activities	(25)	(92)	(29.6)	(71)
Repurchases of shares				
Cash proceeds from the exercise of shares/options		2		2
Proceeds from long term borrow ings				37
Repayments of long term borrow ings		(12)		(2)
Proceeds from short term borrow ings				2
Repayments of short term borrow ings		(2)		
Repayments of finance leases		(3)		(2)
Dividends paid		(119)		(34)
Financing related to discontinued business		41		(612)
Net cash used in financing activities	(26)	(93)	84.7	(609)
Change in cash from continuing operations		(14)		20
Cash flows from discontinued operations	(9)			
Net cash from operating activities		241		316
Net cash used in investing activities		(150)		(185)
Net cash used in financing activities		(121)		261
Change in cash from discontinued operations		(30)		392
Total changes in cash		(44)		412

(in €millions, except percentages)

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

Consolidated statement of changes in equity

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2008	173	876	(212)	(35)	497	434	1,733	24	1,757
Total comprehensive income			66	(8)		281	339	8	347
Stock dividend previous year	4	(4)							
Appropriation of net income					434	(434)			
Interim dividend current year	1	(1)				(34)	(34)		(34)
Share based compensation					18		18		18
Other					4		4	(12)	(8)
Total direct changes in equity	5	(5)	0	0	456	(468)	(12)	(12)	(24)
Balance at 31 December 2009	178	871	(146)	(43)	953	247	2,060	20	2,080
Total comprehensive income			105			347	452	4	456
Final dividend previous year	1	(1)				(64)	(64)		(64)
Appropriation of net income					183	(183)			
Interim dividend current year	1	(1)				(55)	(55)		(55)
Transfers to classified as held for demerger								(3)	(3)
Share based compensation					29		29		29
Other					2		2	(2)	0
Total direct changes in equity	2	(2)	0	0	214	(302)	(88)	(5)	(93)
Balance at 31 December 2010	180	869	(41)	(43)	1,167	292	2,424	19	2,443

(in €millions)

At 31 December 2010 the translation reserve includes -€49 million and the hedging reserve includes -€22 million, which are both related to the discontinued Express business. See the accompanying notes 10 and 40 for further details regarding equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION AND DESCRIPTION OF THE BUSINESS

TNT N.V. is a public limited liability company domiciled in Amsterdam, the Netherlands. The consolidated financial statements include the financial statements of TNT N.V. and its consolidated subsidiaries (hereafter referred to as 'TNT', 'Group' or 'the company'). The company's name changed from TNT Post Group N.V. to TPG N.V. on 6 August 2001 and from TPG N.V. to TNT N.V. on 11 April 2005. TNT N.V. was incorporated under the laws of the Netherlands on 29 December 1997 and is listed on Euronext Amsterdam.

The consolidated financial statements have been authorised for issue by TNT's Board of Management and Supervisory Board on 21 February 2011 and are subject to adoption at the Annual General Meeting of Shareholders on 25 May 2011.

Discontinued operations Express

As part of its Vision 2015 strategy, TNT announced on 2 December 2010 that the Express business would be demerged from TNT N.V. and as a result TNT N.V. would thereafter only comprise Mail activities. With the demerger, TNT aims to realise two strong, independently listed companies. Both the Board of Management and the Supervisory Board of TNT have approved all required decisions for the proposed demerger. The main reasons for separation are the increasingly divergent strategic profiles of the two units and the limited synergies existing between them. Mail is faced with a continuously declining mail market in the Netherlands and has to focus on sustaining solid cash flows and operational efficiency. The priorities of Express are to grow its existing strong European networks, to continue to grow the intercontinental business from and to Europe into adjacent markets, and to secure contributions from its existing strong positions in China, South America and India. Separation will enable greater internal focus on each business, with single-business investment discipline and capital allocation and leaner, more flexible organisations. Initially TNT N.V. will retain a 29.9% minority financial shareholding in Express.

This demerger will be proposed to the shareholders of TNT during the Annual Meeting of Shareholders on 25 May 2011. The demerger will be effective pending shareholder approval.

As a consequence, the former Express division and relating entities that are part of the demerger are reported as 'discontinued operations/assets held for demerger' as of 31 December 2010 following the announcement on 2 December 2010 and the finalisation of the internal legal restructuring in late December 2010. As prescribed by IFRS 5, the 31 December 2009 statement of financial position has not been adjusted. In the consolidated income statement, the net result of the discontinued Express business has been presented on a separate line 'profit/(loss) from discontinued operations'. The 2009 consolidated income statement has been adjusted for comparability purposes. The 2010 and 2009 consolidated statement of cash flows includes separate cash flows and cash balances of the discontinued business. Further detail relating to the discontinued Express business is presented in note 9.

Following the internal restructuring conducted throughout 2010, Express legal entities which are assigned to Express have been contributed in kind and as a result legally owned by Express Holdco B.V. as at 31 December 2010.

In the proposed demerger, TNT N.V. intends to demerge to its wholly-owned subsidiary TNT Express Listco N.V. a 70.1% stake in its wholly-owned subsidiary TNT Express Holdco B.V., which directly or indirectly owns 100% of the Express subsidiaries and activities. At the same time TNT N.V. will also demerge 100% of its shares in TNT Express Listco N.V., which shares will automatically be cancelled as a result of the demerger. Consequently TNT N.V. will not hold an interest in TNT Express Listco N.V anymore.

TNT Express Listco N.V. will allot new shares to the shareholders of TNT N.V. in a 1:1 ratio.

The demerger is followed by a merger whereby TNT Express Holdco B.V. merges into TNT Express Listco N.V. and ceases to exist. In exchange, TNT Express Listco N.V. will allot new shares to TNT N.V. and thereafter TNT N.V. will hold a 29.9% interest in TNT Express Listco N.V.

In addition, to achieve the desired leverage structure, an intercompany receivable of TNT N.V. on TNT Mail Holding B.V., a wholly owned subsidiary of TNT N.V., will be demerged to Express.

Segment information

The Board of Management of TNT receives operational and financial information on a monthly basis for Mail, Express and Other Networks and as a result TNT identified three reportable segments being Mail, Express and Other Networks. Due to the demerger of the Express business and related change in the management structure, the segment information in the 2010 financial statements has been extended to focus on the operating segments of the Mail business as these will be the reportable segments going forward. As a consequence the 2010 segment information discloses details relating to the operating segments of the Mail division. These are Mail in the Netherlands, Parcels and International. The comparative 2009 segment information has been adjusted accordingly. The combined segment information relating to the former Express division and Other Networks can be found as part of note 9 'Assets held for demerger/discontinued operations'.

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 stated otherwise.

Basis of preparation

The consolidated financial statements of TNT have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). The consolidated financial statements have been prepared under the historical cost convention except for financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying TNT's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in 'Critical accounting estimates and judgements in applying TNT's accounting policies'.

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's consolidated financial statements has been assessed.

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010 and have been adopted by the Group:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IFRS 3 (revised) continues to apply the acquisition method to business combinations. Significant changes have been incorporated, including the remeasurement through the income statement of contingent payments associated with the purchase of the business, expensing of all acquisition-related costs and the choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. The Group will apply IFRS 3 (revised) prospectively to all business combinations as from 1 January 2010. Prior acquisitions will not be affected by this revised IFRS statement. The impact of IFRS 3 (revised) on the 2010 financial position, profit and loss statement and cash flow is limited due to the absence of significant acquisitions in 2010.

- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss statement. IAS 27 (revised) had no impact on the current reporting period due to the absence of such transactions.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009) and IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

  This IFRIC 17 and IFRS 5 amendment have a significant impact on the presentation of assets and liabilities in the statement of the financial position of TNT N.V. as per 31 December 2010 as the demerger of Express, which is a non-cash distribution to owners, has been separately presented as discontinued and held for demerger. In 2011, after the demerger has become effective Express will be treated as a non-cash distribution to shareholders and consequently the remaining 29.9 % stake will be revalued to fair value in 2011 in accordance with IAS 27.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). This amendment has no significant impact on goodwill impairment testing as the largest cash generation unit for impairment testing was already lower or equal to the operating segment structure.

b) The following IFRS amendments are considered to be not material for the Group:

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRS' for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Group:

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

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt or equity swap). The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or company's financial statements.
- Amendments to IFRIC 14, 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. The amendment will not result in a material impact on the Group or company's financial statements.

Consolidation

The consolidated financial statements include the financial numbers of TNT N.V. and its subsidiaries, associates and joint ventures and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. A complete list of subsidiaries, associates and joint ventures included in TNT's consolidated financial statements is filed for public review at the Chamber of Commerce in Amsterdam. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of Book 2 of the Dutch Civil Code.

As the financial statements of TNT 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

A subsidiary is an entity controlled, directly or indirectly, by TNT N.V. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether TNT controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to TNT and are de-consolidated from the date on which control ceases.

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

The excess of the consideration transferred over the fair value of TNT's share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of TNT's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. 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 the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently 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 the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognised net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against TNT's interests except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. TNT subsidiaries' accounting policies have been changed where necessary to ensure consistency with TNT's accounting policies.

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence as from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements' became effective.

Previously transactions with non-controlling interests were treated as transactions with external parties. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequent accounting. The Group applied the new policy prospectively to transactions occurring on or after 1 January 2010. Due to the absence of transactions with non-controlling interest in 2010, the revised IAS 27 has no consequences for the 2010 financial statements.

Associates

An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions TNT has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

TNT's share in the results of associates is included in the consolidated income statement using the equity method. The carrying value of TNT's share in associates includes goodwill on acquisition and includes changes to reflect TNT's share in net earnings of the respective companies, reduced by dividends received. TNT's share in non-distributed earnings of associates is included in other reserves within shareholders' equity. When TNT's share of accumulated losses in an associate exceeds its interest in the associate, the book value of the investment is reduced to zero and TNT does not recognise further losses unless TNT is bound by guarantees or other undertakings in relation to the associate.

Joint ventures

A joint venture is a contractual arrangement whereby TNT and one or more parties (together with TNT 'the ventures') undertake an economic activity that is subject to joint control. A joint venture often involves the establishment of a legal entity. The ventures share the full economic ownership and are entitled to a share of the financial result of the activities of the joint venture rather than individual assets or obligations for expenses of the venture. Joint ventures in which TNT participates with other party(ies) are consolidated proportionately. In applying the proportionate consolidation method, TNT's percentage share of the balance sheet and income statement items are included in TNT's consolidated financial statements.

Functional currency and presentation currency

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

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

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

Foreign currency exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on 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 TNT's share of the identifiable net assets acquired and is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is not separately recognised or tested for impairment. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

Other intangible assets

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

An asset is transferred to its respective intangible asset category at the moment it is ready for use and is amortised using the straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation and impairment losses. In addition to 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 inception of the lease 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 is 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 at the lowest levels at which there are separately identifiable cash flows, being the cash-generating units whereas a cash-generating unit is not at a higher level than an operating segment. If the recoverable value of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific cash generating units before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the cash-generating unit under review. For impairment testing of goodwill, the cash-generating unit is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment.

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, the Group reviews the carrying amount of its finite lived intangible assets and property, plant and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the assets is estimated in order to determine the extent, if any, of the impairment loss. An asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial assets and liabilities

TNT classifies financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial asset or liability was acquired. Management determines the classification of TNT's financial assets and liabilities at initial recognition.

Financial assets and 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 how this measurement has been determined in relation to the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets;
2. Inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from prices);
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 net of transaction costs incurred and subsequently remeasured at fair value on the balance sheet. TNT designates certain derivatives as: hedges of the fair value of recognised assets and liabilities of a firm commitment (fair value hedge); hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge); or hedges of a net investment in a foreign operation (net investment hedge).

If a derivative is designated as a cash flow or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component 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 documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents the assessment, both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecasted sale that is hedged takes place). However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

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

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which TNT 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 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 above. They are included in non-current assets unless management intends to dispose of the investment within 12 months as per 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 as at fair value through profit and loss are directly recorded in the income statement.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as a gain or a loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), TNT 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 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.

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 of disposal group classified as held for sale and discontinued operations

Assets (or disposal groups) held for sale and assets held for demerger are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction or demerger and the transaction is highly probable. Assets held for sale and for demerger are no longer amortised or depreciated from the time they are classified as such.

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

Equity

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

Where any Group company purchases TNT's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects are included in equity.

Provisions for pension liabilities

The obligation for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. TNT uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as the expected long-term return on plan assets). The discount rate is determined by reference to market rates.

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the income statement when incurred or due.

Other provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The gross up of the provision following the discounting of the provision is recorded in the profit and loss statement as interest expense.

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

The provision for employee benefit obligations includes long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within 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 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 concerns mainly provisions for legal and contractual obligations and received claims.

Trade accounts payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the income statement is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same tax group are presented net in the balance sheet.

Revenue recognition

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

Revenues of delivered goods and services are recognised when:

- the company has transferred to a buyer the significant risks and rewards of ownership of the goods,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold,
- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction at the balance sheet date can be measured reliably.

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

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

Net sales

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

Other operating revenues

Other operating revenues relate to the sale of goods and rendering of services not related to TNT's normal trading activities and mainly include rental income of temporarily leased-out property, passenger/charter revenues, aircraft maintenance and engineering income and custom clearance income.

Other income

Other income includes net gains or losses from the sale of property, plant and equipment and other gains and losses.

Profit-sharing and bonus plans

The company recognises a liability and an expense for cash-settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to its shareholders after certain adjustments in accordance with contractual arrangements.

Share-based payments

TNT has equity-settled, share-based compensation plans. Share-based payment transactions are transactions in which TNT receives benefits from its employees in consideration for TNT's equity instruments. The fair value of the 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 specified period of service.

Interest income and expense

Interest income and expense are recognised on a time-proportion basis using the effective interest method. Interest income compromises interest income on borrowings, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedged items. Interest expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedged items.

All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they can be capitalised as cost of a qualifying asset.

Grants

Grants are recognised initially as income when there is reasonable assurance that they will be received and TNT has complied with the conditions associated with the grant. Grants that compensate TNT for expenses incurred are recognised in the income statement on a systematic basis in the same period in which the expenses are recognised. Grants that compensate TNT for the cost of an asset are deducted from the historical value of the asset and recognised in the income statement on a systematic basis over the useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to TNT's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders. If TNT offers its shareholders dividends in additional shares only, the additionally issued shares are recognised at their nominal amount.

Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the statement of cash flows. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of subsidiaries, associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

Operating segment information

Compared with 2009, the segment information has been extended due to the demerger and the presentation of the Express business as 'held for demerger/discontinued operations'. In 2010, TNT reports three operating segments these being Mail in the Netherlands, Parcels and International. These three operating segments represent the former Mail division. The former Express division and Other Networks are presented in note 9.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. These chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Management of TNT that makes strategic decisions.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING TNT'S ACCOUNTING POLICIES

The preparation of TNT's financial statements 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's financial statements. Estimates and judgements 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 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.

Assets held for demerger / discontinued operations

Accounting for assets classified as held for demerger requires the use of significant assumptions and estimates. In line with IFRS 5 and IFRIC 17, management assessed the compliance with these statements and the assumptions used in the fair value calculations as well as the estimated costs to sell. The demerger will be effective pending shareholder approval. In 2010 Express has been presented as discontinued operations. As per 31 December 2010, it is expected that the fair value less costs to sell of Express is higher than the net book value of €2,994 million. Initially, TNT will hold a 29.9% stake in Express. The estimated fair value of Express has been supported by external market information and could significantly deviate from the fair value when a separate listing is obtained for Express.

Employee benefits

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires the company to make assumptions regarding variables such as discount rate, rate of compensation increase, expected return on assets, and future mortality rates. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For a discussion of the current funded status and a sensitivity analysis with respect to pension plan assumptions, see note 11.

Restructuring

Restructuring charges mainly result from restructuring operations, and/or relocations of operations, changes in TNT's strategy, 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. In 2010, TNT announced a further restructuring of its operations in the Netherlands with the Master Plan III programme. The scope and measurement of the relating restructuring provision highly depends on the projected cash outflows over the years, which are mainly driven by the estimated number of staff that will either be made redundant or apply for a mobility arrangement.

Impairment of assets

In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, management must make significant judgements 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 judgements and estimates that have been included in TNT's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. For applied sensitivities, on intangible assets see note 1.

Depreciation and amortisation of tangible and intangible fixed assets

Tangible and intangible fixed assets, except for goodwill, are depreciated or amortised at historical cost using a straight-line method based on the estimated useful life, taken into account any residual value. The asset's residual value and useful life are based on TNT's 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 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.

Accrued current liabilities

TNT has to estimate the deferred revenues from stamps sold but not yet used by its customers. The company uses a seasonal model based on historical figures in order to account for the seasonal effects on sales from stamps (for example, stamp sales for Christmas greetings in November and December).

Income taxes

The company is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision and liability for income taxes. There are many transactions and calculations where the ultimate tax determination is uncertain during the ordinary course of business. TNT recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on its best interpretation of the relevant tax laws and rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

TNT recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the company operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that the company may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact TNT's financial position and net profit.

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 consults with legal counsel and certain other experts on matters related to litigations.

TNT accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 Intangible assets: 166 million (2009: 2,061)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%-35%	0%-35%	
Historical cost	2,305	469	141	2,915
Accumulated amortisation and impairments	(498)	(309)	(45)	(852)
Balance at 31 December 2008	1,807	160	96	2,063
Changes in 2009				
Additions	79	25	37	141
Disposals	(3)	(1)	(1)	(5)
(De)consolidation		1	36	37
Internal transfers/reclassifications		42	(42)	
Exchange rate differences	38	5	9	52
Amortisation		(63)	(23)	(86)
Impairments	(118)	(5)	(18)	(141)
Total changes	(4)	4	(2)	(2)
Historical cost	2,418	515	180	3,113
Accumulated amortisation and impairments	(615)	(351)	(86)	(1,052)
Balance at 31 December 2009	1,803	164	94	2,061
Changes in 2010				
Transfers to assets classified for demerger	(1,646)	(131)	(76)	(1,853)
Additions	4	7	14	25
Disposals	(1)			(1)
Internal transfers/reclassifications		16	(16)	
Exchange rate differences	1			1
Amortisation		(23)	(2)	(25)
Impairments	(11)			(11)
Transfers to assets held for sale	(30)	(1)		(31)
Total changes	(1,683)	(132)	(80)	(1,895)
Historical cost	329	170	41	540
Accumulated amortisation and impairments	(209)	(138)	(27)	(374)
Balance at 31 December 2010	120	32	14	166

(in €millions)

The €1,853 million included in the table above as transferred to assets held for demerger represents the balance at 1 January 2010 and does not reflect the movements during 2010. The transferred goodwill mainly consists of goodwill generated from the acquisition of TNT and GD Express Worldwide and acquisitions in South-America, India and China.

Total net movements relating to Express during 2010 amount to €39 million being additions of €63 million, disposals of -€2 million, deconsolidation of -€23 million, amortisation of -€54 million and exchange rate differences of €55 million.

At 31 December 2010 intangible assets of €1,892 million relating to the discontinued Express business are included in assets held for demerger, see note 9. At 31 December 2010 intangible assets of €31 million related to International held for sale business are transferred to assets held for sale, see note 8.

Goodwill

Goodwill is allocated to the Group's cash generating units ('CGU's') and tested for impairment. The CGU's correspond to an operation in a particular country or region and the nature of the services provided: Mail in the Netherlands, Parcels or International. Compared with 2009, the goodwill of the CGU EMN Belgium is transferred to assets held for sale and four separate CGU's within Cendris have been clustered into one CGU Data and Document Management services.

In 2010, the increase of goodwill amounted to €4 million mainly arising from smaller acquisitions in Mail in the Netherlands and Parcels, see note 28.

In 2010, goodwill impairment charges amounted to €11 million and related to impaired goodwill allocated to the CGU Spring Global Mail. Spring Global Mail provides the management of cross-border mail services. As the 2010 financial performance was materially less than budgeted, management performed a detailed assessment of the financial performance underlying the forecasted business plan and concluded that the recorded goodwill was no longer recoverable.

Based on the 2010 financial performance, a detailed review has been performed of the recoverable value of each CGU. The recoverable value is the higher of the value in use and fair value less costs to sell. Fair value less costs to sell represents the best estimate of the amount TNT would receive if it sold the CGU. The fair value has been estimated on the basis of the present value of future cash flows taking into account costs to sell.

For both mature markets and non-mature markets, the estimated future net cash flows are based on a five-year forecast and business plan. For markets that are considered to be non-mature no steady state has been achieved to date. The applied growth rate does not exceed the long-term average growth rate of the relating operation and market. The cash flow projections based on financial budgets have been approved by management.

TNT 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 rate used in the CGU's valuations varies around 8% to 10% (pre-tax).

Key assumptions used to determine the recoverable values for each individual CGU are the following:
- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of capital expenditure in network-related assets, which may affect the further roll out of the network,
- level of operating income largely impacted by revenue and cost development taken 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 performed a sensitivity analysis for each individual CGU, and concluded that apart from Spring Global Mail there are no further indications for goodwill impairments in 2010. The performed 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 rate by 1% and 2%,
- increase of capital expenditure of 5% per year, and
- decrease of operating income of 5% per year.

Total goodwill balance at 31 December 2010 amounted to €120 million (2009: 1,803 of which 1,646 relates to the discontinued Express business and 31 relate to the International held for sale business), of which TNT has allocated €67 million (2009: 65) to Mail in the Netherlands CGU's (€41 million to CGU's domestic Mail activities in the Netherlands and €26 million to CGU Data and Document Management services), €3 million (2009: 1) to CGU Parcels and €50 million (2009: 49) to International CGU's (€19 million to CGU United Kingdom and €31 million to CGU's Germany).

In 2009, goodwill impairment charges amounted to €118 million and related to impaired goodwill allocated to CGU's within International for the countries Germany, Italy, Austria and Eastern Europe. Management had reviewed the International portfolio and concluded that barriers in regulation within International markets and the competitive environment had caused delay in EBIT development. The objective to realise value through partnerships and sale in its

International network resulted in the intended sale of International operations in Belgium, Central Europe and the unaddressed activities in Italy in 2010.

The 2009 increase of goodwill of €79 million mainly related to acquisitions in Brazil and Chile within the discontinued Express business.

Software and other intangible assets

At 31 December 2010 the software balance of €32 million (2009: 164 of which 131 related to the discontinued Express business) included internally-generated software with a book value of €29 million (2009: 137 of which 109 related to the discontinued Express business). The addition in software of €7 million relates to self-produced software of €5 million and €2 million of purchased software. The reclassification of €16 million to self-produced software was due to finalised IT projects.

At 31 December 2010 the other intangible assets of €14 million (2009: 94 of which 76 related to the discontinued Express business) relate to customer lists of €6 million (2009: 61 of which 53 related to the discontinued Express business), and software under construction of €8 million (2009: 33 of which 23 related to the discontinued Express business).

The estimated amortisation expenses for software and other intangibles for the next five years are 2011: €18 million; 2012: €13 million; 2013: €7 million; 2014: €2 million; 2015: €1 million and thereafter: €5 million. TNT does not conduct significant research and development and therefore does not incur research and development costs.

In 2009, the impairment charge of €23 million related to software and other intangibles within International for an amount of €13 million and €10 million related to the discontinued Express business.

In 2009, the increase of €36 million related to the first time inclusion of the intangible assets following the acquisitions of Expresso Araçatuba and LIT Cargo within the discontinued Express business.

2 Property, plant and equipment: 499 million (2009: 1,610)

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	1,421	1,035	549	643	39	3,687
Accumulated depreciation and impairments	(628)	(699)	(246)	(480)		(2,053)
Balance at 31 December 2008	793	336	303	163	39	1,634
Changes in 2009						
Capital expenditure in cash	34	52	1	33	74	194
Capital expenditure in financial leases		2				2
(De)consolidation	7	9		12	2	30
Disposals	(6)	(7)		(2)	(1)	(16)
Internal transfers and reclassifications	34	32		19	(85)	0
Exchange rate differences	21	18		4		43
Depreciation	(64)	(89)	(23)	(75)		(251)
Impairments		(7)		(3)	(1)	(11)
Transfers to assets held for sale	(10)	(4)	(1)			(15)
Total changes	16	6	(23)	(12)	(11)	(24)
Historical cost	1,469	1,107	550	674	30	3,830
Accumulated depreciation and impairments	(660)	(765)	(270)	(523)	(2)	(2,220)
Balance at 31 December 2009	809	342	280	151	28	1,610
Changes in 2010						
Transfers to assets classified for demerger	(452)	(213)	(280)	(119)	(13)	(1,077)
Capital expenditure in cash	2	17		15	54	88
Capital expenditure in financial leases		3				3
(De)consolidation	1	1				2
Disposals		(1)		(2)		(3)
Internal transfers and reclassifications	2	11		3	(16)	0
Depreciation	(33)	(37)		(14)		(84)
Transfers to assets held for sale	(35)	(4)		(1)		(40)
Total changes	(515)	(223)	(280)	(118)	25	(1,111)
Historical cost	737	542		183	53	1,515
Accumulated depreciation and impairments	(443)	(423)		(150)		(1,016)
Balance at 31 December 2010	294	119	0	33	53	499

(in €millions)

The €1,077 million included in the table above as transferred to assets held for demerger represents the balance as at 1 January 2010 and does not reflect the movements during 2010.

Total net movements relating to Express during 2010 amount to €12 million being capital expenditure of €129 million, disposals -€10 million, deconsolidation €2 million, depreciation -€157 million, reversal of impairment of €2 million, transfers to assets held for sale of -€1 million and exchange rate differences of €47 million.

As at 31 December 2010, property, plant and equipment of €1,089 million related to the discontinued Express business is included in assets held for demerger, see note 9.

In 2010, the transfer to assets held for sale relates to buildings within Mail in the Netherlands for an amount of €21 million and to property, plant and equipment related to International for an amount of €19 million.

Land and buildings mainly relate to depots, hubs and other production facilities. TNT does not hold freehold office buildings for long-term investments and for long-term rental income purposes. The rental income is based upon incidental rental contracts with third parties for buildings that are temporarily not in use by TNT or based upon contracts that support the primary business activities of TNT.

Plant and equipment mainly relate to investments in vehicles and sorting machinery. Aircraft and (spare) engines relate to the discontinued Express business and these are both classified as assets held for demerger.

For 2010 no impairment charges were recorded. The 2009 impairment charge of €11 million related to unrecoverable operating assets within International for an amount of €6 million and other write-downs for the discontinued Express business of €5 million.

Finance leases included in the property plant and equipment balance as at 31 December 2010 amount to €20 million (2009: €246 million of which €230 million related to the discontinued Express business) and relate to land and buildings. In 2010 there were no individual material financial lease contracts. The minimum lease payments to be paid under these contracts represent the discounted value.

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 €15 million (2009: 16), comprising a historical cost of €20 million (2009: 23), with accumulated depreciation of €5 million (2009: 7).

Leasehold and ground rents expiring:

- between one and five years amount to €2 million (2009: 1),
- between five and 20 years amount to €13 million (2009: 6), and
- between 20 and 40 years amount to €0 million (2009: 9).

There are no leasehold and ground rents contracts with indefinite terms. Leasehold rights and ground rent for land and buildings are mainly in the Netherlands for €15 million (2009: 15) and in the United Kingdom for €1 million (2009: 1).

There is no material temporarily idle property, plant and equipment as at 31 December 2010 (2009: 0).

3 Financial fixed assets: 31 million (2010: 324)

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 2008	64	5	205	12	21	307
Changes in 2009						
Acquisitions/additions	19	2	36	1	4	62
Disposals/decreases			(17)	(3)		(20)
Impairments and other value adjustments	(13)			(8)		(21)
Results from investments	(6)					(6)
Withdrawals/repayments		(1)			(5)	(6)
Exchange rate differences			9		1	10
Other changes	(2)					(2)
Total changes	(2)	1	28	(10)	-	17
Balance at 31 December 2009	62	6	233	2	21	324
Changes in 2010						
Transfers to assets classified for demerger	(58)	(3)	(204)	(2)	(18)	(285)
Acquisitions/additions	1		28			29
Disposals/decreases			(34)			(34)
Transfers to assets held for sale			(2)			(2)
Other changes	(1)					(1)
Total changes	(58)	(3)	(212)	(2)	(18)	(293)
Balance at 31 December 2010	4	3	21	-	3	31

(in €millions)

The €285 million included in the table above as transferred to assets held for demerger represents the balance as at 1 January 2010 and does not reflect the movements during 2010.

Total net movements relating to Express during 2010 amount to €9 million being acquisitions/additions of €46 million, disposals/decreases of -€32 million, impairments and other value adjustments of -€17 million, withdrawals/repayments of -€5 million and exchange rate differences of €17 million.

Financial fixed assets as at 31 December 2010 of €294 million related to the discontinued Express business are included in assets held for demerger, see note 9.

Investments in associates

As per 31 December 2010, the investment in associates relates to smaller 25% investments within International and include €3 million of goodwill (2009: 3). The investments in associates include total assets of €18 million, revenues of €81 million and profit and loss of -€2 million. The 2009 impairments and other value adjustments related to the write-down of associates within the International business in Germany of €3 million and to the write-down of Logispring Investment Fund B.V. for an amount of €10 million.

Deferred tax assets

Deferred tax assets are further explained in note 23.

Financial fixed assets at fair value

As per 31 December 2010, there are no financial fixed assets at fair value. In 2009, the financial fixed assets at fair value related to outstanding hedges. In 2009, TNT sold its equity stake in CEVA Investments Ltd. (formerly known as Louis Topco Limited) back to CEVA Investments Ltd. The value of the stake was determined on available public information.

Other prepayments and accrued income

As per 31 December 2010, the other prepayments and accrued income relate to long-term prepayments in the International business.

4 Inventory: 8 million (2009: 24)

At 31 December	2010	2009	*2009* [1]
Raw materials and supplies	2	10	*1*
Finished goods	6	14	*10*
Total	8	24	*11*

(in €millions)
1 Contains comparative numbers for continued Mail business activities.

Inventory as at 31 December 2010 of €15 million related to the discontinued Express business is included in assets held for demerger.

Total inventory of €8 million (2009: 24) is valued at historical cost for an amount of €10 million (2009: 30) and is stated net of provisions for obsolete items of €2 million (2009: 6). No inventories are pledged as security for liabilities as at 31 December 2010 (2009: 0). In 2010 and 2009, no material write-offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is nil (2009: 0).

5 (Trade) accounts receivable: 450 million (2009: 1,591)

At 31 December	2010	2009	*2009* [1]
Trade accounts receivable - total	425	1,455	*431*
Allowance for doubtful debt	(13)	(85)	*(14)*
Trade accounts receivable	412	1,370	*417*
Vat receivable	10	16	*15*
Other accounts receivable	28	205	*23*
Accounts receivable	38	221	*38*
Total (trade) accounts receivable	450	1,591	*455*

(in €millions)
1 Contains comparative numbers for continued Mail business activities.

Total (trade) accounts receivable as at 31 December 2010 of €1,241 million related to the discontinued Express business are included in assets held for demerger.

The fair value of the total (trade) accounts receivable approximates its carrying value. The balance of total (trade) accounts receivable that is expected to be recovered after 12 months is €4 million (2009: 6). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. TNT does not hold collateral as security for the outstanding balances. The concentration of the trade accounts receivable per customer is limited. The top ten trade receivables of TNT account for 4% of the outstanding trade receivables as per 31 December 2010 (2009: 3%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €244 million (2009: 265 of which 69 related to the discontinued Express business), other Europe €166 million (2009: 832 of which 630 related to the discontinued Express business) and rest of the world €2 million (2009: 273 of which 270 related to the discontinued Express business). For the non-trade accounts receivables no allowance for doubtful debt is required.

As of 31 December 2010, the trade accounts receivable amounted to €425 million (2009: 1,455), of which €215 million (2009: 488 of which 351 related to the discontinued Express business) was past due but not individually impaired. The standard payment term within TNT is around 15 days. The total allowance for doubtful debt amounts to €13 million (2009: 85) of which €12 million (2009: 61) relates to trade accounts receivable that were individually impaired for the notional amount. The remainder of the allowance relates to a collective loss component established for groups of similar trade accounts receivable balances in respect to losses that have been incurred but not yet identified as such for trade accounts receivable. This collective loss component is largely based on the ageing of the trade receivables and reviewed periodically. The credit quality of trade accounts receivables that are not past due nor individually impaired is in general considered to be good. The total amount of write-offs is in general limited and amounts to €3 million in 2010.

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below. For 2009 the comparative figures have been adjusted for continued activities:

At 31 December	2010	2009	2009 [1]
Up to 1 month	131	331	85
2-3 months	65	107	33
3-6 months	11	31	10
Over 6 months	8	19	9
Total	215	488	137

(in €millions)

1 Contains comparative numbers for continued Mail business activities.

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

	2010	2009
Balance at 1 January	85	75
Transfers to assets classified for demerger	(71)	
Provided for during financial year	5	42
Receivables written off during year as uncollectable	(3)	(31)
Transfers to assets held for sale	(2)	
Unused amounts reversed	(1)	(1)
Balance at 31 December	13	85

(in €millions)

The -€71 million included in the table above as transferred to assets held for demerger represents the balance as at 1 January 2010 and does not reflect the movements during 2010.

Total net movements relating to Express during 2010 amount to €3 million being additions of €34 million, withdrawals of -€25 and releases of -€6 million.

6 Prepayments and accrued income: 108 million (2009: 236)

Prepayments and accrued income as at 31 December 2010 of €157 million related to the discontinued Express business are included in assets held for demerger.

Prepayments and accrued income includes 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 2010, prepayments amounted to €20 million (2009: 84). The balance of prepayments and accrued income that is expected to be recovered after 12 months is nil (2009: 0).

7 Cash and cash equivalents: 65 million (2009: 910)

As at 31 December 2010, cash and cash equivalents of €807 million related to the discontinued Express business is included in assets held for demerger, see note 9.

Cash and cash equivalents comprise cash at bank and in hand of €42 million (2009: 126) and short-term bank deposits of €23 million (2009: 784). Bank deposits are mainly related to deposits in joint ventures. The effective interest rate during 2010 on short-term bank deposits was 0.3% (2009: 0.4%) and the average outstanding amount was €26 million (2009: 504). The individual deposits have an average maturity of 1.4 days (2009: 1.5). Included in cash and cash equivalents is €38 million (2009: 44) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

8 Assets classified as held for sale: 123 million (2009: 27) and liabilities related to assets held for sale 26 (2009: 0)

As part of its Vision 2015 strategy, management decided that TNT would concentrate its International activities on addressed mail in the large countries where TNT is able to achieve strong market positions, these being the United Kingdom, Germany and Italy. In other geographies, the focus is on value realisation through partnerships or sale. In 2010, the unaddressed mail activities in Belgium, Italy and Central and Eastern Europe have been classified as held for sale.

As at 31 December 2010 the assets classified as held for sale amount to €123 million (2009: 27 of which 10 related to the discontinued Express business). Of this, €91 million relates to the unaddressed mail activities and €32 million relates to buildings held for sale in the segment Mail in the Netherlands. The liabilities related to assets held for sale of €26 million relate fully to the unaddressed mail activities.

On 13 January 2011, TNT signed an agreement to sell its mail activities in Belgium and its unaddressed mail activities in Italy. The sale is conditional upon approval of the national competition authorities in Belgium and Italy. Completion of the transaction is expected in the first quarter of 2011. Refer to note 36 for further details on subsequent events relating to the sale of the unaddressed mail activities in Belgium and Italy. The operations in Central and Eastern Europe are for sale and are expected to be sold within 12 months.

The mail activities in Belgium, Central and Eastern Europe and Italy are reported as 'held for sale' as part of Mail other in the segment information in note 35.

The major classes of assets and liabilities classified as held for sale related to the unaddressed mail activities in Belgium, Central and Eastern Europe and Italy are presented below:

At 31December	2010
Intangible assets	31
Property, plant and equipment	19
Financial fixed assets	2
Current assets	39
Total assets	91
Other provisions	4
Current liabilities	22
Total liabilities	26
(in €millions)	

9 Assets classified as held for demerger: 5,531 million (2009: 0) and liabilities related to assets classified as held for demerger: 2,011 million (2009: 0)

On 2 December 2010 TNT announced the demerger of the Express business after it received positive advice from the works council and obtained approval from the Board of Management and Supervisory Board. This demerger will be proposed to the shareholders of TNT during the Annual Meeting of Shareholders on 25 May 2011. The demerger will be effective pending shareholder approval.

Upon the announcement of the demerger of the Express business on 2 December 2010 and the finalisation of the internal restructuring in late December 2010, the assets and liabilities related to the former Express business have been presented as held for demerger as at 31 December 2010. Consequently, depreciation and amortisation relating to assets of the discontinued Express business are accounted for, for the full year 2010 to arrive at the book value as at 31 December 2010.

The Express business concerns the former Express division, Other Networks and various assigned corporate entities, among others TNT Head Office B.V., TNT Finance B.V. and Logispring entities. 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 sectors Express services are high-tech, automotive, industrial, healthcare and life style. Express is structured per geography and function. Other Networks provides time-critical deliveries to individually agreed delivery points for business customers during the night and supply chain solution and distribution for the fashion and life style industry within Europe.

The major classes of assets and liabilities comprising the operations classified as held for demerger and an analysis of the result from discontinued operations are as follows:

Financial position discontinued Express

At 31 December	2010
Intangible assets	1,892
Property, plant and equipment	1,089
Pension assets	6
Other financial fixed assets	294
Current assets	1,443
Cash and cash equivalents	807
Total assets	5,531
Non-controlling interests	8
Provisions for pension liabilities	49
Other provisions	77
Other non-current liabilities	342
Net liabilities to TNT Group [1]	526
Current liabilities	1,535
Total liabilities [1]	2,537
Equity of entities contributed in kind	2,994

(in €millions)

1 Including a €526 million net payable to TNT, which is eliminated in the consolidated statement of financial position.

The net total of assets of €5,531 million and liabilities of €2,537 million of the discontinued Express business amounts to €2,994 million, which represents the equity of entities contributed in kind to the Express business. Included in this amount are net liabilities towards the continuing TNT Group of €526 million. This represents the net payable from legal entities of the Express business to TNT N.V. and legal entities of its continued business and is expected to be settled before the actual demerger. The net payable arises mainly from financing activities as the trading activities between Express and TNT are limited. This net payable is not reflected in the consolidated financial position of TNT N.V at 31 December 2010.

In accordance with IFRS 5 the recoverable value of the Express business of €2,994 million has been reviewed for potential impairment. Management concluded that the fair value less cost to sell exceeds the recoverable value.

The intangibles of €1,892 consist of goodwill for an amount of €1,703 million and other intangibles for an amount of €189 million. Included in the current assets are: inventory €15 million, trade accounts receivable €1,241 million, income tax receivable €26 million, prepayments and accrued income €157 million and assets classified as held for sale €4 million.

Included in the current liabilities are: trade accounts payable €414 million, other provisions €91 million, other current liabilities €319 million, income tax payable €31 million and accrued current liabilities €680 million.

Income statement discontinued Express

Year ended at 31December	2010	variance %	2009
Net sales	6,940	13.7	6,102
Revenues from TNT	5	(28.6)	7
Other revenues	108	9.1	99
Total operating revenues	7,053	13.6	6,208
Other income	12		-
Cost of materials	(401)	(38.3)	(290)
Work contracted out and other external expenses	(3,650)	(15.6)	(3,157)
Salaries and social security contributions	(2,190)	(9.1)	(2,007)
Depreciation, amortisation and impairments	(209)	11.8	(237)
Other operating expenses	(435)	4.6	(456)
Total operating expenses	(6,885)	(12.0)	(6,147)
Total operating income	180	195.1	61
Net financial (expense)/income	(37)		(13)
Results from investments in associates	(17)		(13)
Profit before tax	126	260.0	35
Income tax	(57)		(43)
Profit/(loss) for the period	69	962.5	(8)

(in €millions, except percentages)

The 2010 intercompany trading revenues and related expenses of €5 million are included in the statement of income related to the discontinued Express business as these represent trading relations with TNT N.V. going forward and has been included in the statements of income as presented above.

Interest of €37 million (2009: 13) relates to debt, as part of our cash management strategy that has been allocated to the discontinued Express business.

The material exceptional non-cash items other than depreciation and amortisation in the 2010 income statement are the recognition of a restructuring provision of €16 million for restructuring projects in Europe & MEA and Americas.

The geographical information of total net sales relating to the discontinued Express business is presented below:

Net sales

Year ended at 31 December	2010	2009
Europe		
The Netherlands	463	445
United Kingdom	885	834
Italy	605	580
Germany	776	720
France	698	669
Belgium	190	181
Rest of Europe	1,050	937
Americas		
USA and Canada	51	37
Brazil	368	297
South & Middle America	79	63
Africa & the Middle East	133	111
Australia & Pacific	581	437
Asia		
China and Taiwan	689	532
India	95	71
Rest of Asia	282	195
Total net sales	6,945	6,109

(in €millions)

Assets

At 31 December	2010 Intangible assets	2010 Property, plant and equipment	2010 Financial fixed assets	2009 Intangible assets	2009 Property, plant and equipment	2009 Financial fixed assets
Europe						
The Netherlands	902	84	43	901	91	62
United Kingdom	156	246		151	253	1
Italy	3	26	27	4	31	28
Germany	43	59	37	43	61	51
France	287	64	4	287	68	7
Belgium	3	265	14	1	279	6
Rest of Europe	47	85	40	48	88	29
Americas						
USA and Canada		3	41		3	37
Brazil	243	78	3	227	67	3
South & Middle America	37	27	2	33	22	1
Africa & the Middle East		11		1	7	
Australia & Pacific	22	87	69	22	70	52
Asia						
China and Taiwan	122	39	6	111	23	1
India	25	2	2	23	2	2
Rest of Asia	2	13	6	1	12	5
Total	1,892	1,089	294	1,853	1,077	285

(in €millions)

Express does not have significant reliance on its major customers. The concentration of the accounts receivable per customer is limited. The top ten trade receivables of Express account for 3% of the outstanding trade receivables as per 31 December 2010 (2009: 5%).

Total capital expenditure on intangible fixed assets and property, plant and equipments for the 2010 of Express amounts to €171 million (2009: 156).

The cash flows relating to discontinued operations is as follows:

Year ended at 31 December	2010	variance %	2009
Net cash from operating activities	241	(24)	316
Net cash used in investing activities	(150)	19	(185)
Net cash used in financing activities	(121)	(146)	261
Change in cash from discontinued operations	(30)	(108)	392
Cash at the beginning of the year	830	90	437
Exchange rate differences	7	600	1
Changes in cash from discontinued operations	(30)	(108)	392
Cash at the end of the year	807	(3)	830

(in €millions, except percentages)

Net cash from operating activities is lower by €75 million mainly due to increasing working capital, which is partly offset by higher operating income compared to 2009. Net cash used in investing activities decreased as there were fewer acquisitions than in 2009.

The net cash used for financing activities relating to the discontinued Express business of €121 million (2009: 261) mainly consist mainly of net repayments of local bank debt for a total amount of €15 million (2009: proceeds 14), net of increases and decreases on outstanding local short-term bank debt of €42 million (2009: 345), the repayments related to redemptions on two Boeings' 747 of €9 million (2009: 8) and to redemptions on other finance lease contracts of €15 million (2009: 13).

10 Equity: 2,443 million (2009: 2,080)

Equity consists of equity attributable to the equity holders of TNT N.V. of €2,424 million (2009: 2,060) and non-controlling interests of €19 million (2009: 20). Equity attributable to the holders of TNT N.V. consists of the following items:

Issued share capital

Issued share capital amounted to €180 million at 31 December 2010 (2009: 178). The number of authorised, issued and outstanding shares by class of share is as follows:

Before proposed appropriation of profit	2010	2009
Authorised by class		
Ordinary shares	800,000,000	800,000,000
Preference shares B	800,000,000	800,000,000
Total authorised	1,600,000,000	1,600,000,000
Issued and outstanding		
per 1 January of the reported year	370,988,519	360,021,821
issued for stock dividend	5,350,577	10,966,698
per 31 December of the reported year	376,339,096	370,988,519
Issued and outstanding per 31 December by class		
Ordinary shares	376,339,096	370,988,519
of which held by the company to cover share plans	188,757	488,691
of which the company only holds the legal title	856,563	836,673
Preference shares B	0	0

Authorised share capital

On 27 April 2007 the articles of association were amended by deed. As of that date the company's authorised share capital amounts to €768 million, divided into 800,000,000 ordinary shares and 800,000,000 preference shares B of €48 cents nominal value 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 represented by the note held by Euroclear Netherlands. Ordinary shares in registered form are transferred by means of a deed of transfer and TNT's written acknowledgement of the transfer. TNT does not have share certificates for ordinary shares represented by the global note. The preference shares B are in registered form.

Repurchase of shares to cover share plans

In 2010, the company purchased no ordinary shares (2009: 0) to cover its obligations under the existing management option plans and share grants. At 31 December 2010, the total number of shares held for this purpose was 188,757 (2009: 488,691). TNT shares held by the company are not entitled to receive dividends and have no voting rights.

The company held no ordinary shares for cancellation at 31 December 2010 (2009: 0).

Incentive scheme

For administration and compliance purposes, TNT N.V. currently has an omnibus securities account with UBS, holding the shares belonging to its employees under its existing equity incentive scheme. At present TNT N.V. legally owns the shares while the beneficial ownership of the shares is vested in the employees, who are also entitled to dividend. As at 31 December 2010, the number of TNT N.V. shares involved amounted to 856,563 shares with a nominal value of €48 cents per share.

Foundation Protection TNT and preference shares B

'Stichting Bescherming TNT' (Foundation Protection TNT) was formed to safeguard TNT's interests and the enterprises connected with TNT and all interested parties, such as shareholders and employees, by, among other things, preventing as far as possible, any influences that would threaten TNT's continuity, independence and identity contrary to such interests. Foundation Protection TNT is an independent legal entity and is not owned or controlled by any other legal person.

TNT's articles of association provide for protective preference shares B that can be issued to Foundation Protection TNT to serve these interests. The preference shares B have a nominal value of €48 cents and have the same voting rights as TNT's ordinary shares. There are currently no preference shares B issued, although Foundation Protection TNT has a call option to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Protection TNT.

The exercise price with respect to the call option is the nominal value of €48 cents per preference share B, although upon exercise only €12 cents per preference share B is required to be paid. The additional €36 cents per preference share B is due at such time as TNT makes a call for payment by resolution of its Board of Management, and is subject to the approval of the Supervisory Board. Foundation Protection TNT has credit facilities in place to enable it to pay the exercise price.

TNT and Foundation Protection TNT have entered into the call option agreement to prevent, delay or complicate unsolicited influence of shareholders, including an unsolicited take-over or concentration of power. The issue of preference shares B enables TNT to consider its position in the circumstances at that time. The preference shares B will be outstanding no longer than is strictly necessary. Once the reason for placing the preference shares B no longer exists, TNT shall propose to the general meeting of shareholders to cancel the preference shares B entirely as a class.

Six months after the issuance of preference shares B, Foundation Protection TNT may require TNT to convene a general meeting of shareholders to discuss cancellation of these shares. However, if within this six months the Foundation Protection TNT should receive a demand for repayment under the credit facilities referred to above, it may also require TNT to convene a general meeting of shareholders. In accordance with TNT's current articles of association, a general meeting of shareholders must ultimately be convened twelve months after the first date of issuance of any preference shares B to Foundation Protection TNT for the first time. The agenda for that meeting shall include a resolution relating to the repurchase and/or cancellation of the preference shares B.

TNT has granted to Foundation Protection TNT the right to file an application for an inquiry into the policy and conduct of TNT's business with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). TNT believes that this may be a useful option in the period before the issuance of preference shares B, without causing a dilution of the rights of other shareholders at that stage.

The members of the board of the Foundation are R. Pieterse (chairman), J.H.M. Lindenbergh, W. van Vonno and M.P. Nieuwe Weme. All members of the Board of the Foundation are independent from TNT. This means that the Foundation is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht).

Additional paid-in capital

Additional paid-in capital of €869 million (2009: 871) is fully exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the company. The decrease in additional paid in capital of €2 million is due to the issuance of stock dividend for 2,900,567 shares following the final 2009 stock dividend and for 2,450,010 shares following the 2010 interim dividend. In total 5.350.577 new shares with a nominal value of €48 cents have been issued during 2010.

Translation reserve

In 2010 the translation reserve decreased from -€146 million in 2009 to -€41 million in 2010. An amount of €105 million (2009: 66) reflects the movement in exchange rate differences on converting foreign subsidiaries of TNT N.V. into euros, which is mainly due to the strengthening of the Brazilian real and the British pound compared to the euro as per 31 December 2010. These differences are charged or credited to the translation reserve, net of taxation. In 2010, there were no releases from equity to the income statement.

The translation reserve is a legal reserve, which cannot be distributed to the equity holders of the company.

Hedging reserve

Per year-end 2010 the hedging reserve mainly contains the fair value timing difference on €568/£450 million cross-currency swap (2009: 568/£450) and $239 million (2009: $251) of interest rate swaps, net of taxes. The €568/£450 million cross-currency swap has been entered into to mitigate foreign currency exposure on the £450 million Eurobond that was issued in 2009. The hedge reserve is accounted for by TNT N.V., the value of the cross-currency swap is included in the 'Net receivable from Express', see also notes 5 and 13. The US dollar interest rate swaps have been entered into to mitigate the cash flow interest rate risk relating to the Boeing 747 ERF financial lease contracts. The US dollar interest rate swaps are related to the discontinued Express business.

Movements in cash flow hedging reserve amounted to €0 million (2009: -8), of which -€7 million relates to the discontinued Express business and €7 million relates to the €568/£450 million cross-currency swap.

The net cash payments relating to the unwinding of this swap will be recycled from equity to the income statement or to investments based on the duration of the underlying hedged items. During 2010, €0 million (2009: 0) of forward starting swaps were unwound with a €0 million (2009: 0) effect in the income statement. In 2010 an amount of -€2 million (2009:
-3, of which -1 relates to the discontinued Express business) has been recycled from the hedge reserve to the income statement, see note 22. For more information on the interest rate swaps, see note 31.

The hedge reserve is a legal reserve, which cannot be distributed to the equity holders of the company.

Other reserves

As per 31 December 2010 the other reserves are €1,167 million (2009: 953). In 2010, the other reserves increased by €214 million. This increase is due to the appropriation of net income from 2009, which is added to the other reserves in

2010 of €183 million (2009: 434). TNT increased its other reserves representing the fair value of share-based payments in accordance with IFRS 2 to an amount of €29 million (2009: 18), including the proceeds obtained from the share grants and exercise rights of option plans of prior years.

Retained earnings

As per 31 December 2010, the retained earnings amounts to €292 million, which is a €45 million increase compared with 2009. This increase is due to the net profit of €347 million (2009: 281) partly offset by the appropriation of the 2009 income of €183 million to the other reserves (2009: 434) and paid final 2009 cash dividend of €64 million and interim cash dividend 2010 of €55 million (2009: 34).

The profit for 2010 has been calculated as the 2010 net income of TNT N.V. The Board of Management has determined to add €183 million (2009: 117) to other reserves and to put €164 million (2009: 130) as dividend, of which €55 million has been paid as a first interim dividend and a cash equivalent of €109 million will be paid as a second interim dividend, wholly in ordinary shares or wholly in cash, to be payable as from 11 March 2011, to replace the final dividend, see page 150.

11 Pension assets: 1,153 million (2009: 884) and provisions for pension liabilities: 231 million (2009: 292)

TNT operates a number of post-employment benefit plans around the world, primarily within Europe. Most of TNT's non-Dutch post-employment benefit plans are defined contribution plans. The majority of the Dutch post-employment benefit plans are defined benefit pension plans and consist of a main plan, transitional plans and other pension plans.

TNT's main Dutch pension plan (main plan), which is externally funded in 'Stichting Pensioenfonds TNT' (main fund), covers the employees who are subject to TNT's collective labour agreement and staff with a personal labour agreement arranged as from 2007 in the Netherlands. The majority of all TNT's Dutch employees are subject to the collective labour agreement. The plan covers around 95,000 participants including around 17,000 pensioners and around 37,500 former employees. By Dutch law the plan is managed by an independent legal entity, Stichting Pensioenfonds TNT, that is not owned or controlled by any other legal entity and that falls under the supervision of De Nederlandsche Bank (DNB) and the Authoriteit Financiële Markten (AFM).

The transitional plans consist of an early retirement scheme and additional arrangements that have been agreed between the company and employees following a revision of fiscal regulations applying to Dutch pension plans in 2006.

Impact of the intended demerger

TNT N.V. is the sponsoring employer for two Dutch pension plans: the main plan, described in detail above this note, and the pension plan covering the staff members in the Netherlands who have a personal labour agreement before 2007 and externally funded in 'Stichting Ondernemingspensioenfonds TNT'. Currently both pension funds also cover the defined benefit pension plans of the majority of the Dutch employees of the discontinued Express business.

Further details of the main plan

In the main plan only the employer contributes to the pension fund. The contributions are based on actuarial calculations per active participant. The total contribution to the main fund amounted to €144 million (2009: 162), including the additional employer contribution as a result of the funding shortfall described below, and is estimated to be €158 million in 2011. The actual and estimated total contribution to the main fund includes the contribution for participating employees of the discontinued Express business. The total contribution for the transitional plans amounted to €96 million (2009: 98) and is estimated to be €106 million in 2011.

The coverage ratio of the main fund at 31 December 2010 was around 107% compared with around 108% at 31 December 2009. During 2010 the coverage ratio decreased to around 101% at 30 June 2010, again below the 105% minimum funding requirement as prescribed by DNB. As a result, the main fund had to submit an updated short-term and long-term recovery plan to DNB. The updated recovery plan, which was approved by DNB in January 2011, resulted in an additional contribution by TNT of €12 million during 2010. By the end of 2010, the coverage ratio of the main fund increased to around 107%, well ahead of the updated recovery plan and in particular due to the increase of the long-term interest rate and the fund's overall investment return. The fund's coverage ratio at 31 December 2010 includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association ('Actuarieel Genootschap').

In 2010, the main fund performed a risk management study aimed at reducing the chance of very low coverage ratios. As a result of this study the fund decided to change its investment policy to include equity and interest rate derivatives. The strategic weight of direct equity investments decreased from 42% to around 11%. The proceeds were invested in bonds. To preserve part of the upward potential on equity and at the same time be protected for substantial decreases in equity valuations, the fund entered into equity derivatives for the underlying size of the around 31% points of the direct equity investments sold. In addition, the fund uses interest rate derivatives to reduce the net interest exposure on its assets and liabilities. During the year, part of the interest rate swap portfolio was replaced by interest rate swaptions which, at a premium, allow the fund to benefit in its coverage ratio from interest rate increases. Other derivatives including those on equity, commodity and foreign currency may be used by the main fund to realize changes in the investment portfolio, to hedge against unfavourable market developments or to adjust the matching of assets and liabilities.

At 31 December 2010, the dynamic weight of equity and equity derivatives investments amounted to 45.1%, the weight of fixed interest investments amounted to 32.4%, the weight of real estate and alternative investments amounted to 19.2% and the weight of swap and swaption investments amounted to 3.3%. The plan assets may from time to time include investment in TNT's own financial instruments through indirect holdings by mutual funds. However, these indirect holdings are an immaterial share of the total plan assets.

At 31 December 2010, the defined benefit obligation of TNT's main pension plan and transitional plans covers approximately 94% of the continuing TNT Group obligation for post-employment defined benefits and the relating plan assets cover approximately 94% of the Group plan assets.

Asset mix of main pension plan

	Actual mix		Strategic mix	
At 31December	2010	2009	2011	2010
Equities and equity derivatives [1]	45.1%	46.5%	42%	42%
Fixed interest and inflation linked bonds	32.4%	38.5%	40%	40%
Real estate and alternative investment	19.2%	15.0%	18%	18%
Sw aps and sw aptions	3.3%			
Total	100.0%	100.0%	100%	100%

1 Including the accompanying bonds.

Historical returns of main pension plan

	2010	average since plan inception
Equities and equity derivatives [1]	8.7%	7.6%
Fixed interest and inflation linked bonds	3.1%	6.8%
Real estate and alternative investment	6.3%	6.2%
Contributions of swaps and swaptions to the return	*6.4%*	*2.6%*
Total w eighted average	12.7%	7.5%

1 Including the accompanying bonds.

The return on the plan assets was 12.7% (2009: 16.8%), comprising of 6.4% direct return of swaps and swaptions and 6.3% weighted average return of the other asset classes. The average return of the plan assets since inception of the plan is 7.5%, which is based on the actual return of the investments in combination with their relative weight per year. This weight can vary based on the actual mix.

Defined benefit pension costs recognized in the income statement

The valuation of TNT's pension obligation 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 employee's expected average remaining service lives and reflected as an additional profit or expense in TNT's income statement in the next year.

In accordance with IAS 19.34a, TNT N.V., as the sponsoring employer for the two Dutch pension plans, recognises in its corporate financial statements the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. The relevant Group companies, also those within the discontinued Express business, recognise in their financial statements the costs equal to the contribution payable for the period. In its continuing Group defined benefit pension expense, TNT includes the contributions received from the discontinued Express business as an income.

In 2010, TNT's income for post-employment benefit plans was €42 million (2009: expense 28), including a curtailment gain of €74 million (2009: 0). Total cash contributions for post-employment benefit plans in 2010 amounted to €239 million (2009: 286, of which 36 related to the discontinued Express business) and are estimated to be €266 million in 2011.

Statement of changes in net pension asset/(liability)

	Balance at 1January 2010	Transfer to assets classified for demerger	Employer pension income/ (expense)	Contributions / Other	Balance at 31 December 2010
Provision for pension liabilities	636	18	45	235	934
of which main pension plan in the Netherlands	787	85	46	123	1,041
of which transitional plan in the Netherlands	(241)	(66)	(7)	96	(218)
of which other pension plans	90	(1)	6	16	111
Other post-employment benefit plans	(44)	31	(3)	4	(12)
Total post-employment benefit plans	592	49	42	239	922

(in €millions)

The provision of €49 million included in the table above as transferred to assets classified as held for demerger represents the net provision for post-employment benefit plans of the discontinued Express business at 1 January 2010 and does not reflect the movements during 2010. The net provision at 1 January 2010 consists of a pension asset of €4 million and a pension liability of €53 million. At 31 December 2010, the comparable net provision for post-employment benefit plans is €43 million. The net provision at 31 December 2010 consists of a pension asset of €6 million (2009: 4) and a pension liability of €49 million (2009: 53). The pension asset of €6 million at 31 December 2010 is included in assets classified as held for demerger. The pension liability of €49 million at 31 December 2010 is included in liabilities related to assets classified as held for demerger.

The total net provision for post-employment benefit plans of €922 million at 31 December 2010 (2009: 592) consist of a pension asset of €1,153 million (2009: 884) and a pension liability of €231 million (2009: 292).

The funded status of TNT's post-employment benefit plans at 31 December 2010 and 2009 and the employer pension expense for 2010 and 2009 are presented in the table below. The impact of the contributions received for the employees of the discontinued Express business is represented as Express contributions.

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	(4,659)	(4,215)
Transfer to assets classified for demerger	91	
Service costs	(102)	(90)
Interest costs	(256)	(256)
Curtailments/settlements	90	0
Actuarial (loss)/gain	(1,044)	(310)
Benefits paid	217	212
Benefit obligation at end of year	(5,663)	(4,659)
Change in plan assets		
Fair value of plan assets at beginning of year	4,890	4,104
Transfer to assets classified for demerger	(53)	
Actual return on plan assets	635	716
Express contributions	27	24
Contributions	235	258
Benefits paid	(217)	(212)
Fair value of plan assets at end of year	5,517	4,890
Funded status as per 31 December		
Funded status	(146)	231
Unrecognised net actuarial loss	1,076	398
Unrecognised prior service costs	4	6
Pension assets/liabilities	934	635
Other employee benefit plans	(12)	(43)
Net pension asset/liability	922	592
Components of employer pension expense		
Service costs	(102)	(87)
Interest costs	(256)	(252)
Expected return on plan assets	340	294
Amortisation of actuarial loss	(39)	(7)
Curtailment gain	74	0
Other costs	1	2
Express contributions	27	24
Employer pension income/ (expense)	45	(26)
Other post-employment benefit plan expenses	(3)	(2)
Total post-employment benefit expenses	42	(28)
Weighted average assumptions as at 31 December		
Discount rate	5.1%	5.6%
Expected return on plan assets	6.5%	7.1%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.6%	1.2%

(in €millions, except percentages)

As prescribed by IFRS 5 the net provision for post-employment benefit plans at 31 December 2009, including the changes in benefit obligations and plan assets during 2009, has not been adjusted. The employer pension expense of 2009 has been adjusted for comparability purposes. As a consequence, the comprising components service costs, interest costs and expected return on plan assets cannot be linked to the changes in benefit obligations and plan assets during 2009.

TNT's 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. The measurement date for

TNT's post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions. The impact of changes on the annual pension expense can be found in the table 'sensitivity of assumptions' hereafter. If actual results differ from those assumed, this will generate actuarial gains or losses. These are amortized over the employee's expected average remaining service lives if they exceed the corridor.

The actuarial loss of €1,044 million in the change of the defined benefit obligation during 2010 is mainly the result of a decrease in the assumed discount rate, an increase in the assumed rate of benefit increases and an increase of the assumed longevity outlook.

The discount rate is based on the long-term yield on high quality corporate bonds, including a correction for the duration-mismatch based on the yield curve used by Dutch pension funds as published by DNB. The duration of the available corporate bonds index (AA 10+) is around 10 years. The duration of the pension liabilities is around 16 years. The yield on these bonds is corrected for this duration mismatch.

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 a suitable risk premium for the different asset components is applied to these rates. The premium is based on the plan's asset mix, historical market returns and current market expectation.

Returns are linked to the strategic objective of Stichting Pensioenfonds TNT, as annually reported in the Asset Liability Management study of this main fund and is calculated as the long-term geometric mean from two-thousand future scenarios that take into account the relevant standard deviations of, and correlations between, the various asset categories, as derived from historical evidence. This main fund controls 94% of the continuing TNT Group plan assets. Ultimately the long-term objective is to protect the assets from erosion of purchase power, and to provide long-term growth of capital without excessive exposure to risk. The duration of the plan liabilities determines the investment strategy. The assets are managed by external investment managers. The main fund establishes the investment policy and strategy, including the selection of investment managers, setting long-term strategic targets and monitoring. The strategic asset mix is a target and not a limitation. The fund may approve components of the asset mix above or below targeted range. The fund may decide to rebalance or change the asset mix periodically.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The majority of the defined benefit obligation relates to participants in the Netherlands. In the Netherlands, the average life expectancy of men after retiring at the age of 65 is 19.5 years (2009: 18.2). The equivalent expectancy for women is 21.6 years (2009: 21.1). The applied mortality rates are derived from the mortality table 'GBM/GBV 2010-2060 + CVS experience rates, starting rates 2011 and age corrections 0/0 (male/female)', as applied by the main fund.

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 Trattamento di Fine Rapporto ('TFR') in Italy of €12 million (2009: 43 of which 31 related to the discontinued Express business).

The amounts recognized in the balance sheet are determined as follows:

At 31 December	2010	2009
Present value of funded benefit obligations	(5,094)	(4,350)
Fair value of plan assets	5,517	4,890
(Un)Funded status	423	540
Present value of unfunded benefit obligations	(569)	(309)
Unrecognised liability	1,080	404
Other employee benefit plans	(12)	(43)
Net pension asset/liability	922	592
of which included in pension assets	1,153	884
of which included in provisions for pension liabilities	(231)	(292)

(in €millions)

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

	%-change in assumptions	change in employer pension income
Employer pension income/ (expense) 2010		45
Discount rate	+ 0.5%	24
Expected return on plan assets	+ 0.5%	25
Rate of compensation increase	+ 0.5%	(20)
Rate of benefit increase	+ 0.5%	(51)
Employer pension income/ (expense) 2010		45
Discount rate	- 0.5%	(26)
Expected return on plan assets	- 0.5%	(25)
Rate of compensation increase	- 0.5%	24
Rate of benefit increase	- 0.5%	46

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

Status of funding

At 31 December	2010	2009	2008	2007	2006
Funded and Unfunded Defined benefit obligation	(5,663)	(4,659)	(4,215)	(4,805)	(5,373)
Experience adjustment gain/(loss)	1.3%	-0.7%	0.7%	-0.9%	0.4%
Fair value of plan assets	5,517	4,890	4,104	4,787	4,668
Experience adjustment gain/(loss)	6.0%	9.5%	-20.5%	-5.4%	1.2%
(Un)Funded status	(146)	231	(111)	(18)	(705)

(in €millions, except percentages)

The table below shows the expected future benefit payments per year related to TNT's Dutch plans for the coming five years. The benefits include all expected payments by the Dutch pension funds to the pensioners and by TNT for the Dutch transitional plans.

Expected benefit payments

Year	Amounts
2011	246
2012	233
2013	222
2014	214
2015	215

(in €millions)

Amounts expensed in the income statement related to defined contribution plans were €5 million (2009: 4).

12 Other provisions: 389 million (2009: 368)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2009	67	150	72	79	368
of which included in other provisions (non-current)	49	66	12	38	165
of which included in other provisions (current)	18	84	60	41	203
Changes in 2010					
Transfers to liabilities related to assets classified for demerger	(34)	(23)	(43)	(53)	(153)
Additions	1	316	4	3	324
Withdrawals	(1)	(58)	(1)	(6)	(66)
Releases	(7)	(69)	(10)	(3)	(89)
Exchange rate differences					
(De)consolidation	(1)				(1)
Interest		5			5
Other		3		(2)	1
Total changes	(42)	174	(50)	(61)	21
Balance at 31 December 2010	25	324	22	18	389
of which included in other provisions (non-current)	20	229		6	255
of which included in other provisions (current)	5	95	22	12	134

(in €millions)

The €153 million included in the table above as transfers represents the balance as at 1 January 2010 and does not reflect the movements during 2010.

Total net movements relating to Express during 2010 amount to €15 million being additions of €51 million, withdrawals of -€41 million, exchange rate differences of €11million, deconsolidation of -€2 million, interest of €1 million and other/releases of -€5 million.

Provisions as at 31 December 2010 of €168 million, related to the discontinued Express business are included in liabilities related to assets held for demerger.

The total provisions amount to €389 million and the estimated utilisation in 2011 is €134 million, in 2012 €237 million, in 2013 €2 million and in 2014 and beyond €16 million.

Other employee benefits

Other employee benefits consist of provisions related to jubilee payments of €19 million (2009: 37), long-service benefits of €1 million (2009: 4) and other employee benefits of €5 million (2009: 26). The release includes €6 million relating to the curtailment of other employee benefits following the announcement of Master Plan III, as described below. Short-term employee benefits, such as salaries, profit sharing and bonuses are discussed in note 19.

Restructuring

Total additions of €316 million mainly concern the Master Plan III restructuring programme within operations for an amount of €308 million, and €8 million for a restructuring programme in Data & Document Management, both part of Mail in the Netherlands.

Declining mail volumes have forced TNT Post to make comprehensive changes to its organisation in the coming years. Allowing for natural attrition and voluntary departures, 4,500 compulsory redundancies were expected to be necessary among operational staff. On 15 March 2010, the trade unions agreed a new collective labour agreement in the Netherlands for operational employees of Mail in the Netherlands and confirmed a social plan. This social plan comprises a wide range of measures that make it possible to reduce staff numbers in a social responsible way and covers the 4,500 compulsory redundancies. Employees subject to redundancies can make use of a collective mobility arrangement and apply to leave voluntarily. TNT's estimates around 1,900 FTEs will make use of this arrangement. Subsequently in the second quarter of 2010, €290 million was added in the restructuring provision for Master Plan III. A remaining amount of €42 million was released for Master Plan II, which was announced in 2007, as the Master Plan III restructuring programme also covers the staff from the former restructuring plan.

On 16 December 2010, it was agreed with the trade unions to reduce the number of redundancies by retaining 1,700 jobs. TNT also agreed to examine the possibility of retaining another 200 jobs at the Auto Unit as part of future organisational changes. Consequently, the social plan for Master Plan III concerns the severance payments for 2,600 FTEs in production areas that are expected to become redundant and for 1,900 FTEs who are expected to apply for a mobility arrangement. As a result of lowering the redundancies an amount of €27 million was released. In the fourth quarter of 2010, an amount of €18 million was added to the restructuring provision for Master Plan III, for second line management and mobility-related measures.

The withdrawals of €58 million concern severance payments for 372 FTEs under Master Plan III for an amount of €19 million and for 233 FTEs under the former restructuring plan Master Plan II for a total amount of €12 million, settlement payments within the joint venture Postkantoren B.V. for €16 million and for other initiatives within Mail Netherlands (€6 million) and other business lines (€5 million).

The release of €69 million of restructuring provisions relates largely to releases of €27 million to the Master Plan III and release of the Master Plan II of €42 million. Master Plan II, which was announced in 2007 and covered restructuring cost of €110 million for efficiency projects to standardise the collection, preparation and delivery of mail. Under the new Master Plan III restructuring programme also the staff of this former restructuring plan is covered.

The restructuring provisions within the Mail division are discounted against an average discount rate of 2.5% (2009: 4%) as they are expected to be utilised during the period 2010-2013. The relating interest of €5 million has been recorded as part of the financial expenses, see note 22.

In 2010 1,348 FTEs (2009: 2,695) were made redundant. The relating settlements have been withdrawn from these provisions.

Claim and indemnities

Provisions for claims and indemnities include provisions for claims from third parties with respect to TNT's ordinary business activities, as well as indemnities and disputes related to the sale of TNT's discontinued operations. More detailed information relating to these provisions is not provided as such information could prejudice the company's position with respect to these indemnities and disputes. The release of €10 million relates to claims that are not expected to be paid.

Other provisions

Other provisions consist mainly of onerous contracts, dilapidation cost in relation to restructurings and guarantees provided to third parties. The additions of €3 million mainly relate to onerous lease contracts for buildings within Mail in the Netherlands. The withdrawals from the other provision of €6 million relates to the settlement of onerous contracts of €5 million within Postkantoren. The release of €3 million relates to within Mail Netherlands.

13 Long term debt: 1,582 million (2009: 1,925)

Carrying amounts and fair value

	2010		2009	
At 31 December	Carrying Amount	Fair value	Carrying Amount	Fair value
Euro Bonds	1,537	1,662	1,527	1,646
Finance leases	4	4	194	184
Other loans	41	42	80	86
Interest rate sw aps	0	0	124	124
Total long term debt	1,582	1,708	1,925	2,040

(in €millions)

Long-term debt as at 31 December 2010 of €301 million related to the discontinued Express business is included in liabilities related to assets held for demerger. This long-term debt relates mainly to finance leases for aircraft and interest rate swaps. As a result, the 2010 long-term debt represents the continuing activities with TNT N.V.

The long-term Euro Bonds with a carrying amount of €1,537 million includes a GBP 450 million bond. The related foreign exchange risk is covered by a cross-currency swap. The swap was entered into by TNT Finance B.V., which is part of the discontinued Express business with an external bank. In addition, TNT Finance B.V. has a back-to-back hedge with TNT N.V. As a consequence of this financial relationship TNT N.V. has a liability of €65 million towards Express as at 31 December 2010. This liability is included in the net receivable from Express, see note 5. It is expected that the external hedge will be transferred upon demerger from Express to TNT upon which the back-to-back hedge will be terminated.

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 inter-bank 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

	Euro Bonds	Finance leases	Other loans	Short term bank debt	Total
2011		2		1	3
2012		2	32		34
2013		1	1		2
2014		1	8		9
2015	383				383
Thereafter	1,154				1,154
Total borrowings	1,537	6	41	1	1,585
of which included in long term debt	1,537	4	41		1,582
of which included in other current liabilities		2		1	3

(in €millions)

For underlying details of the financial instruments, see note 30 and 31.

14 Other current liabilities: 257 million (2009: 687)

At 31 December	2010	2009	*2009* [1]
Short term bank debt	1	57	*1*
Other short term debt	2	34	*4*
Total current borrowings	3	91	5
Taxes and social security contributions	135	298	*141*
Expenses to be paid	9	42	*11*
Other	110	256	*95*
Total	257	687	*252*

(in €millions)
1 Contains comparative numbers for continued Mail business activities.

Other current liabilities as at 31 December 2010 of €319 million, related to the discontinued Express business are included in liabilities related to assets held for demerger.

Other short-term debt includes short-term bank facilities of €0 million (2009: 15) and the current portion of outstanding finance lease liabilities of €2 million (2009: 19). There are no balances of 31 December 2010 that are expected to be settled after 12 months (2009: 0).

15 Accrued current liabilities: 582 million (2009: 1,212)

At 31 December	2010	2009	2009 [1]
Amounts received in advance	99	134	96
Expenses to be paid	298	769	305
Vacation days/vacation payments	114	190	119
Terminal dues	67	55	54
Other accrued current liabilities	4	64	6
Total	582	1,212	580

(in €millions)

1 Contains comparative numbers for continued Mail business activities.

Accrued current liabilities as at 31 December 2010 of €680 million, related to the discontinued Express business are included in liabilities related to assets held for demerger.

Amounts received in advance include €54 million (2009: 50) for stamps that were sold but not yet used. An amount of €47 million is expected to be settled after 12 months (2009: 53).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Due to the presentation of the Express business as discontinued operations as at 31 December 2010, the net result of the discontinued Express business has been presented on a separate line 'profit/(loss) from discontinued operations'. The 2009 consolidated income statement has been consequently adjusted for comparison purposes.

16 Net sales: 4,274 million (2009: 4,187)

The net sales of TNT relate to the trading activities, arising from rendering services. Net sales is allocated by the nature of the services provided and geographical area in which the entity records sales and is detailed in note 35.

Included in the 2010 net sales are trading revenues of €11 million that represent trading relations with the Express business.

17 Other operating revenues: 19 million (2009: 25)

Other operating revenues covers the sale of goods and rendering of services not related to TNT's normal trading activities and mainly includes customs and administration revenue €9 million (2009: 10) and rental income of temporarily leased-out property of €3 million (2009: 2).

18 Other income: 22 million (2009: 37)

Other income in 2010 includes net proceeds from the sale of property, plant and equipment for a net amount of €11 million (2009: 16) and book profits from the sale of International business in 2010 for an amount of €11 million (2009: 20). The divestments relate to activities in Germany, Austria, the Czech Republic and Slovakia.

19 Salaries, pensions and social security contributions: 1,561 million (2009: 1,473)

Year ended at 31 December	2010	2009
Salaries	1,429	1,268
Share based payments	8	5
Pension (income)/charges:		
Defined benefit plans	(42)	28
Defined contribution plans	5	4
Social security charges	161	168
Total	1,561	1,473

(in €millions)

The salaries of €1,432 million include a net amount of €229 million related to the restructuring Master Plan III and Data and Document Management. The pension charges/income of €42 million includes a curtailment gain of €74 million related to the restructuring Master Plan III. The share-based payment expense of €5 million excludes the charges for Express.

Labour force

	2010	2009
Employees [1]		
Mail in NL	56,409	58,181
Parcels	3,068	3,139
International	15,803	16,833
Mail other	1,875	1,721
Total at year end	77,155	79,874
Employees of joint ventures [2]	3,258	2,872
External agency staff at year end	12,565	24,028
Full-time equivalents (FTEs) [1]		
Mail in NL	26,245	27,825
Parcels	2,674	2,705
International	7,009	7,508
Mail other	1,734	1,589
Total year average	37,662	39,627
FTEs of joint ventures [2]	2,576	2,531

1 Including temporary employees on our payroll.
2 These numbers represent all employees and FTEs in the joint ventures.

The reported employees match the number of personnel paid through payroll. For CR purposes this definition is extended to include all personnel paid through payroll and entitled to all the benefits of a TNT employee.

At the end of 2010, 3,258 people (2009: 2,872) were employed by joint ventures, of whom 1,333 (2009: 1,708) were on the payroll of Dutch companies, primarily Postkantoren B.V., and 1,925 (2009: 1,164) were on the payroll of companies outside the Netherlands.

Apart from the headcount of employees the labour force is also measured in full-time equivalents (FTEs) based on the hours worked divided by the local standard. In 2010 the average number of FTEs in the Mail division decreased compared to 2009. The FTE reduction within Mail in the Netherlands and International has been partly offset by an increase in FTEs within Mail other.

Remuneration of members of the Supervisory Board

For the year 2010, the remuneration of the current members of the Supervisory Board amounted to €579,500 (2009: 565,239). The remuneration of individual members of the Supervisory Board is set out in the table below:

	Base compensation	Other payments [1]	Total remuneration
Mr P. C. Klaver	60,000	35,500	95,500
Mr S. Levy	45,000	21,000	66,000
Mr R.J.N. Abrahamsen	45,000	18,500	63,500
Ms P.M. Altenburg	45,000	12,500	57,500
Mr. V. Halberstad	12,240	2,500	14,740
Ms M.E. Harris	45,000	21,000	66,000
Mr R. King	45,000	9,000	54,000
Mr W. Kok	45,000	20,500	65,500
Mr G.J. Ruizendaal	45,000	16,000	61,000
Mr J. Wallage	32,760	3,000	35,760
Total	420,000	159,500	579,500

(in €)
1 Payments relating to number of Supervisory Board committee meetings attended.

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.

Remuneration of members of the Board of Management

In 2010 the total remuneration of the Board of Management consisted of:

- base salary
- other periodic paid compensation
- variable compensation:
  - accrued short-term incentive
  - accrued long-term incentive
- pension

The 2010 values of each of these remuneration elements is reported per member of the Board of Management below.

Total remuneration

In 2010, the remuneration, including pension and social security contributions of the current Board of Management amounted to €6,073,396 (2009: 5,579,689).

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

	Base salary	Accrued for short term incentive	Accrued for long term incentive	Other periodic paid compensation	Pension costs	Total 2010	Total 2009
Peter Bakker	918,000	606,893	362,005	133,864	109,968	2,130,730	2,149,384
Bernard Bot [1]	187,500	281,939	50,204	27,573	61,682	608,898	
Harry Koorstra	612,000	396,945	214,842	168,665	99,299	1,491,751	1,440,988
Marie-Christine Lombard	612,000	343,395	214,842	390,260	281,520	1,842,017	1,989,317
Total current members	2,329,500	1,629,172	841,893	720,362	552,469	6,073,396	5,579,689
Henk van Dalen [1]	459,000	12,134	172,813	118,624	71,453	834,024	2,005,985
Total former members	459,000	12,134	172,813	118,624	71,453	834,024	2,005,985

(in €)

1 Henk van Dalen left the company per 1 October 2010. Bernard Bot is acting CFO since 1 August 2010. Includes costs only for the period relating to Board membership. The accrued for short term incentive amounts include a discretionary bonus.

Base salary

The base salary for the members of the Board of Management did not been increase in 2010 and was maintained at €918,000 for the CEO and €612,000 for the other members of the Board of Management. Mr Bot was appointed as acting CFO on 1 August 2010 and his annual base salary is fixed at €450,000.

Other periodic paid compensation

The other periodic paid compensation includes company costs related to tax and social security, company car and other costs. It also includes salary allowances made as compensation for the change in pension system as from 2006 onwards. For Ms Lombard other periodic paid compensation includes French social taxes and French social security contributions, calculated on the full salary package i.e. base salary, bonus and performance shares.

Variable compensation

In the table below the total accrued variable compensation in 2010 to the members of the Board of Management is shown:

	Accrued for short term incentive	Accrued for long term incentive	Total variable compensation
Peter Bakker	606,893	362,005	968,898
Bernard Bot [1]	281,939	50,204	332,143
Harry Koorstra	396,945	214,842	611,787
Marie-Christine Lombard	343,395	214,842	558,237
Total current members	1,629,172	841,893	2,471,065
Henk van Dalen [1]	12,134	172,813	184,947
Total former members	12,134	172,813	184,947

(in €)

1 Includes costs only for the period relating to Board membership. The amount for Bernard Bot include a discretionary bonus.

Accrued short-term incentive

The accrued short-term incentive consists of the accrued bonuses for the performance of the year reported, paid in cash in the next year and the costs relating to the bonus/matching share plan.

Bonus accrual for 2010 performance

Since 2002, TNT accounts for bonus payments on the basis of the accrued bonuses for the performance of the year reported. In 2010, an amount of €1,599,930 (2009: 1,811,350) was paid to the members of the Board of Management for performance over 2009.

In the table below the amount of €1,566,207 reflects the accrued bonuses for performance over 2010, which will be paid in 2011.

The 2010 accrued short-term incentive amounts for the members of the Board of Management are accrued as set out below:

	Accrued for 2010 bonus	as % of base pay	Accrued for bonus matching shares [1]	Accrued for short term incentive
Peter Bakker	585,225	64%	21,668	606,893
Bernard Bot [2]	269,532	144%	12,407	281,939
Harry Koorstra	382,500	63%	14,445	396,945
Marie-Christine Lombard	328,950	54%	14,445	343,395
Total current members	1,566,207		62,965	1,629,172
Henk van Dalen			12,134	12,134
Total former members			12,134	12,134

(in € except percentages)

1 As of 2008 the members of the Board of Management are no longer eligible to receive matching shares, with the exception of Bernard Bot who was eligible up to the date he was appointed to the Board of Management. Included are costs for matching shares granted in 2007, except for Bernard Bot, where it includes costs for matching shares granted in 2007, 2009 and 2010. Includes costs only for the period relating to Board membership.

2 The accrued for short term incentive amounts include a discretionary bonus.

Bonus/matching share plan

As of 2008, the members of the Board of Management are no longer eligible to participate in the bonus/matching plan. Mr Bot was eligible to participate in the scheme up to his appointment as acting member of the Board of Management (no participation in 2008). The amount of €62,965 reflects the accrued costs in 2010 for the rights on matching shares that were granted in 2007, 2009 and 2010 for Mr Bot (but only insofar these relate to his Board membership period), and 2007 for the other members of the Board of Management (excluding Mr van Dalen).

Under the bonus/matching plan, of the net bonus amount received an amount equal to 25% of the gross bonus was used by the Board members to purchase own TNT shares (bonus shares). Upon such purchase, a right on matching shares was granted. The number of bonus shares involved is calculated by dividing the amount invested by the share price on the day of grant. The day of grant is the day following the announcement of the first quarter results. If at least 50% of the bonus shares is retained for a period of three years and provided continued employment, the right will vest and the company will match the number of shares on a one-to-one basis. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their matching shares before the earlier of five years from the date of grant or the end of the 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.

All members of the Board of Management participated in the scheme for the bonus earned during their membership of the Board of Management, up until 2007 (except Mr Bot).

Their current matching entitlement is set out in the following table:

Board of Management [1]

	Year	Number of matching rights on shares: Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Peter Bakker	2007	5,213		5,213		
Bernard Bot [2]	2007	1,245		1,245		
	2009	3,365			3,365	0.4
	2010		2,763		2,763	0.4
Harry Koorstra	2007	3,476		3,476		
Marie-Christine Lombard	2007	3,476		3,476		
Total current members		16,775	2,763	13,410	6,128	
Henk van Dalen	2007	2,919		2,919		
Total former members		2,919	0	2,919		

1 As of 2008 the members of the Board of Management are no longer eligible to receive matching shares.
2 Granted before his appointment as (acting) member of the Board of Management, no participation in 2008.

In 2010 the average price on vesting for matching shares for the members of the Board of Management was €23.05.

Accrued long-term incentive

Costs of the long-term incentive

The maximum numbers of performance shares that can vest amount to 150% of base allocation. In the table below, the total costs of the rights on performance shares granted to the members of the Board of Management are shown:

	Costs in 2010 from performance shares granted in 2007	Costs in 2010 from performance shares granted in 2008	Costs in 2010 from performance shares granted in 2009	Costs in 2010 from performance shares granted in 2010	Accrued for long term incentive
Peter Bakker	89,285	134,129	138,591		362,005
Bernard Bot [1]		15,905	17,481	16,818	50,204
Harry Koorstra	46,727	70,197	97,918		214,842
Marie-Christine Lombard	46,727	70,197	97,918		214,842
Total current members	182,739	290,428	351,908	16,818	841,893
Henk van Dalen [1]	46,727	52,648	73,438		172,813
Total former members	46,727	52,648	73,438	0	172,813

(in €)
1 Includes costs only for the period relating to Board membership.

The costs are determined by multiplying the number of granted performance shares with the fair value of such shares on the date of grant (calculated by using the Monte Carlo model) and by taking into account statistical evidence of non-market conditions, which costs then subsequently are amortised over the vesting period.

Vesting of the long-term incentive

The vesting of the performance shares depends on the company's performance on total shareholder return. TNT's relative total shareholder return over the period from 4 May 2010 through 3 May 2013 governs the performance share grant for 2010. For the 2009 grant that period is from 5 May 2009 through 4 May 2012, for the 2008 grant that period is from 28 April 2008 through 27 April 2011, and for the 2007 grant it is from 4 May 2007 through 3 May 2010. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their performance shares before the earlier of five years from the date of grant or the end of the 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.

Based on the total shareholder return vesting percentages, the next table shows the pro forma vesting of the unvested performance shares, as if the performance period ended at 31 December 2010.

	Year	Performance shares	
		Vesting % of base allocation	Vesting as if per 31 Dec 2010
Peter Bakker	2008	20.2%	5,020
	2009	54.4%	22,328
Bernard Bot	2008	20.2%	1,429
	2009	54.4%	6,759
	2010	9.4%	713
Harry Koorstra	2008	20.2%	2,627
	2009	54.4%	15,775
Marie-Christine Lombard	2008	20.2%	2,627
	2009	54.4%	15,775
Total			73,053

Long-term incentive/performance share plan

The table below summarises the status of the rights awarded under the performance share plan to the members of the Board of Management.

Board of Management [1]

	Year	Number of rights on performance shares					
		Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Peter Bakker	2007	37,275		3,407	33,868		
	2008	37,275				37,275	0.3
	2009	61,565				61,565	0.4
Bernard Bot	2007	8,249		754	7,495		
	2008	10,608				10,608	0.3
	2009	18,637				18,637	0.4
	2010		11,382			11,382	0.4
Harry Koorstra	2007	19,508		1,784	17,724		
	2008	19,508				19,508	0.3
	2009	43,497				43,497	0.4
Marie-Christine Lombard	2007	19,508		1,784	17,724		
	2008	19,508				19,508	0.3
	2009	43,497				43,497	0.4
Total current members		338,635	11,382	7,729	76,811	265,477	
Henk van Dalen	2007	19,508		1,784	17,724		
	2008	19,508			19,508		
	2009	43,497			43,497		
Total former members		82,513	0	1,784	80,729		

1 As of 2010 the members of the Board of Management are no longer eligible to receive rights on performance shares, with the exception of Bernard Bot who was eligible up to the date he was appointed as (acting) member of the Board of Management.

In 2010 the average price on vesting for performance shares for the members of the Board of Management was €21.26.

Long-term incentive/share option plan

The table below summarises the status of the outstanding options (no relating costs in 2010) to acquire a number of TNT ordinary shares granted to the Board of Management.

	Year	Number of options				Amounts in €	
		Outstanding 1 Jan 2010	Exercised during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Exercise price	Share price on exercise date
Marie-Christine Lombard	2004	30,000	30,000		0	18.44	22.63
Total current members		30,000	30,000		0		

Pension

The pension costs consist of the service costs for the reported year. Mr Bakker, Mr Koorstra and Mr Bot are participants in a career average defined benefit scheme. Ms Lombard participates in a French defined contribution pension scheme. The pensionable age of all members of the Board of Management is 65 years.

Unwinding of existing equity plans conditional to the demerger

Subject to approval of the demerger proposal by the shareholder, the unvested rights on performance shares and matching shares granted in 2010 and 2009 will be unwound immediately before the demerger date. All schemes will be terminated before the planned demerger and no 'legacy plans' will exist thereafter. The unwinding will be executed as described below unless the Supervisory Board decides otherwise in the period before the demerger.

The existing and unvested rights on performance shares and matching shares will vest on a pro-rated basis in accordance with current plan rules and, for the performance shares, applying the then most recent performance criteria.

The unwinding of the unvested performance shares and matching shares will be settled in cash and paid to the respective member of the Board of Management.

SENIOR MANAGEMENT

Performance share plan senior management

The performance share plan is an equity-settled scheme with annual grants. Participants will be granted a conditional right to a maximum number of TNT shares. The number of shares comprised in the share award reflects the position that the participant holds and management's assessment of his/her future contribution to the company.

Participants will become the economic owner of the share after a period of three years (vesting period). The plan includes market-based vesting conditions such that the number of to be delivered shares (nil up to the maximum comprising the right) is dependent on the company's performance on total shareholder return. These conditions are included in the calculation of the fair value at the grant date.

Performance shares were granted in May 2010 to 865 TNT managers, excluding Mr Bot (Mail: 253, Express: 612) at a fair value of €12.39 each. These grants were part of the policy to annually grant rights on performance shares to eligible members of senior management from 2005 onwards.

The right on performance shares forfeits upon termination of employment prior to vesting. However, the participant retains the right to be compensated when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death).

The total number of rights on performance shares for management granted in 2010 is stated below.

	Year	Number of rights on performance shares					
		Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management [1]	2007	614,448		52,877	561,571		
	2008	916,901		10,677	38,664	867,560	0.3
	2009	1,765,327		18,567	79,611	1,667,149	0.4
	2010		1,167,733	339	13,441	1,153,953	0.4
Total Express		3,296,676	1,167,733	82,460	693,287	3,688,662	

1 Excludes performance shares granted to Bernard Bot before his appointment as (acting) member of the Board of Management.

	Year	Number of rights on performance shares					
		Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management	2007	266,203		24,842	241,361		
	2008	379,375		3,458	16,276	359,641	0.3
	2009	680,851		4,218	25,627	651,006	0.4
	2010		446,143	250	4,649	441,244	0.4
Total Mail		1,326,429	446,143	32,768	287,913	1,451,891	

In 2010, the average price on vesting for performance shares for the management (excluding Mr Bot) was €21.22 (Mail: €21.20, Express: €21.23).

Option plan senior management

In 2005, the option plan was replaced by the performance share plan. Final option awards occurred in 2004.

Statements of changes of outstanding options

The table below also includes the outstanding options of the members of the Board of Management and senior management. All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

		Number of options				Amounts in €		
	Year	Outstanding 1 Jan 2010	Exercised during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Exercise price	Share price on exercise date	Remaining years in contractual life
Board of Management	2004	30,000	30,000			18.44	22.63	
Management	2003	36,109	18,684		17,425	13.85	19.63	0.1
	2003	3,000			3,000	14.51		0.4
	2004	185,451	21,000	2,600	161,851	18.44	20.73	0.4
Total Express		254,560	69,684	2,600	182,276			

		Number of options				Amounts in €		
	Year	Outstanding 1 Jan 2010	Exercised during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Exercise price	Share price on exercise date	Remaining years in contractual life
Management	2003	20,550	6,750		13,800	13.85	20.95	0.1
	2004	81,400	6,400	1,000	74,000	18.44	22.06	0.4
Total Mail		101,950	13,150	1,000	87,800			

Historic overview outstanding options

	2010		2009	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at beginning of year	356,510	17.68	409,010	17.64
Exercised	(82,834)	21.29	(28,250)	20.34
Forfeited	(3,600)	18.44	(24,250)	18.01
Balance at end of year	270,076	17.87	356,510	17.68
Exercisable at 31 December	270,076	17.87	356,510	17.68

Bonus/matching plan for senior management

Members of a selected group of managers may on a voluntary basis participate in the bonus/matching plan. In such case, they are paid 100% of their bonus in cash and can convert 25% as a grant of TNT shares with an associated matching right in 2010 (102,777, of which Mail: 29,654, Express: 73,123), 2009 (93,796, of which Mail: 47,917, Express: 45,879), 2008 (103,558, of which Mail: 40,268, Express: 63,290) and 2007 (74,253, of which Mail: 23,340, Express: 50,913) if at least 50% of the shares are kept for three years. The above figures exclude Mr Bot. The company sees the bonus/matching plan as part of the remuneration package for the members of its top management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. Grants are made in accordance with the bonus/matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- bonus shares are purchased from the participant's net income using 25% of the gross bonus amount and bonus shares are delivered upon the grant of the right on matching 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 (2010: €22.91/share),
- the rights on matching shares are granted for zero costs and the number of shares is equal to the number of bonus shares,
- the matching shares are delivered three years after the delivery of the bonus shares. One matching share is delivered for each bonus share that has been retained for three years,
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,

- where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death) the right on matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned.

The exercise of the rights on matching shares is subject to the TNT rules concerning inside information. All awards under this plan are equity settled.

The table below summarises the status of the number of outstanding rights on matching shares granted to senior managers in the current TNT Group:

	Year	Number of matching rights on shares				
		Outstanding 1 Jan 2010	Granted during 2010	Vested or forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management [1]	2007	41,894		41,894		
	2008	60,415		4,697	55,718	0.3
	2009	52,556		1,469	51,087	0.4
	2010		73,123	727	72,396	0.4
Total Express		154,865	73,123	48,787	179,201	

1 Excludes matching rights granted to Bernard Bot before his appointment as (acting) member of the Board of Management.

	Year	Number of matching rights on shares				
		Outstanding 1 Jan 2010	Granted during 2010	Vested or forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management	2007	18,085		18,085		
	2008	32,231		1,147	31,084	0.3
	2009	38,765		2,291	36,474	0.4
	2010		29,654	814	28,840	0.4
Total Mail		89,081	29,654	22,337	96,398	

In 2010 the average price on vesting for matching shares for the management was €22.85 (Mail: €22.73, Express: €22.94).

Unwinding of existing equity plans conditional to the demerger

Subject to approval of the demerger proposal by the shareholder, the unvested rights on performance shares and matching shares granted in 2010 and 2009 as well as any unexercised options will be unwound immediately before the demerger date. All schemes will be terminated before the planned demerger and no ‘legacy plans’ will exist thereafter. The unwinding will be executed as described below unless the Supervisory Board decides otherwise in the period before the demerger.

The existing and unvested rights on performance shares and matching shares will vest on a pro-rated basis in accordance with current plan rules and, for the performance shares, applying the then most recent performance criteria.

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

The exercise period of the employee options for TNT shares will be shortened and will end immediately before the planned demerger date. The value upon demerger of any unexercised option will be calculated in accordance with a generally accepted option valuation model and will be paid to the eligible management and employees.

Fair value assumptions and hedging

TNT’s share-based payments have been measured using the Monte Carlo fair value measurement method. Significant assumptions used in TNT’s calculations are as follows:

	2010	2009
Share price (in €)	22.18	15.18
Volatility (%)	41.44	39.80
Vesting period (in years)	3	3
Risk free rate (%)	1.72	2.14
Dividend yield (%)	2.48	2.35

As of 4 May 2010, the 2010 grant date, the fair value of the matching shares awarded was €20.54 and the fair value of the performance shares awarded was €12.39. As of 5 May 2009, the 2009 grant date, the fair value of the matching shares awarded was €14.11 and the fair value of the performance shares was €8.75. As of 28 April 2008, the 2008 grant date, the fair value of the matching shares awarded was €23.17 and the fair value of the performance shares awarded was €13.00. As of 4 May 2007, the 2007 grant date, the fair value of the matching shares was €29.88 and the fair value of the performance shares awarded was €17.03.

TNT manages its risk in connection with the obligations the company has under the existing share and option plans by purchasing shares on the market. In 2010, TNT did not purchase any additional shares to cover its obligations under the existing share and option schemes.

At 31 December 2010, TNT held a total of 188,757 shares to cover its obligations under the existing share and options schemes (2009: 488,691).

20 Depreciation, amortisation and impairments: 120 million (2009: 252)

Year ended at 31 December	2010	2009
Amortisation of intangible assets	25	27
Depreciation property, plant and equipment	84	88
Impairment of intangible assets	11	131
Impairment of property, plant and equipment		6
Total	120	252

(in €millions)

The amortisation of intangible assets of €25 million (2009: 27) relates to software for €23 million (2009: 23) and other intangibles for €2 million (2009: 4). The 2010 impairment of intangible assets of €11 million relates to impaired goodwill within the International business concerning the cash generating unit Spring Global Mail.

In 2009, the impairment charges related to intangible assets and property, plant and equipment of the International business in Germany, Italy and Eastern Europe for an amount of €137 million.

21 Other operating expenses: 275 million (2009: 260)

The other operating expenses consist of IT communication, office cost, travel and training expense, consulting and other shared services cost.

In 2010, fees for audit services included the audit of TNT's annual financial statements and the combined financial statements of Express, procedures on internal controls and the review of interim financial statements, statutory audits, services associated with issuing an audit opinion on the postal concession reporting and services that only the auditor can reasonably provide.

Fees for audit related services include specific audit procedures for the preparation of the demerger, employee benefit plan audits, audit of corporate sustainability reports, due diligence related to mergers and acquisitions, internal control reviews, consultation concerning financial accounting and reporting matters not classified as audit. Fees for tax services include tax compliance, tax advice, including all services performed by the auditor's professional staff in its tax division, except those rendered in connection with the audit. Fees for other services include consultancy services.

The fees can be divided into the following categories:

Total TNT Group

Year ended at 31 December	2010	2009
Audit fees	7	4
Audit related fees	10	3
Tax advisory fees	1	1
Other fees	1	1
Total	19	9

(in €millions)

The table presents the total TNT Group (including discontinued Express business) incurred fees. In 2010, €15 million of the total PricewaterhouseCoopers fees are accounted for by the Express business, which includes an amount of €10 million in relation to the preparation of the demerger. Included within other operating expenses are fees for an amount of €4 million (2009: 3) relating to the TNT continuing activities.

In accordance with the Dutch legislation, article 2:382a, the total audit and audit-related fees to accounting organisation PricewaterhouseCoopers Accountants N.V. seated in the Netherlands amounted to €6 million (2009: 4).

22 Net financial income and expenses: -106 million (2009: -148)

Year ended at 31 December	2010	2009
Interest and similar income	14	17
Interest and similar expenses	(119)	(163)
Fair value change cashflow hedge recycled to profit and loss	(2)	(2)
Net foreign exchange gains	1	0
Net financial expenses	(106)	(148)

(in €millions)

TNT has financing relationships with both external banks and with TNT Finance B.V., which is part of the discontinued Express business. As a result TNT records both external interest income and expenses from financial institutions and internal interest income and expenses to and from Express.

Interest and similar income: 14 million (2009: 17)

The interest and similar income amounts to €14 million (2009: 17), of which €12 million is income from Express (2009: 13). The external interest and similar income of €2 million (2009: 4) mainly relates to interest income on banks, loans and deposits of €2 million (2009: 2) of which €1 million (2009: 1) relates to a gross up of interest on notional cash pools.

Interest and similar expenses: 120 million (2009: 165)

The interest and similar expenses amounts to €119 million (2009: 163), of which €11 million are expenses to Express (2009: 45). The external interest and similar expenses of €108 million (2009: 118) mainly relates to interest expenses on long-term borrowings of €99 million (2009: 96) and interest on provisions of €5 million (2009: 7). Furthermore, the external interest and similar expenses relate to interest expense on bank overdrafts and bank loans of €1 million (2009: 2), of which €1 million (2009: 1) relates to a gross up of interest on notional cash pools and interest on taxes €2 million (2009: 5). Included in 2009 is a fair value adjustment of €8 million for the equity stake in Ceva Investments Ltd. which was sold back to Ceva Investments Ltd. in 2009.

In accordance with IFRS interest income and expense on cash pools are reported on a gross basis. From an economic and legal perspective the €1 million (2009: 1) 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.

23 Income taxes: 91 million (2009: 136)

Income taxes amount to €91 million (2009: 136), or 24.4% (2009: 31.4%) of income before income taxes.

Effective income tax rate

Year ended at 31December	2010	2009
Dutch statutory income tax rate	25.5	25.5
Adjustment regarding effective income tax rates other countries	0.8	0.3
Permanent differences:		
Non and partly deductible costs		0.7
Non and partly deductible impairments	0.8	8.3
Exempt income	(0.2)	(1.2)
Other	(2.5)	(2.2)
Effective income tax rate	24.4	31.4

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the income before income taxes. In 2010, the effective income tax rate was 24.4% (2009: 31.4%). The statutory income tax rate in the Netherlands is 25.5% (2009: 25.5%). Compared to 2009, the effective tax rate improved due to a substantially lower impact of non-deductible impairments of 0.8% in 2010 (in 2009, a significant part of the recorded impairments was non-deductible, which impacted the effective tax rate in 2009 by 8.3%). The adverse impact of non-deductible costs in 2010 is fully compensated by the positive impact of reversed non-deductible costs in relation to prior years. The line 'other' of -2.5% (2009: -2.2%), mainly relates to the revaluation of deferred tax balances due to the enacted lower Dutch corporate income tax rate of 25.0% as per 1 January 2011. This decreased the effective tax rate by -1.6%.

Income tax expense consists of the following:

Year ended at 31December	2010	2009
Current tax expense	96	79
Changes in deferred taxes (excluding acquisitions / foreign exchange effects)	(5)	57
Total income taxes	91	136

(in €millions)

In 2010, the current tax expense amounted to €96 million (2009: 79). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

Income tax receivable amounts of €26 million and income tax payable amounts of €31 million related to the discontinued Express business are included in assets held for demerger.

At 31 December 2010, the income tax receivable amounts to €3 million (2009: 28) and the income tax payable amounts to €135 million (2009: 265). In 2010 TNT paid income taxes for an amount of €205 million (2009: refund of 116), which includes increased tax payments relating to prior years and increased preliminary payments relating to the current year.

The following table shows the movements in deferred tax assets in 2010:

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2008	28	5	108	64	205
Changes charged directly to equity				8	8
Changes via income statement	6		15	(10)	11
(De)consolidation/foreign exchange effects	3		6		9
Deferred tax assets at 31 December 2009	37	5	129	62	233
Transfers to assets held for sale			(1)	(1)	(2)
Transfers to assets classified for demerger	(33)	(5)	(118)	(48)	(204)
Changes charged directly to equity				(3)	(3)
Changes via income statement	(4)	2	(4)	3	(3)
Deferred tax assets at 31 December 2010	0	2	6	13	21

(in €millions)

Deferred tax assets amounts of €230 million and deferred tax liabilities amounts of €35 million related to the discontinued Express business, are included in assets held for demerger.

Of the deferred tax assets an amount of €1 million (2009: 15) is to be recovered within 12 months and an amount of €20 million (2009: 218) is to be recovered after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if TNT has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

The total accumulated losses available for carry forward at 31 December 2010 amounted to €104 million (2009: 884, of which 774 relates to the discontinued Express business). With these losses carried forward, future tax benefits of €32 million could be recognised (2009: 260, of which 228 relates to the discontinued Express business). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiration of tax losses carried forward and projected future taxable income. As a result TNT has not recognised €22 million (2009: 123, of which 108 relates to the discontinued Express business) of the potential future tax benefits and has recorded deferred tax assets of €10 million at the end of 2010 (2009: 137, of which 120 relates to the discontinued Express business). Of the total recognised deferred tax assets for loss carry forward an amount of €4 million was offset against deferred tax liabilities.

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

2011	0
2012	4
2013	1
2014	17
2015 and thereafter	23
Indefinite	59
Total	104

(in €millions)

The following table shows the movements in deferred tax liabilities in 2010:

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2008	245	75	15	335
Changes via income statement	34	(9)	24	49
(De)consolidation/foreign exchange effects		2	5	7
Deferred tax liabilities at 31 December 2009	279	68	44	391
Transfers to liabilities related to assets held for sale		(4)		(4)
Transfers to liabilities related to assets classified for demerger	(1)	(20)	(31)	(52)
Changes via income statement	3	1	(12)	(8)
(De)consolidation/foreign exchange effects				
Deferred tax liabilities at 31 December 2010	281	45	1	327

(in €millions)

Of the deferred tax liabilities an amount of €6 million (2009: 6) is to be settled within 12 months and an amount of €321 million (2009: 385) is to be settled after 12 months.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

24 Net cash from operating activities 171 million (2009: 700)

The 2009 cash flow statement from continuing operations has been adjusted for the discontinued Express business resulting in a decrease of the net cash from operating activities from €1,016 million to €700 million.

Net cash from operating activities from continuing operations decreased by €529 million from €700 million in 2009 to €171 million in 2010. The non-cash transactions in the statement of cash flows relate to depreciation, amortisation and impairment charges, share-based payment expenses, result from investments in associates, foreign exchange gains and losses, investments in property, plant and equipment financed via financial leases, book result on sale of property, plant and equipment and changes in provisions.

Cash generated from operations

The cash generated from operations decreased from €678 million in 2009 to €475 million in 2010. In 2010 the profit before income taxes contributed €373 million and €493 million if adjusted for the non-cash impact of depreciation, amortisation and impairments. This is €192 million lower compared to 2009 (2009: 685), mainly due to lower profit before income tax of €60 million and for €132 million lower depreciation, amortisation and impairments in 2010.

The change in net pension liabilities of -€281 million in 2010 (2009: -223) reflects the total non-cash employer pension income for the post-employment defined benefit plans of €42 million (2009: charge 28) and comparable total cash contributions to various post-employment defined benefit plans for a total amount of €239 million (2009: 250). The 2010 employer pension income includes a curtailment gain of €74 million.

The change in other provisions of €170 million in 2010 reflects the net amount of the additions/releases of €235 million mainly a consequence of the restructuring provisions for Master Plan III and the related cash withdrawals for restructuring payments of €66 million. In 2009, the decrease of €31 million relates mainly to cash payments following several restructuring plans.

In 2010, the total working capital stabilised compared with 2009. Trade working capital improved by €2 million compared with 2009 and non-trade working capital decreased by €7 million. In 2010 payment behaviour of customers worsened compared with 2009. This is offset by continued focus on payment terms of suppliers.

Interest paid

The total cash out flow for interest paid in 2010 is €99 million (2009: 94). In 2010 interest paid mainly includes interest on TNT's long-term borrowings of €95 million (2009: 94), including interest on financial leases of €1 million. In addition, interest payments of €2 million (2009: 0) are included for short-term debt (of which €1 million (2009: 1) is a gross up due to cash pools, which is offset in the interest received).

The interest paid and received on notional cash pools are reported on a gross basis in according with IFRS. From an economic and legal perspective the €1 million (2009: 1) 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.

Income taxes paid

In 2010, TNT paid income taxes for an amount of €205 million (2009: refund of 116) which includes increased tax payments relating to prior years and increased preliminary payments relating to the current year.

25 Net cash used in investing activities: -91 million (2009: -71)

The 2009 cash flow statement from continuing operations has been adjusted for the discontinued Express business resulting in a decrease of the cash outflow used in investing activities from €256 million to €71 million.

Interest received

In 2010 interest received amounted to €3 million (2009: 7). In 2010 interest received mainly includes interest relating to short-term bank balances and deposits of €2 million (2009: 2), of which €1 million (2009: 1) is a gross up due to nominal cash pools which is offset in the interest paid.

Acquisition of subsidiaries and joint ventures (net of cash)

In 2010, the total payment net of cash for acquisitions of Group companies amounted to €5 million (2009: 20) and is related to the acquisitions of TopPak and Kowin.

Disposal of subsidiaries and joint ventures

In 2010, TNT disposed of Domicall s.r.o., TNT Direktwerbung, Mail Express, DIMAR s.r.o. (Prague), Dimar Slovakia s.r.o. (Bratislava) and its 50% stake in Redmail for an amount of €3 million (2009: 23). This followed the announcement that European Mail activities will concentrate on addressed mail in the United Kingdom, Germany and Italy. The cash and cash equivalent in these subsidiaries is limited.

Capital expenditure on intangible assets and property, plant and equipment

In 2010, capital expenditures on property, plant and equipment amounted to €88 million (2009: 73). The capital expenditures on other intangible assets of €21 million (2009: 26) mostly related to software. In 2010, capital expenditures were funded primarily by cash generated from operations and were part of strict cost control and review.

Proceeds from sale of intangible assets and property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2010 totaled €17 million (2009: 22), which mainly relates to the sale of several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (totaling €13 million) and the sale of buildings and equipment from the joint venture Postkantoren B.V. (€2 million).

26 Net cash used in financing activities: -93 million (2009: -609)

As a result of the demerger of the Express business the 2010 cash flow statements include a reclassification from intercompany to external cash flows for all relationships between TNT and Express.

The 2009 cash flow statement from continuing operations has been adjusted for the discontinued Express business resulting in an increase of the cash used in financing activities from €348 million to €609 million.

Proceeds from and Repayments of long-term borrowings

In 2010 the total net repayments on long-term borrowings mainly relates to a repayment on the €650 million 5.375% Eurobond of €10 million. The total net proceeds in 2009 on long-term borrowings mainly related to issuance of private placements for a total amount of €37 million.

Proceeds from and Repayments of short-term borrowings

The total net repayments on short-term borrowings mainly related to the net of increases and decreases on outstanding local short-term debt of -€2 million (2009: 2).

Repayments to finance leases

The total repayments related to redemptions on other finance lease contracts of €3 million (2009: €2 million).

Dividends paid

In 2010, €119 million (2009: 34) was paid in cash dividend, of which €64 million relates to the final 2009 cash dividend and €55 million to the interim 2010 cash dividend.

Financing related to discontinued business

In 2010, financing related to discontinued business amounts to €41 million (2009: -612). This mainly consists of settlements in former intercompany balances between TNT N.V. and the discontinued Express business. The 2009 financing related to discontinued business mainly related to the repayment of a loan from TNT N.V. to the discontinued Express business and is partly offset by the receipt of dividends from the discontinued Express business in 2009.

Cash flows from discontinued operations

Net cash from operating activities from discontinued operations decreased by €75 million from €316 million in 2009 to €241 million in 2010, mainly due to a lower contribution of improvements of working capital in 2010 compared to 2009.

Net cash used in investing activities from discontinued operations increased by €35 million from -€185 million in 2009 to -€150 million in 2010, mainly as a result of a lower cash outflow for acquisitions of subsidiaries and joint ventures.

Net cash used in financing activities from discontinued operations decreased by €382 million from a cash inflow of €261 million in 2009 to a cash outflow of €121 million in 2010.

Refer to note 9 for further details on the cash flows from discontinued operations.

27 Reconciliation to cash and cash equivalents

The following table presents the reconciliation between the cash flow statements and the cash and cash equivalents as presented in the statement of financial position.

Year ended at 31 December	2010	2009
Cash at the beginning of the year	910	497
Exchange rate differences	7	1
Total change in cash (as in consolidated cash flow statements)	(44)	412
Cash at the end of the year	873	910
of which assets held for sale	1	
of which discontinued business	807	830
Cash at the end of the year as reported	65	80

(in €millions, except percentages)

ADDITIONAL NOTES

28 Business combinations

(No corresponding financial statement number)

Specification

Company name	Segment	Month aquired	% owner	Acquisition expenses	Goodwill on acquistion
TopPak Holding B.V.	Mail	February	100.0%	3	2
Kortingsbon.nl B.V.	Mail	June	100.0%	3	2
Total				6	4

(in €millions)

Goodwill arising from the acquisitions of interest in the newly acquired entities - TopPak and Kowin (Kortingsbon.nl) - amount to €4 million (2009: 79, which fully relates to the discontinued Express business). The total acquisition expenses amount to €6 million (2009: 115 of which 88 related to the discontinued Express business), of which €5 million was paid in cash (2009: 86) and an amount to be paid of €1 million.

TopPak Holding B.V. is an e-fulfilment specialist. With this acquisition, through its Parcel Service business, TNT is strengthening its position as market leader in the distribution market and adding an important link to its e-fulfilment service chain. Fulfilment entails service aspects like processing orders, stock management and packing products for shipping, in effect handling the entire administrative and logistics chain for orders, either traditional or online.

Kowin is as e-commerce solution provider with extensive know-how in the field of online shopping and is a one-stop service provider for the full chain. The expertise will enable TNT Post to develop the required capabilities for the entire e-commerce chain faster and to quickly expand its offering to new industries and markets.

The pre-acquisition balance sheets and the opening balance sheets of the acquired business is summarised in the tables below:

	Pre-acquisition	Post-Acquisition
Goodwill		4
Other non-current Assets	2	2
Total non-current Assets	2	6
Total current Assets	3	3
Total assets	5	9
Equity	2	6
Non-current liabilities		
Current liabilities	3	3
Total Liabilities and Equity	5	9

(in €millions)

	TopPak Holding B.V.		Kortingsbon.nl B.V.	
	Pre-acquisition	Post-Acquisition	Pre-acquisition	Post-Acquisition
Goodwill		2		2
Other non-current Assets	1	1	1	1
Total non-current Assets	1	3	1	3
Total current Assets	2	2	1	1
Total assets	3	5	2	4
Equity	1	3	1	3
Non-current liabilities				
Current liabilities	2	2	1	1
Total Liabilities and Equity	3	5	2	4

(in €millions)

Acquiree's results

The total acquiree's net income attributable to shareholders accounted within TNT, since acquisition date, amounts to €0 million. This relates to both TopPak and Kowin.

Pro forma results

The following represents the pro forma results of TNT for 2010 as if these acquisitions had taken place on 1 January 2010.
These pro forma results do not necessarily reflect the results that would have arisen had these acquisitions actually taken place on 1 January 2010. The pro forma results are not necessarily indicative of the future performance of TNT.

Year ended at 31 December	Pro forma results (unaudited) 2010	As reported 2010
Total revenues	4,294	4,293
Profit for the period from continuing operations	282	282
Profit attributable to the equity holders of the parents	347	347
Earnings per ordinary share (in €cents)	92.9	92.9
Earnings per diluted ordinary share (in €cents)	92.5	92.5

(in €millions, except per share data)

29 Commitments and contingencies

(No corresponding financial statement number)

Specification off-balance sheet commitments

At 31 December	2010	2009
Rent and operating lease	240	258
Capital expenditure	17	17
Purchase commitments	62	56

(in €millions)

Commitments and contingencies as at 31 December 2010 related to the discontinued Express business amounts to €1,248 million and are not included in the off-balance sheet commitment of TNT N.V.

Of the total commitments indicated above €141 million are of a short-term nature (2009: 147).

Guarantees

At the end of 2010, Mail, on behalf of TNT subsidiaries, has various parental and bank guarantees outstanding. However, none (2009:0) result in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following its ordinary course of business.

Rent and operating lease contracts

In 2010 operational lease expenses (including rental) in the consolidated income statement amounted to €125 million (2009: 128). There are no material individual lease contracts as at 31 December 2010.

Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

Repayment schedule of rent and operating leases

At 31 December	2010	2009
Less than 1 year	91	89
Betw een 1 and 2 years	59	62
Betw een 2 and 3 years	40	36
Betw een 3 and 4 years	24	22
Betw een 4 and 5 years	9	14
Thereafter	17	35
Total	240	258
of w hich guaranteed by a third party/customers	1	4

(in €millions)

Capital expenditure

Commitments in connection with capital expenditure are €17 million (2009: 17) related to property, plant and equipment. These commitments primarily relate to projects within the operations of Mail in the Netherlands and Parcels.

Purchase commitments

At 31 December 2010, TNT had unconditional purchase commitments of €62 million (2009: 56) that are primarily related to various service and maintenance contracts. These contracts for service and maintenance are primarily for information technology, security, salary registration and cleaning.

Contingent tax liabilities

Multinational groups of the size of TNT are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT accounts for its income taxes on the basis of its own internal analyses, supported by external advice. TNT continually monitors its global tax position, and whenever uncertainties arise, TNT assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

Contingent legal liabilities

Ordinary course litigation

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. TNT does not expect any liability arising from any of these legal proceedings to have a material effect on its results of operations, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

Liège court case

In Belgium, judicial proceedings were launched by residents around Liège airport to stop night flights and seek indemnification from the Walloon Region, Liège airport and its operators (including TNT). On 29 June 2004 the Liège Court of Appeal rejected the plaintiffs' claims on the basis of a substantiated legal reasoning. The plaintiffs lodged an appeal with the Belgian Supreme Court, which overturned the 2004 judgement 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 expected for at least two years. A similar claim has been lodged before the Civil Court of Liège by the town of Riemst. It is unlikely that the outcome of this proceeding will be different from the Liège case mentioned above.

Court case with OPTA

TNT Post was involved in a court case with OPTA relating to the 'starting-rates' for the universal postal services that should have been set by OPTA as of 1 October 2009. A court session was held on 16 April 2010. On 1 July 2010, the court ruled in favour of TNT Post. OPTA decided to appeal.

Foreign investigations

The Company has received and responded to subpoenas from the United States Office of Foreign Asset Control inquiring about TNT's 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 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.

30 Financial risk management

(No corresponding financial statement number)

TNT's activities expose the company to a variety of financial risks, such as market risks (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. All of these risks arise in the normal course of business. In order to manage the market risks TNT utilises a variety of financial derivatives.

The following analyses provide quantitative information regarding TNT's 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 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 Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risk in close cooperating with operating units. The Board of Management 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 Board of Management in a structural way.

Interest rate risk

Part of TNT's borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on TNT's financial results in any given reporting period. Borrowings that are issued at variable rates expose the company to cash flow interest risks. Borrowings that are issued at fixed rates expose the company to fair value interest rate risk. TNT's financial assets are on average of such short-term nature that they bear no significant fair value, 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 2010, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €1,585 million (2009: 2,016), of which €1,577 million (2009: 1,934) was at fixed interest rate.

Although, TNT generally enters into interest rate swaps and other interest rate derivatives in order to attempt to reduce its exposure to interest rate fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

At 31 December 2010, 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 €1 million higher (2009: 8). The profit before income taxes is less sensitive to interest rate movements compared to 2009 due to a decrease in floating interest bearing debt. Equity would be impacted by €1 million (2009: 15), due to the outstanding interest rate swap with a nominal value of €30 million, as well as the €1 million (2009: 8) impact on profit before income taxes (see also note 31).

Foreign currency exchange risk

TNT operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, TNT's functional and reporting currency. TNT's 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 main two currencies of TNT's external hedges are the British pound and US dollar, of which the 2010 exchange rates to euro are shown below:

	Year end closing [1]	Annual Average [2]
British pound	0.86080	0.85740
US dollar	1.33620	1.32100

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 to require Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives with external banks. TNT currently has no net investment hedges outstanding. Significant acquisitions and local debt is usually funded in the currency of the underlying assets.

At 31 December 2010, 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 €0 million higher (2009: 1). The net income sensitivity to movements in EUR/USD exchange rates compared to 2009 has not changed. Equity would have been impacted by €0 million (2009: 0).

At 31 December 2010, if the euro had weakened 10% against the British pound with all other variables held constant the profit before income tax on the foreign exchange exposure on financial instruments would have been €0 million lower (2009: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2009 has not changed. Equity would have been impacted by €0 million (2009: 26). The Equity impact in 2009 was fully related to the demerged Express business.

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT enters into financial transactions are unable to fulfil the terms of the agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The company attempts to minimise its credit risk exposure by only transacting to financial institutions that meet established credit guidelines and by managing its customer's portfolio. TNT continually monitors the credit standing of financial counterparties and its customers. Individual risk limits are set on internal and external ratings in accordance with limits set by the Board of Management. 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 account for 4% of the outstanding trade receivables as per 31 December 2010.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT attempts to maintain flexibility in funding by keeping committed credit lines available. A downgrade in TNT's credit rating may negatively affect its ability to obtain funds from financial institutions 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. Furthermore, other non-TNT specific adverse market conditions could also turn out to have a material adverse effect on the company's funding ability.

The TNT Group, including its business held for demerger, has the following undrawn committed facilities:

At 31 December	2010	2009
Multicurrency Revolving Credit Facilities	1,100	1,000
(in €millions)		

These facilities will be refinanced before the actual demerger.

The table below analyses TNT's financial liabilities into relevant maturity groupings 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 that contain the redemptions and interest payments.

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Outgoing flows based on the financial liablities 2010					
Euro Bonds	89	178	578	1,349	1,537
Other loans	5	33	6		41
Financial leases	4	2	1		6
Short term bank debt	1				1
Trade accounts payable	154				154
Other current liabilities	110				110
Total liquidity risk	363	213	585	1,349	1,849
Outgoing flows based on the financial liablities 2009					
Euro Bonds	88	177	177	1,829	1,527
Other loans	19	40	54	4	95
Financial leases	24	42	39	146	213
Interest rate and cross currency swaps - outgoing	67	450	116	871	124
Foreign exchange contracts - outgoing	640				7
Short term bank debt	57				57
Trade accounts payable	470				470
Other current liabilities	249				249
Mitigation incoming flows based on the financial liabilities 2009					
Interest rate and cross currency swaps - incoming	55	415	109	800	
Foreign exchange contracts - incoming	640				
Total liquidity risk	919	294	277	2,050	2,742
(in €millions)					

Capital structure management

It is TNT's objective when managing the capital structure to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. TNT's capital structure is managed along the following components: (l) maintain an investment grade credit rating targeted at BBB+/Baa1; (2) an availability of at least €500 million of undrawn committed facilities; (3) structured funding via a combination of public and bank debt, with a risk weighted mix of fixed and floating interest; (4) cash pooling systems facilitating optimized cash requirements for the Group and (5) a tax optimal internal and external funding focused at optimizing the cost of capital for the Group, within long-term sustainable boundaries.

A downgrade in TNT's credit rating 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 TNT's returns for shareholders and benefits for other stakeholders.

The terms and conditions of TNT's 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. See the risk as described in chapter 18.

31 Financial instruments

(No corresponding financial statement number)

Summary financial instruments

In line with IFRS 9 and IAS 39 the following categories of financial assets and financial liabilities can be distinguished.

Assets

At 31 December	Note	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets as per balance sheet 2010				
Other loans receivable	3	3		3
Other financial fixed assets	3	3		3
Accounts receivable	5	450		450
Prepayments and accrued income	6	108		108
Cash and cash equivalents	7	65		65
Total		629		629
Assets as per balance sheet 2009				
Other loans receivable	3	6		6
Other financial fixed assets	3	21	2	23
Accounts receivable	5	1,591		1,591
Prepayments and accrued income	6	227	9	236
Cash and cash equivalents	7	910		910
Total		2,755	11	2,766

(in €millions)

Liabilities

At 31 December	Note	Financial liabilties measured at amortised costs	Derivatives used for hedging	Total
Liabilities as per balance sheet 2010				
Long term debt	13	1,582		1,582
Trade accounts payable		154		154
Other current liabilities	14	113		113
Total		1,849		1,849
Liabilities as per balance sheet 2009				
Long term debt	13	1,801	124	1,925
Trade accounts payable		470		470
Other current liabilities	14	340	7	347
Total		2,611	131	2,742

(in €millions)

The fair value of financial instruments is based on foreign exchange and interest rate market prices. TNT uses commonly practiced 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 two of the fair value measurement hierarchy.

Eurobond

The Eurobonds of €1,040 million (2009: 1,050) and £450 million (2009: £450) are measured at amortised cost of €1,537 million (2009: 1,527). This represents the nominal value corrected for the costs and issuance under par ('at a discount') that are still to be amortised. The book value is equal to the amortised cost value. The foreign exchange exposure on the £450 million Eurobond is hedged via the £450/€568 cross-currency swap, see 'Foreign exchange contracts'.

For the outstanding Eurobonds, see the table below:

At 31December	Nominal value	Costs / discount to be amortised	Hedge accounting	Carrying value	Fair value
3.875% Eurobond 2015	400	17	No	383	405
5.375% Eurobond 2017	640	4	No	636	670
7.500% Eurobond 2018 (GBP) [1]	568	4	Yes	518	587
Total outstanding Eurobonds 2010	1,608	25		1,537	1,662
3.875% Eurobond 2015	400	20	No	380	396
5.375% Eurobond 2017	650	4	No	646	680
7.500% Eurobond 2018 (GBP) [1]	568	5	Yes	501	570
Total outstanding Eurobonds 2009	1,618	29		1,527	1,646

(in €millions)

1 The difference between the nominal value and the carrying value mainly relates to movements in the GBP/EUR exchange rate. The difference between the carrying value and the fair value relates to changes in the relevant interbank interest rates.

Finance leases

Total debt on finance leases consist of financial lease contracts on buildings (depots), trucks and for 2009 also airplanes.

For the outstanding finance leases, see the table below:

At 31December	Nominal value	Fixed / floating interest	Hedge accounting	Carrying value	Fair value
Other leases	6	floating/fixed	No	6	6
Total outstanding finance leases 2010	6			6	6
Boeing 747 ERF	174	floating	Yes	174	165
Other leases	39	floating/fixed	No	39	38
Total outstanding finance leases 2009	213			213	203

(in €millions)

Of the 2009 leases €205 million has been transferred to the discontinued Express business.

Interest rate swaps

In 2009, TNT had US$251 million and €30 million of interest rate swaps outstanding for which TNT 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. The €30 million floating interest loan is hedged by an interest rate swap entered into with an external bank by TNT Finance B.V., which is part of the discontinued Express business. TNT Finance B.V. has a back-to-back swap with TNT N.V., this back-to-back swap with a fair value of nil, is included in the 'Net receivable from Express', see note 5.

Since all prior 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 will stay in equity (the hedge reserve) and will be straight-line amortised to the income statement. Net financial expense includes an amortisation of €2 million from the hedge reserve.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amount to a result of €0 million (2009: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to result of €0 million (2009: 0).

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

At 31 december Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value	Settlement amount
Interest rate swaps 2009								
123	No	USD	Yes	fixed	floating	cash flow	(7)	
128	No	USD	Yes	fixed	floating	cash flow	(8)	
30	No	Euro	Yes	fixed	floating	cash flow	-	
Cross currency swaps 2009								
250	No	USD/EUR	Yes	floating	floating	fair value	(19)	
568 [1]	No	GBP/EUR	Yes	fixed	fixed	cash flow	(88)	
26	No	SEK/EUR	Yes	floating	floating	fair value	(2)	

(in €millions)

1 Please also see under explanatory text relating foreign exchange contracts.

Foreign exchange contracts

TNT entered into short-term foreign exchange derivatives to hedge foreign exchange fair value and cash flow risks. The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings'. The foreign exchange result on the outstanding fair value hedges is recorded in the income statement and mitigates the foreign exchange exposure and results on the underlying balance sheet items.

The fair value of the outstanding long-term cross-currency swaps is recorded as a long-term asset in 'financial fixed assets' or as liability in 'long-term debt'. The value of the GBP/EUR cross-currency swap, which is included in 'Net receivables from Express' (see notes 5 and 13), mainly relates to movements in the GBP/EUR exchange rates and offsets the movement in the carrying value of the £450 million 7.5% Eurobond 2018.

The details related to outstanding foreign exchange contracts for 2009, are presented below. All foreign exchange contracts for 2010 are included in the 'Net receivable from Express', see note 5:

	Note	At 31December Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2009						
Asset	6	9	9	363	Fair value/ Cash flow	3
Liability	12	(7)	(7)	640	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 2010 amount to €0 (2009: 0). These reserves are recognised in the income statement in the period or periods during which the hedged forecasted transaction affects the income statement. The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amount to a result of €0 million (2009: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to a result of €0 million (2009: 0).

32 Earnings per share

(No corresponding financial statement number)

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. At 31 December 2010 TNT had potential obligations under stock option and share grants to deliver 5,957,883 shares (2009: 5,664,403). There was no difference in the income attributable to shareholders in computing TNT's basic and diluted earnings per share.

For calculating basic earnings per share, an average of 373,536,123 ordinary shares is taken into account. For calculating diluted earnings per share an average number of 375,026,008 ordinary shares is taken into account. For both calculations the profit attributable to share holder of €347 million (2009: 281) has been applied.

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

Year averages and numbers at 31December	2010	2009
Number of issued and outstanding ordinary shares	376,339,096	370,988,519
Shares held by the company to cover share plans	188,757	488,691
Average number of ordinary shares per year	373,536,123	366,322,316
Diluted number of ordinary shares per year	1,489,885	2,644,623
Average number of ordinary shares per year on fully diluted basis in the year	375,026,008	368,966,939

33 Joint ventures

(No corresponding financial statement number)

The company accounts for joint ventures in which TNT and another party have equal control according to the proportionate consolidation method. TNT's most significant joint venture as at 31 December 2010 is the 50% interest in Postkantoren B.V. with Postbank N.V., part of the ING Group, to operate post offices in the Netherlands. In addition, TNT holds 50% interest in HIM Holtzbrinck joint ventures.

Key pro rata information regarding all of TNT's joint ventures in which TNT has joint decisive influence over operations is set forth below and includes balances at 50%:

Year ended at 31December	2010	2009
Non-current assets	18	27
Current assets	98	146
Equity	27	33
Non-current liabilities	30	71
Current liabilities	59	69
Net sales	214	244
Operating income	10	8
Profit attributable to the shareholders	2	3
Net cash provided by operating activities	(11)	21
Net cash used in investing activities	(2)	(1)
Net cash used in financing activities	(1)	13
Changes in cash and cash equivalents	(14)	33

(in €millions)

34 Related party transactions and balances

(No corresponding financial statement number)

The TNT Group companies have trading relationships with a number of joint ventures as well as with unconsolidated companies in which TNT holds minority shares. In some cases there are contractual arrangements in place under which TNT companies source supplies from such undertakings, or such undertakings source supplies from TNT.

During 2010, sales made by TNT companies to its joint ventures amounted to €1 million (2009: 4). Purchases of TNT from joint ventures amounted to €64 million (2009: 68). The net amounts due to the joint venture entities amounted to €40 million (2009: receivable from 11). As at 31 December 2010, no material amounts were payable by TNT to associated companies.

Related party transactions with TNT's pension fund and the Board of Management and Supervisory Board are presented in note 11 and 19 respectively.

35 Segment information

(No corresponding financial statement number)

The Board of Management receives operational and financial information on a monthly basis for the Mail division, the Express division and Other Networks. The segment information of Express and Other Networks can be found in note 9, asset held for demerger. Due to the demerger of the Express business, the segment information included in this note focuses on the operating segments of the Mail business as these will be the reportable segments going forward. As a consequence the 2010 segment information discloses details relating to the operating segments of the Mail business, which are Mail in the Netherlands, Parcels and International. These Mail activities have been managed following the operating segments in both 2010 and 2009. The comparative 2009 segment information has been adjusted accordingly.

The operating income under the previous segment reporting differs from the operating income from the new Mail and Express entities. Reconciliation of the previous divisional income to the operating income for the new entities is shown in the following table:

Reconciliation 2010

Year ended at 31 December	2010 Results previous structure	Scope	Profit pooling	Pensions	2010 Results new structure
Express	6,782	271			7,053
Mail	4,298	(5)			4,293
Other networks	271	(271)			
Non-allocated and intercompany	(22)	22			
Total operating revenues	11,329	17	0	0	11,346
Express	309	(63)	(41)	(25)	180
Mail	402	12	41	25	480
Other networks	11	(11)			
Non-allocated	(62)	62			
Total operating income	660	0	0	0	660

(in €millions)

Reconciliation 2009

Year ended at 31 December	2009 Results previous structure	Scope	Profit pooling	Pensions	2009 Results new structure
Express	5,956	252			6,208
Mail	4,216	(4)			4,212
Other networks	253	(253)			
Non-allocated and intercompany	(23)	23			
Total operating revenues	10,402	18	0	0	10,420
Express	193	(16)	(92)	(24)	61
Mail	472	(1)	92	24	587
Other networks	7	(7)			
Non-allocated	(24)	24			
Total operating income	648	0	0	0	648

(in €millions)

TNT has identified the following additional reportable segments with respect to the Mail business.

- Mail in the Netherlands, which provides mail services in the Netherlands including the provision of the universal service and data and electronic communications activities.
- Parcels, which provides standard parcel services in the Netherlands and Belgium for both domestic and cross-border parcel distribution.

- International, which provides addressed and unaddressed mail activities outside the Netherlands, in particular the United Kingdom, Germany and Italy;

The total of these segments represent the former Mail division. For comparison purposes the 2009 segment information has been adjusted.

The measure of profit and loss and assets and liabilities is based on the TNT Group Accounting Policies, which are compliant with IFRS. The pricing of intercompany sales is done at arm's length. The sales from TNT to Express amounts to €11 million.

Segmentation – results

In the table below a reconciliation is presented of the segment information relating to the income statement of the reportable segments:

Year ended at 31 December 2010	Mail in NL	Parcels	International	Mail other	Intercompany	Total
Net sales	2,384	484	1,273	122	11	4,274
Intercompany sales	144	77	19	219	(459)	0
Other operating revenues	10	3	2	4		19
Total operating revenues	2,538	564	1,294	345	(448)	4,293
Other income	11	-	13	(2)		22
Depreciation/impairment property, plant and equipmen	(55)	(6)	(6)	(17)		(84)
Amortisation/impairment intangibles	(15)	(3)	(14)	(4)		(36)
Total operating income	188	80	(29)	241		480
Net financial income/(expense)						(106)
Results from investments in associates						(1)
Income tax						(91)
Profit/(loss) from discontinued operations						69
Profit for the period						351
Attributable to:						
Non-controlling interests						4
Equity holders of the parent						347
Number of employees (headcount)	56,409	3,068	15,803	1,875		77,155

(in €millions, except employees)

Taxes and net financial income are dealt with at 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 for management of the reportable segments is operating income, which is reported on a monthly basis to the chief operating decision makers.

The material exceptional non-cash items in the 2010 income statement are the net restructuring-related charges of €167 million (including a curtailment gain of €74 million) within the reportable segment Mail in the Netherlands. The reportable segment International includes an impairment charge for goodwill of €11 million and a book profit as a result of divestments of €6 million.

Year ended at 31 December 2009	Mail in NL	Parcels	International	Mail other	Intercompany	Total
Net sales	2,559	447	1,047	122	12	4,187
Intercompany sales	134	80	18	233	(465)	-
Other operating revenues	11	4	4	6		25
Total operating revenues	2,704	531	1,069	361	(453)	4,212
Other income	16	-	24	(3)		37
Depreciation/impairment property, plant and equipmen	(58)	(5)	(13)	(18)		(94)
Amortisation/impairment intangibles	(16)	(2)	(138)	(2)		(158)
Total operating income	456	57	(181)	255		587
Net financial income/(expense)						(148)
Results from investments in associates						(6)
Income tax						(136)
Profit/(loss) from discontinued operations						(8)
Profit for the period						289
Attributable to:						
Non-controlling interests						8
Equity holders of the parent						281
Number of employees (headcount)	58,181	3,139	16,833	1,721		79,874

(in €millions, except employees)

Total operating income for 'Mail other' amounts to €241 million (2009: 255). This relates to non-allocated for an amount of €231 million (2009: 247) and to the unaddressed activities classified as held for sale for an amount of €10 million (2009: 8), see note 8. The tables below show an overview of the elements included in Mail other and non-allocated operating income.

Mail other

Year ended at 31 December	Assets held for sale	Non-allocated	2010	Assets held for sale	Non-allocated	2009
Total operating revenues	124	221	345	124	237	361
Other income	(2)		(2)	(3)		(3)
Total operating expenses	(112)	10	(102)	(113)	10	(103)
Total operating income	10	231	241	8	247	255

(in €millions, except percentages)

Non-allocated operating income

Year ended at 31 December	2010	2009
Pensions	189	168
Profit pooling	41	92
Other	1	(13)
Total	231	247

(in €millions)

In 2010, non-allocated operating income amounted to €231 million (2009: 247). Included in this operating income is €189 million (2009: 168), which is the difference between the recorded IFRS employer pension expense for the Group's defined benefit pension plans and the actual cash payments received from the other Mail segments and Express entities. The profit and loss pooling arrangement resulted in a benefit of €41 million (2009: 92), which is a reflection of the fiscal losses accounted for in the books of the Express entities while in reality incurred by Mail operations. In anticipation of the demerger the profit pooling arrangement was terminated on 30 November 2010. Other income relates to shared services and unallocated head office costs (including TNT N.V.). In 2010 the other income includes a release of a provision for claims and indemnities.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below:

At 31 December 2010	Mail in NL	Parcels	International	Mail other	Total
Intangible assets	93	8	60	5	166
Property, plant and equipment	394	18	32	55	499
Trade accounts receivable	215	21	175	1	412
Other current assets	102	9	101	10	222
Total assets [1]	897	57	384	6,799	8,137
Cash out for capital expenditures	77	3	13	16	109
Trade accounts payable	61	16	55	22	154
Other current liabilities	656	69	151	232	1,108
Total liabilities [1]	1,272	131	226	2,054	3,683

(in €millions)

1 The impact of TNT's discontinued Express and EMN businesses is included in the Mail other segment.

In the total assets of Mail other of €6,799 million the assets held for demerger of €5,531 million and assets held for sale of €123 million are included. In the total liabilities of Mail other of €2,054 million the liabilities related to assets held for demerger of €2,011 million and liabilities held for sale of €26 million are included, see note 9.

The balance sheet information at 31 December 2009 is as follows:

At 31 December 2009	Express	Mail	Other networks	Non-allocated	Total
Intangible assets	1,801	209	50	1	2,061
Property, plant and equipment	1,059	541	6	4	1,610
Trade accounts receivable	919	417	30	4	1,370
Other current assets	379	253	5	782	1,419
Total assets	4,382	1,437	92	1,784	7,695
Cash out for capital expenditures	155	99	2		256
Trade accounts payable	294	154	3	19	470
Other current liabilities	1,053	949	30	335	2,367
Total liabilities	1,669	1,047	24	2,875	5,615

(in €millions)

The 2009 balance sheet information included the discontinued Express and Other Networks business. The 2010 balance sheet information for these segments is included in note 9.

Geographical segment information

The segment information from a geographical perspective is derived as follows: the basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located; and segment assets and investments are allocated to the location of the assets.

Net sales

Year ended at 31 December	2010	2009
Europe		
The Netherlands	2,916	3,063
United Kingdom	558	450
Italy	207	189
Germany	395	272
Rest of Europe	180	184
Rest of the World	18	29
Total net sales	4,274	4,187

(in €millions)

Assets

At 31 December 2010	2010 Intangible assets	2010 Property, plant and equipment	2010 Financial fixed assets	2009 Intangible assets	2009 Property, plant and equipment	2009 Financial fixed assets
Europe						
The Netherlands	106	466	15	1,021	578	75
United Kingdom	23	13		174	261	1
Italy	1	3	3	4	34	37
Germany	36	15	9	79	77	61
Rest of Europe		1	4	361	452	46
Rest of the World		1		422	208	104
Total	166	499	31	2,061	1,610	324

(in €millions)

The company does not have significant reliance on its major customers.

36 Subsequent events

(No corresponding financial statement number)

On 13 January 2011, TNT announced that it has signed an agreement to sell its mail business in Belgium, De Belgische Distributiedienst, and its unaddressed mail business in Italy, RSM Italia, to management and NPM Capital N.V. The sale of these activities is part of TNT's 'Vision 2015' strategy to concentrate its European mail activities on addressed mail in the large countries where TNT Post has strong market positions: the United Kingdom, Germany and Italy. In other geographies, the focus is on value realisation through partnerships or sale. The anticipated sales price is estimated at €112 million with an anticipated book profit of €30 million. The revenues and operating income of the addressed activities can be found in note 35.

On 31 January 2011, the members of the trade unions ratified the recently signed in-principle agreement between TNT Post and their trade unions' leaders. This ratification enables TNT Post to continue with its planned restructuring programme, which it will carry out in consultation with its employees' representatives.

37 Postal regulation and concession

(No corresponding financial statement number)

Postal regulation in the Netherlands

Since 1 April 2009, the key legislation regulating Mail's activities has been the Dutch Postal Act 2009. This Act requires a designated postal provider to perform the universal postal services in the Netherlands. By separate decree, Koninklijke TNT Post B.V. (TNT Post) was designated as provider of the universal postal services. The Postal Act 2009 sets out the requirements of these universal postal services. In connection with the Dutch Postal Act 2009, the parliamentary Postal Decree 2009 specifies the services that constitute the universal postal services.

Furthermore, Mail is regulated by the Postal Regulation 2009, which specifies regulation on tariffs of the universal postal services and the transparency of the financial accounting of these services according to the EU Postal Directive. It also contains obligations to provide a report on the number of postal outlets, quality of domestic universal postal services and costs and revenues of the universal postal services.

The Dutch Postal Act 2009 also includes obligations for other postal operators, as well as obligations of postal operators towards each other. In practice, these latter obligations, such as accessibility of post office boxes and postal codes, set requirements for TNT Post only.

OPTA, the independent Supervisory Authority for Post and Telecommunications established by the government, supervises the postal market and TNT Post's performance of the universal postal services. The responsibility for postal policy remains under the authority of the junior Ministry of Economic Affairs, Agriculture and Innovation.

The universal postal services

Scope

The domestic universal postal services consist of the conveyance against payment of standard single rates of the following postal items:

- letters (including reply items) and printed matter with a maximum individual weight of two kilogrammes,
- postal parcels with a maximum individual weight of 10 kilogrammes, and
- registered, registered insured and registered value declared items.

The Dutch Postal Act 2009 does not require TNT to offer domestic services for the delivery of bulk letters, bulk printed matter such as advertising, magazines and newspapers or unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act 2009 and in accordance with the rules of the UPU, universal postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at other than standard single rates with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, universal postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of universal postal services

Regarding universal postal services, the Dutch Postal Act 2009 imposes various regulatory conditions on TNT Post with respect to service provision, such as the number and spread of postal outlets, and tariffs. The Postal Regulation 2009 mainly deals with cost and revenue accounting, detailed tariff regulation, financial administration and reporting. Other than the universal postal services, none of TNT's postal services is subject to government control.

With respect to service levels, the Dutch Postal Act 2009 requires TNT Post to provide nationwide services and to perform a delivery round every day, except on Sundays and public holidays. TNT Post is required to deliver no less than 95% of all standard single rated domestic letters the day after the day of posting, excluding Sundays and public holidays. TNT Post is required to maintain a network of service points (letter boxes, post offices and agents) where the general public can access these services.

Tariff regulation

With respect to rates and conditions, OPTA had to set rates for the universal postal services as of 1 October 2009, based on information and recommended rates provided by TNT Post. OPTA judged the subsequent information on cost allocation given by TNT Post repeatedly as insufficient and demanded payment of €6 million because of two orders under penalty. TNT Post started legal proceedings on the merits concerning these orders under penalty in relation to OPTA's omission to set new starting tariffs on time. The Rotterdam court pronounced on 1 July 2010 that TNT's initial information already met the requirements and as such OPTA unjustly failed to set new starting tariffs. On 22 July 2010, OPTA finally set the starting tariffs, in accordance with TNT's proposal dating from spring 2009. However, OPTA lodged an appeal at the College van Beroep voor het bedrijfsleven ('CBb'). Currently, a date for the appeal is not yet known.

Following each OPTA rate setting, TNT Post is allowed to set rates and associated conditions. These have to be transparent, non-discriminatory and uniform. TNT Post is required to submit these rate changes to OPTA, and OPTA will assess whether the proposed changes are in accordance with the price cap system.

The price cap system limits tariff developments in two different categories of services, i.e. letters and parcels, to the development of the general Consumer Price Index. The letter category comprises single rate letters, both domestic and abroad. The parcel category comprises single rate parcels, also domestic and abroad. The price cap system uses a weighing factor for each service in these categories. In accordance with the price cap system, TNT introduced new tariffs as of 1 January 2011, which according to OPTA meet the requirements.

In December 2010, the junior minister of Economic Affairs, Agriculture and Innovation sent an adjustment of the Postal Regulation to the Dutch Second Chamber to regulate in detail OPTA's second rate setting. According to this proposal, in 2011 and every four years thereafter, OPTA will judge whether TNT Post's proposed new rates for the universal postal service will exceed the maximum return on sales of 10% or not. A judgement will be made separately for parcels and letter mail. OPTA has to set the tariffs as of 1 October 2011, with implementation as of 1 January 2012. However, due to the political debates on labour conditions, the adjustment has not been discussed yet.

Accounting and other financial obligations

TNT Post's obligations on reporting include a financial report on TNT Post's performance of the universal postal services. TNT Post is also required to maintain separate financial accounts within its internal financial administration for universal postal services. TNT Post must submit to OPTA an annual declaration by an independent auditor, designated by OPTA, that its financial accounting system complies with these obligations.

Underlying this accounting system and the financial reports to OPTA is a system for allocating cost and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive and the Postal Regulation 2009.

Evaluation of universal postal services obligations

The Dutch Postal Act 2009 reduced the scope of the universal postal services and as a result the former reserved area for TNT Post no longer exists. Therefore, TNT and the junior minister for Economic Affairs, Agriculture and Innovation are currently evaluating the impact of the scope reduction. Investigations have been conducted by Intomart GFK, a well-known independent research institute. The results will be debated in Parliament in 2011.

Value added tax on postal services

At present, TNT is not allowed to charge value added tax (VAT) on postal items forming part of the universal postal services. Consequently, TNT cannot deduct the VAT amounts paid on its purchases of services and goods related to the universal postal services. TNT is required to charge VAT on all postal services not included in the universal postal services. Competitors are required to charge VAT on those items as well. Therefore, in the Netherlands there is a level playing field for competitors and TNT on these services. In most other member states of the EU the scope of universal postal services is very large, resulting in a VAT exemption being given to national postal operators over a considerable part of the postal market in these countries. The European Commission believes that this distorts the functioning of the internal market for postal services, and it has launched an infringement procedure against Sweden, the United Kingdom and Germany to resolve this issue.

Competitors and their labour conditions

Based on the Dutch Postal Act 2009, the junior minister for Economic Affairs, Agriculture and Innovation has issued an Order in council (AMvB) that requires postal operators to offer employment agreements to their postal deliverers. Every postal operator has to work on the basis of 100% employment agreements, unless it has joined a collective labour agreement that includes the following development in the minimum number of employment agreements: 30% per 1 April 2011, 60% per 1 April 2012, and 80% per 1 October 2012. This Order in council enables the postal deliverers to earn a fair income and also provides for fair competition on employment conditions. The collective labour agreement in which competitors currently participate does not contain such a clear development path. However, competitors successfully instituted summary proceedings concerning the order in council and the judge decided that the legal requirements for an order in council were not met. The Dutch cabinet lodged an appeal against the decision and won.

On 30 June 2010, the labour unions cancelled the collective labour agreement due to a lack of employees working under the agreement. Hence, as of 1 January 2011, competitors had to work on the basis of 100% employment agreements. However, at the request of the junior minister for Economic Affairs, Agriculture and Innovation, Mr Vreeman held an investigation. On 11 January 2011, Mr Vreeman advised the junior minister to delay the deadline until 1 April 2011.

Furthermore, he suggested the creation of a fund financed by excess postage, to invest in the growth of employment agreements, and renegotiations between unions and competitors on a new collective labour agreement with a solid path for growth of employment agreements, with a new final date of 1 January 2014. A Mail fund should also be created, to enable further mobility measures for postal deliverers. In parliament, on 20 January 2011, a majority supported Mr Vreeman's advice on the content, but urged for a final date of 31 December 2012. Earlier the junior minister did not agree with this date.

Mutual services

According to article 13 of the Dutch Postal Act 2009, TNT is obliged to give its competitors access to its post office boxes. This service has to be delivered with reasonable, objectively justifiable and non-discriminatory conditions and remunerations. The parties are negotiating these conditions and remunerations. Article 12 of the Dutch Postal Act 2009 requires TNT to enter into a similar arrangement with its competitors for return-to-sender items of competitors that enter TNT processes through its collection boxes.

TNT N.V. CORPORATE BALANCE SHEET / CORPORATE INCOME STATEMENT

TNT N.V. Corporate balance sheet

At 31 December

Notes	Before proposed appropriation of profit	2010	variance %	2009
	ASSETS			
	Non-current assets			
	Goodwill in group companies			
	Investments in group companies	4,265		3,728
	Investments in associates			49
	Financial fixed assets at fair value			
	Deferred tax assets			
(38)	Total financial fixed assets	4,265	12.9	3,777
(39)	Pension asset	1,147	19.7	958
	Total non-current assets	5,412	14.3	4,735
	Current assets			
	Accounts receivable from group companies	506		3
	Other accounts receivable	1		1
	Cash and cash equivalents			1
	Total current assets	507	10,040.0	5
	Total assets	5,919	24.9	4,740
	LIABILITIES AND EQUITY			
(10)(40)	Equity			
	Issued share capital	180		178
	Additional paid in capital	869		871
	Cumulative translation adjustment	(41)		(146)
	Hedge reserves	(43)		(43)
	Other reserves	1,167		953
	Unappropriated profit	292		247
	Total shareholders' equity	2,424	17.7	2,060
	Non-current liabilities			
	Deferred tax liabilities	283		239
	Euro Bonds	1,537		1,527
	Other long term liabilities	37		37
	Total non-current liabilities	1,857	3.0	1,803
	Current liabilities			
	Accounts payable to group companies	1,472		648
	Short term provision	22		28
	Other current liabilities	115		173
	Accrued current liabilities	29		28
	Total current liabilities	1,638	86.8	877
	Total liabilities and equity	5,919	24.9	4,740

(in €millions, except percentages)

TNT N.V. Corporate income statement

Year ended at 31 December	2010	2009
Results from continuing operations	208	261
Results from discontinued operations	66	0
Results from investments in group companies/associates after taxes	274	261
Other income and expenses after taxes	73	20
Profit attributable to the shareholders	347	281

(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 N.V.

The corporate financial statements for the year ended 31 December 2010 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. TNT has applied the option in Article 362 (8) to use the same principles of valuation and determination of result for the corporate financial statements as the consolidated financial statements. As a result TNT's investments in group companies are stated using the 'net asset value method' ('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.

38 Total financial fixed assets: 4,265 million (2009: 3,777)

Statement of changes

	Investments in group companies	Investments in associates	Deferred tax assets	Financial fixed assets at fair value	Total
Balance at 31 December 2008	5,834	56	0	11	5,901
Changes in 2009					
Results	274	(13)			261
Acquisitions/additions to capital	737	6			743
Disposals/dividend	(3,183)			(3)	(3,186)
Exchange rate differences	66				66
Other changes				(8)	(8)
Total changes	(2,106)	(7)	0	(11)	(2,124)
Balance at 31 December 2009	3,728	49	0	0	3,777
Changes in 2010					
Results	279	(5)			274
Acquisitions/additions to capital	116	2			118
Disposals/dividend	(6)	(3)			(9)
Exchange rate differences	105				105
Other changes	43	(43)			0
Total changes	537	(49)		0	488
Balance at 31 December 2010	4,265	0	0	0	4,265

(in €millions)

As at 31 December 2010, total investments in group companies amounted to €4,265 million. Of this, €1,271 million relates to investments in group companies classified as continued business that will remain part of TNT N.V. The remainder of €2,994 million relates to the discontinued Express business, see note 9. During the Annual Meeting of Shareholders on 25 May 2011 it will be proposed to demerge 70.1% of this discontinued Express. This represents a value of €2,099 million.

As at 31 December 2010, TNT N.V. had accounts receivable to group companies of €506 million, which relates mainly to group companies that will be continued, and accounts payable to group companies of €1,472 million, which relates largely to the discontinued Express business. Both balances increased in 2010 as a result of the internal restructuring in order to prepare for the demerger. On a consolidated level, the TNT Group has a net receivable towards the discontinued Express of €526 million, see note 9.

39 Pension asset: 1,147 million (2009: 958)

TNT N.V. is the sponsoring employer for two Dutch pension plans, which are externally funded in two separate pension funds and cover the majority of TNT's employees in the Netherlands. Both pension funds also cover the defined benefit pension plans of the majority of the Dutch employees of the discontinued Express business. In accordance with IAS 19.34a the net defined benefit cost is recognised in the corporate financial statements of TNT N.V. The other group companies, also those within the discontinued Express business, recognise the costs equal to the contribution payable for the period in their financial statements. For TNT N.V. the contributions received from the other group companies offset the pension expense. The impact of the contributions is represented as participant contributions in the table below.

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 N.V. sponsored Group pension plans.

Pension disclosures

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	(3,996)	(3,549)
Service costs	(88)	(74)
Interest costs	(227)	(218)
Curtailments/settlements	20	
Actuarial (loss)/gain	(904)	(266)
Benefits paid	121	111
Benefit obligation at end of year	(5,074)	(3,996)
Change in plan assets		
Fair value of plan assets at beginning of year	4,836	4,057
Actual return on plan assets	622	716
Participant contributions	162	174
Benefits paid	(121)	(111)
Fair value of plan assets at end of year	5,499	4,836
Funded status as per 31 December		
Funded status	425	840
Unrecognised net actuarial loss	704	94
Unrecognised prior service costs	18	24
Pension assets	1,147	958
Components of employer pension expense		
Service costs	(88)	(74)
Interest costs	(227)	(218)
Expected return on plan assets	339	293
Amortisation of actuarial loss	(14)	(7)
Curtailment gain	17	0
Other costs		0
Participant contributions	162	174
Total post-employment benefit income/(expenses)	189	168
Weighted average assumptions as at 31 December		
Discount rate	5.1%	5.6%
Expected return on plan assets	6.5%	7.1%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.6%	1.2%

(in €millions, except percentages)

40 Equity: 2,424 million (2009: 2,060)

Statement of changes

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent
Balance at 31 December 2008	173	876	(212)	(35)	497	434	1,733
Profit for the period						281	281
Gains/(losses) on cashflow hedges, net of tax				(8)			(8)
Currency translation adjustment			66				66
Total recognised income for the year	0	0	66	(8)	0	281	339
Stock dividend previous year	4	(4)				-	-
Appropriation of net income					434	(434)	0
Interim dividend current year	1	(1)				(34)	(34)
Repurchases and cancellations of shares							0
Share based compensation					18		18
Other			-		4		4
Total direct changes in equity	5	(5)	-	0	456	(468)	(12)
Balance at 31 December 2009	178	871	(146)	(43)	953	247	2,060
Profit for the period						347	347
Gains/(losses) on cashflow hedges, net of tax				-			-
Currency translation adjustment			105				105
Total recognised income for the year	0	0	105	-	0	347	452
Final dividend previous year	1	(1)				(64)	(64)
Appropriation of net income					183	(183)	0
Interim dividend current year	1	(1)				(55)	(55)
Share based compensation					29		29
Other					2		2
Total direct changes in equity	2	(2)	0	0	214	(302)	(88)
Balance at 31 December 2010	180	869	(41)	(43)	1,167	292	2,424

(in €millions)

The translation and hedge reserves are legal reserves, the total amount of these legal reserves is -€84 million (2009: -189), which limits the dividend distribution for this amount. For additional details on equity, see note 10.

41 Wages and salaries

(No corresponding financial statement number)

TNT N.V. does not have any employees other than the Board of Management. Hence no salary and social security costs were incurred besides those disclosed in note 19. In accordance with IAS 19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT N.V. For further information on defined benefit pension costs, see note 39. For the remuneration of the Board of Management and Supervisory Board, see note 19.

42 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

As at 31 December 2010 TNT 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:
Koninklijke TNT Post B.V.
TNT Holdings B.V.
TNT Express Holdings B.V.
TNT Head Office B.V.
TNT Finance B.V.
TNT Real Estate B.V
TNT Real Estate Development B.V

Cendris Customer Contact B.V.
Cendris Dataconsulting B.V.
TNT Post Billing & Document Solutions B.V.
Euro Mail B.V.
Netwerk VSP B.V.
Netwerk VSP Geadresseerd B.V.
TNT Express Worldwide N.V.
TNT Express Road Network B.V.
TNT Innight B.V.
TNT Skypak Finance B.V.
TNT Skypak International (Netherlands) B.V.
TNT Transport International B.V.
TNT Fashion Group B.V.
TNT Express Nederland B.V.
TNT Mail Holding B.V.
TNT Post Marketing & Sales B.V.
TNT Post Pakketservice Benelux B.V.
TNT Post Retail B.V.
TNT Post Shared Services B.V.
TNT Post Transport B.V.
TNT Post Productie B.V.

Fiscal unity in the Netherlands

TNT N.V. forms a fiscal unity with several Dutch entities for Corporate Income Tax and VAT purposes. The full list of Dutch entities that are part of the fiscal unity is 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. A 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 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: €1,100 million relating to committed revolving credit facilities, a €1,000 million commercial paper programme, a €175 million credit facility on its cross-currency cash pool as well as various guarantees included in International Swaps and Derivatives Association (ISDA) agreements with banks for the trading of financial derivatives which are materially issued for the discontinued Express business. In addition smaller uncommitted credit and guarantee facilities are guaranteed by TNT N.V. for its local Mail and Express businesses. Similar facilities will be set up for the Mail and Express businesses.

Furthermore, guarantees of €139 million (2009: 69) were issued for credit and foreign exchange facilities for the following discontinued Express subsidiaries: TNT (China) Holdings Company Ltd., TNT Express Worldwide (China) Ltd and Mach++ Express Worldwide Ltd. TNT N.V. has no guarantees outstanding (2009: 0) for the benefit of unconsolidated subsidiaries and third parties.

Parental support in the form of an indemnity has been provided by TNT N.V. to its indirect subsidiary TNT Holdings (UK) Ltd and its subsidiaries in connection with the acquisition of TNT PTY Ltd. in 1996 and the financing of this acquisition and as a result of the restructuring of the Group in the course of 1997 as a direct consequence of this acquisition.

43 Subsidiaries and associated companies at 31 December 2010

(No corresponding financial statement number)

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

Amsterdam, 21 February 2011

BOARD OF MANAGEMENT

M.P. Bakker (Chairman)
H.M. Koorstra
M.C. Lombard

SUPERVISORY BOARD

P. Klaver (Chairman)
R.J.N. Abrahamsen
P.M Altenburg
M. Harris
J. Wallage
R. King
W. Kok
S. Levy

TNT N.V.
Neptunusstraat 41-63
2132 JA Hoofddorp
P.O Box 13000
1100 KG Amsterdam
The Netherlands

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Shareholders of TNT N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of TNT N.V., Amsterdam as set out on pages 61 to 147 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 financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows 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 2010, the corporate income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of Management's responsibility

The Board of Management 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 Board of Management as set out on pages 10 to 55 , pages 152 to 157, pages 176 to 187 and pages 229 to 241 in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management 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 judgement, 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 Board of Management, 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 62 to 141 give a true and fair view of the financial position of TNT N.V. as at 31 December 2010, 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 142 to 146 give a true and fair view of the financial position of TNT N.V. as at 31 December 2010, 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 Board of Management as set out on pages 10 to 55, pages 152 to 157, pages 176 to 187 and pages 229 to 241 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 Board of Management as set out on pages 10 to 55, pages 152 to 157, pages 176 to 187 and pages 229 to 241, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 21 February 2011
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R. Dekkers RA

EXTRACT FROM THE ARTICLES OF ASSOCIATION ON APPROPRIATION OF PROFIT

Under TNT's current articles of association, the dividend specified in article 35, paragraph 1 will first be paid on the preference shares B if outstanding. Subject to the approval of TNT's Supervisory Board, the Board of Management will determine thereafter which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 35, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the general meeting of shareholders (articles 35, paragraph 3). No dividend shall be paid on shares held by TNT in its own capital (article 35, paragraph 6). Preference shares B have not been issued.

INTERIM DIVIDEND

The Board of Management of TNT has decided, given that because of the separation the Annual General Meeting of Shareholders will be later than usual, with the approval of the Supervisory Board, to declare a second interim dividend of €0.29 per share over 2010.

The second interim dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash, with an at least 2% premium for stock election. The election period is from 22 February 2011 to 8 March 2011, inclusive. To the extent the dividend is paid in shares, it will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 8 March 2011, after the close of trading on NYSE Euronext by Euronext Amsterdam ('Euronext'), based on the volume-weighted average price ('VWAP') of all TNT shares traded on Euronext over a three trading day period from 4 March 2011 to 8 March 2011 inclusive.

The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 2% above the cash dividend. There will be no trading in the stock dividend rights. The ex-dividend date will be 22 February 2011, the record date 24 February 2011 and the dividend will be payable as from 11 March 2011.

APPROPRIATION OF PROFIT

The Board of Management, with the approval of the Supervisory Board, has appropriated an amount of €183 million out of profit to the reserves. Following this appropriation, there remains an amount of €164 million of the profit that is at the disposal of the Annual General Meeting of Shareholders. Subject to the adoption of TNT's financial statements by the Annual General Meeting of Shareholders, the proposed 2010 dividend has been set at €57 cents per ordinary share of €48 cents nominal value. After adjusting for the 2010 interim dividend of €28 cents per ordinary share as paid out partly in cash and shares in August 2010 and the additional 2010 interim dividend of €29 cents per ordinary share as payable partly in cash and shares in March 2011, based on the outstanding number of 376,339,096 ordinary shares as per 31 December 2010, the final dividend will be €0 cents per ordinary share.

Upon approval of this proposal, profit will be appropriated as follows, whereby the second interim dividend represents a cash dividend under the assumption of 100% cash election.

Appropriation of profit

	2010
Profit attributable to the shareholders	347
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 35, par.2)	(183)
Dividend on ordinary shares	164
Interim dividend paid	55
Second interim dividend	109
Final dividend	0

(in €millions)

GROUP COMPANIES OF TNT 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 36 to the financial statements.

Chapter 10 Board of Management compliance statement

The management of risks, internal control, integrity and compliance forms an integral part of the business management within TNT. It is embedded within TNT's business objectives setting process and its operations and is continuously strengthened and improved.

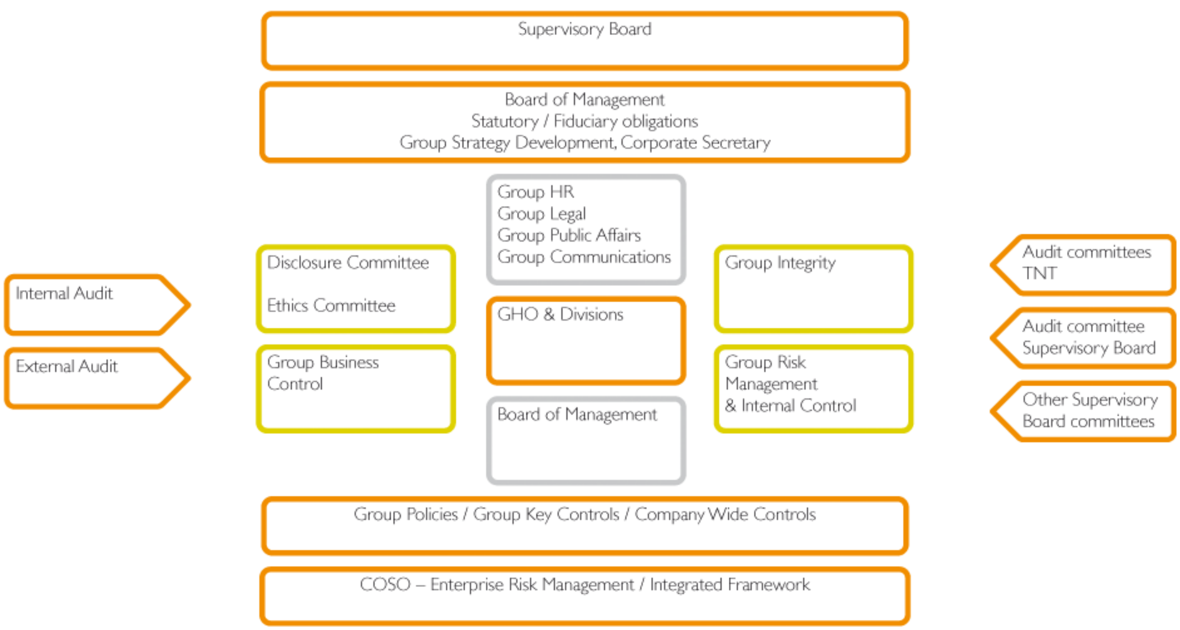
RISK MANAGEMENT, INTERNAL CONTROL, INTEGRITY AND COMPLIANCE SYSTEMS

This section provides an overview of TNT's approach to risk management, internal control, integrity and compliance. It also documents the necessary disclosures as required by the Board of Management under current best practice provisions of the Dutch Corporate Governance Code and the EU Transparency Directive as incorporated in chapter 5.1a of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). The nature and, where possible, the extent of TNT's exposure to risks is described in chapter 18.

TNT's approach to risk management, internal control, integrity and compliance

A pictorial and narrative description of TNT's risk management, internal control, integrity and compliance framework and its structure is provided below.

Risk Management, Internal Control, Integrity and Compliance Framework



The risk management, internal control, integrity and compliance framework shows that the Board of Management is supported in developing and achieving its strategic, operational and financial objectives by Group and divisional functions in the areas of risk management, control, integrity, reporting, tax, treasury, legal and corporate secretary, human resources, public affairs and communications. These supporting functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved and that decision making is facilitated and supported by transparent and accurate information. The Board of Management and the related Group and divisional functions have ensured that the framework is established primarily around eight business cycles of group policies, procedures and internal controls covering revenue, procurement, HR, financial reporting, treasury, tax, legal and compliance, and information systems.

Independent and internal monitoring and oversight functions provide a second and third line of defence and assurance in addition to that provided by the line functions.

TNT has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management, internal control, integrity and compliance systems. Built upon this framework is a comprehensive portfolio of group policies and key controls which direct and instil discipline in the company's business processes. The Board of Management has created a structure to support the development and implementation of these policies and controls, thus facilitating the discharge of statutory and fiduciary obligations. The Supervisory Board, its audit committee and other designated committees perform an oversight role, while the TNT internal audit function and the company's external auditors support the Board of Management and the Supervisory Board in monitoring the effectiveness and efficiency of the risk management, internal control, integrity and compliance framework.

The Board of Management is committed to ensuring this structure is effectively and efficiently transferred to and embedded in Mail and Express subsequent to the proposed demerger. As part of this commitment, the Board of Management has formally resolved to adopt all existing TNT group policies and procedures in their current wording as the policies of Express and Mail, effective on the date of the proposed demerger.

General Compliance

TNT's group policies and procedures reflect and define "the tone at the top" and the Group's way of doing business. Group policies have been reviewed and where necessary revised to strengthen existing internal controls.

Strategies have been established for the Group and translated into clear objectives with regard to business, markets, financial results, human resources and sustainability. The objectives are reviewed in the annual strategic review and the budget process for the Group and at the level of TNT's operational units. Performance and compliance are monitored regularly in discussions between the appropriate management and the Board of Management, through the Letter of Representation (signed by all managing and finance directors of TNT's group entities, and divisional and Group-level employees that report directly to the Board of Management), by internal audits and by the monitoring duties of TNT's divisional audit committees.

Risk management

The development of TNT's new business strategy, the separation of Express and the supporting financial and corporate responsibility strategies are not without risk. Indeed, changes of this magnitude automatically attract execution risk and strong change management capabilities are needed to manage these risks. The Board of Management believes, however, that these strategies contain manageable execution risks as they are based on TNT's core strengths. TNT's comprehensive and mature risk management, internal control, integrity and compliance framework has been designed to identify and prioritise principal key risks and to develop mitigating actions.

While continuous emphasis has been placed on the identification of risks at all levels of the organisation and the development of mitigating actions, uncertainties still exist, which require TNT to keep abreast of the rapidly evolving situation. TNT's management reviewed the risk profile regularly throughout 2010 and will continue to do so regularly during 2011. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed regularly by the Board of Management. All operational units worldwide continue to participate in the comprehensive risk identification process, the outcome of which is reported to the relevant Group and functional management. In addition, regular status reports of risk mitigating actions are provided to the Board of Management to further strengthen the company's risk management processes. The outcome of the risk management process is shared and discussed with the audit committee of the Supervisory Board and with the Supervisory Board.

In recent years, it was observed that the speed of onset of many risks is a significant risk in itself. The volatility of the past two years in particular, due to the economic downturn and natural phenomena such as the volcanic eruption in Iceland and extreme weather conditions, has emphasised the need for TNT to be able to develop risk action plans that can be accelerated if the underlying causes of key risks occur with little or no warning. The Board of Management has continued to invest time and resources into an evaluation of the effectiveness of the risk management systems. The risk management programme was enhanced during 2010 and these improvements were piloted across the Group Head Office and selected reporting units in Mail and Express. The enhancements include a redesign of the risk identification process and a more robust corrective action planning process and reporting. The Board of Management is committed to the further rollout of the enhanced risk management programme in both Mail and Express in 2011.

The risks to TNT's strategic, operational, legal and regulatory, and financial objectives are outlined in chapter 18. Chapter 18 also sets out the specific and inherent risks facing the execution of TNT's strategy and the impact the current economic situation is having on TNT and its operations and financial performance. Chapter 18 also outlines, and where possible describes, the extent of the mitigating actions that are either in progress, have been realised or are in development. In addition, key risks have been classified by risk category and further classified into specific risks and inherent risks facing the Group. Specific risks are risks that the Board of Management believes could negatively impact TNT's short to medium-term objectives, while inherent risks are those risks that are constantly present in the business environment but which are considered sufficiently material to require disclosure and management.

The specific key risks for Mail which the Board of Management believes require focused and decisive management attention in 2011 are as follows:

- A downturn in the capital markets and/or a decline in interest rates may reduce the coverage ratio to below 105% of TNT's defined benefit pension fund obligations in the Netherlands, which in turn could require significant, multi-year additional funding by TNT.
- Changes in the conditions of the Universal Service Obligation (USO), if imposed by the Ministry of Economic Affairs, Agriculture and Innovation, might have a significant negative impact on Mail's profitability and cash flow ambitions.
- The anticipated demerger of Express from TNT N.V. is a complex process involving a significant number of stakeholders and certain residual cross liabilities between the demerged legal entities will continue to exist.

The specific key risks for the Express discontinued operations which the Board of Management believes require focused and decisive management attention before and after the planned separation are as follows:

- Sudden changes in customer preferences or shipping patterns due to e.g. macroeconomic changes could create the need to further rationalise Express' operations and might negatively impact results. Such changes could lead to a significant increase or decrease in volumes, weight per consignment, shifts between premium and economy products and pressure on yield.
- Failure to prevent a terrorist attack and/or increased anti-terrorism requirements could impose substantial additional security costs on Express and could significantly impact TNT's reputation.
- Express may be unable to use commercial airlines as part of its linehaul needs due to increased regulatory pressure on security.

Internal control over financial reporting

TNT's Board of Management has been and remains committed to continuing to provide a high standard of corporate governance, information and disclosure, in line with the current Dutch Corporate Governance Code and regulatory requirements. The Board of Management is focused on continuously strengthening TNT's internal control over financial reporting (ICFR), whereby the positive elements of TNT's former obligations under the Sarbanes-Oxley Act continue to form a key part of TNT's approach to governance, internal control and reporting. The Board of Management fully believes that this approach and investment will continue to support a solid platform for sustainable value creation. TNT's Board of Management has chosen to expand the scope of the internal controls over the financial reporting framework beyond the minimum requirements that would have been mandatory according to the Sarbanes-Oxley Act, to include certain smaller entities as well as some of the newly-acquired entities.

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

Throughout 2010, TNT continued to invest the necessary time and resources required to document and evaluate the design of internal controls over financial reporting, as well as continuing the comprehensive programme of testing the operational effectiveness of the company's internal control over financial reporting. TNT has also further refined its system of entity level controls, which are applicable to all entities worldwide. This latter system includes an integrity awareness and training programme (see below) and a robust portfolio of group policies and procedures. In 2010, the Board of Management continued to engage TNT's external auditor to perform specific agreed-upon procedures on the internal control over financial reporting in all entities in scope for TNT's ICFR programme. The Board of Management believes that this approach adds significant value to the discipline needed to maintain and embed internal control over financial reporting across the TNT Group. The factual findings of the external auditor are reported to the Board of Management and the audit committee of the Supervisory Board.

Integrity

In January 2006, TNT's Board of Management launched the TNT Integrity Programme which has since become ingrained within TNT.

Guidance on integrity is set out in the TNT Business Principles, which, together with other integrity-related group policies and procedures, are published on TNT's corporate website. These group policies deal with topics such as compliance with laws and regulations, accurate and timely disclosure of information, transparency, equal opportunities, fair treatment, conflicts of interest, corruption, fair competition, and social responsibility. The TNT Business Principles are aligned with the UN Global Compact (since 2002) and the Partnering Against Corruption Initiative principles (since 2008).

TNT's integrity-related group policies and procedures include the TNT Group Procedure on Whistleblowing, the TNT Group Policy on Fraud Prevention, the TNT Group Policy on Gifts and Entertainment and the TNT Group Policy on Disciplinary Actions. The last of these policies stresses that non-compliance with TNT's group policies is not tolerated.

Awareness and compliance are enhanced by integrity-related communication and web-based and in-person training. Interactive integrity workshops have been and continue to be held for senior and higher management in all parts of the world. Subsequently, senior managers cascade this training and communication down into their business units using the "train the trainer" model, thus fulfiling their responsibility for the rollout of the Integrity Programme. TNT facilitates and monitors this process. TNT has developed a new web-based training on TNT's Business Principles and related policies and procedures. This values-based training contains separate modules covering subjects such as gifts and entertainment, conflicts of interest, ethical decision making and speaking up. It is used to train key management as well as a large group of other managers and employees. Key management is trained every other year via a web-based programme. In 2010, Group Integrity trained 854 managers and employees through in-person and/or web-based training, after which additional managers and staff were trained through the "train the trainer" model.

TNT's Business Principles and related group policies continue to be embedded in TNT's strategic and operational decision-making processes. Integrity is part of TNT's Group Policy on Mergers and Acquisitions, and integrity due diligence as well as an integrity post-acquisition review have become part of TNT's Mergers and Acquisitions process. New TNT employees are required to certify their acknowledgement and understanding of the TNT Business Principles when they enter employment.

Integrity is monitored in several ways:
- by requiring senior management to sign a Letter of Representation every half-year,
- through internal audits, and
- by means of annual engagement surveys.

The TNT Integrity Programme is part of the entity level controls, and compliance is self-assessed annually by management.

Another important monitoring tool is the TNT Group Procedure on Whistleblowing. Under this procedure, employees are encouraged to report promptly any breach or suspected breach of any law, regulation, the TNT 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 Group Integrity. In 2010, 145 reports were received (2009: 116). Approximately 14% of these complaints involved employment-related matters (2009: 18%). The number of reports received has increased year-on-year by 25%. The financial impact of the substantiated cases is not material and appropriate remedial actions have been taken.

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code under best practice provision II.1.4 requires the Board of Management to examine strategic, operational, legal and regulatory, financial and financial reporting risks.

The Board of Management confirms that it is responsible for TNT's risk management, internal control, integrity and compliance systems and has reviewed the operational effectiveness of these systems for the year ended 31 December 2010. The outcome of this review and analysis has been shared with the audit committee and the Supervisory Board and has been discussed with TNT's external auditors.

The Board of Management believes to the best of its knowledge based on the outcome of the TNT-specific approach to risk management, internal control, integrity and compliance as outlined above, that TNT's risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2010 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatement.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

In conjunction with the EU Transparency Directive as incorporated in chapter 5.1a of the Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)*, the Board of Management therefore confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2010 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT and its consolidated companies,
- the additional management information disclosed in the annual report gives a true and fair view of TNT and its related companies as at 31 December 2010 and the state of affairs during the financial year to which the report relates, and
- the annual report describes the principal risks facing TNT. These are described in detail in chapter 18.

Hoofddorp, 21 February 2011

Peter Bakker – Chief Executive Officer
Harry Koorstra – Group Managing Director Mail
Marie-Christine Lombard – Group Managing Director Express

1 Bernard Bot, acting Chief Financial Officer, is not required to sign the Board of Management compliance statement under chapter 5.1a of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) as he is not formally a member of the Board of Management of TNT N.V.

Chapter 11 Remuneration

GENERAL

The remuneration committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Board of Management. The Supervisory Board approves the proposal and submits, in case of policy changes, the proposed remuneration policy to the general meeting of shareholders for adoption.

Following some general information with respect to the remuneration committee, the second part of this chapter outlines the remuneration policy with the different compensation elements as approved by TNT's Annual General Meeting of Shareholders on 20 April 2007.

The third part of this chapter reflects the actual remuneration of the members of the Board of Management in 2010, while the fourth part outlines the 2011 remuneration policy for the members of the Board of Management. Finally, the remuneration of the members of the Supervisory Board is described.

REMUNERATION COMMITTEE

The remuneration committee prepares its proposal independently after careful consideration. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements and is compliant with the Dutch Corporate Governance Code. In preparing the remuneration policy, the remuneration committee also takes into account the remuneration of senior management reporting to the Board of Management. The remuneration committee has four members. In 2010, the remuneration committee members were Mr Levy (chairman as of 8 April 2009), Mr King, Mr Klaver and Ms Harris. During 2010, the remuneration committee met five times. In 2010, none of the members of the remuneration committee was a member of the management board of another Dutch listed company.

The remuneration committee used professional internal and external advisors. These advisors do not advise the members of the Board of Management personally on their remuneration.

REMUNERATION POLICY 2010

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

To provide a consistent review of the level and structure of the total remuneration, the remuneration components for the members of the Board of Management are benchmarked against a Dutch reference group. All comparisons are made on a euro basis.

2010 Dutch peer group (AEX companies
Unilever; Ahold; Philips Electronics; Akzo Nobel; KPN; Heineken: DSM; Randstad; Reed Elsevier; Wolters Kluw er; ASML Holding; SBM offshore; USG people

The remuneration committee recommended to the Supervisory Board the introduction of a new remuneration policy in 2010 based on principles of transparency and consistency with emerging practice in the market. The Supervisory Board, in agreement with the Board of Management, adopted these recommendations. The proposals were submitted for adoption at the 2010 Annual General Meeting of Shareholders. The shareholders voted in favour of the proposals, which were implemented in 2010.

The 2010 remuneration policy focuses on the absolute level of compensation and the director's performance as regards the different compensation elements and aims to stimulate well-balanced management behaviour.

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

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

Remuneration policy 2010: base salary

Base salary remains set at median level when compared to the peer group benchmark data. The composition of the peer group as described in the 2010 Dutch peer group table remains unchanged from 2009. A check against the peer data is performed every three years. The reference rule for the annual increase remains a weighted average of collective labour agreement increases in TNT's key business areas. In principle, the level of base salary for the coming three years (2011-2013) will remain frozen at the actual 2010 level. The level of base salary of the members of the Board of Management has not increased since 2008.

Remuneration policy 2010: variable income

A variable compensation scheme with the following characteristics has been implemented:
- The total variable income potential amounts to 100% of base salary per year. There is no stretch opportunity.
- It is a combined short-term and long-term incentive three-year plan, in which the members of the Board of Management have the opportunity to earn an incentive, based on annual targets derived from three-year plans.

The variable income scheme represents a multi-stakeholder approach with four focus areas:
- Financial: 50%, of which 35% is based on the achievement of EBIT, adjusted net cash flow from operating activities and ROIC targets; 15% is based on TSR targets, backward looking to the previous three years.
- Employees: 15% is based on management development and achieving engagement survey objectives.
- Environment: 15% is based on achieving CO_2 efficiency improvement targets and health and safety objectives.
- Customers: 20% is based on improving customer focus, measuring customer focus through customer satisfaction surveys.

All targets and objectives are quantitative. The actual targets/objectives are defined based on three-year strategic plans of the company. The Supervisory Board may amend the targets/objectives set, in the event of a substantial adjustment of the strategic plan. Taking into account the differing nature of the targets/objectives, different measurement techniques are used.

The variable income scheme is a rolling plan for the financial targets, except for the cash flow and TSR targets. The cash flow target is considered as a yearly target by nature and shall be measured on an annual basis. The TSR target is measured as a backward-looking target. The plan is a sequential plan for the non-financial targets.
The eligible participants are rewarded with the immediate (yearly) payment of the realised incentive with a deferred element for 50% of that cash value. This 50%, after income tax, is delivered as TNT shares. The shares delivered are banked and are restricted shares held for a total period of five years, in accordance with the Dutch Corporate Governance Code provisions.

PENSION

The pension scheme applicable to the Dutch members of the Board of Management is a career average scheme. The main features of the career average scheme are:

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

Pension arrangements should be in line with local practice in the country of residence of the member of the Board of Management. The pension arrangements for all members of the Board of Management include entitlement to a pension in the event of illness or disability and a spouse's and/or dependant's pension in the event of death.

SEVERANCE

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

- As policy, severance payments other than those related to a change of control are one year base salary or a maximum of two years base salary in the first four-year term if one year is considered to be unreasonable.
- Contracts entered into prior to 2004 remain unaltered. For members of the Board of Management who are not residents of the Netherlands, the company follows local market practice for that part of the base salary earned in the country of residence.
- 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 last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management.

The company does not grant loans, including mortgage loans, to the members of the Board of Management.

OTHER

The Supervisory Board introduced a 'claw-back' clause, effective as of 2008, for a situation where the financial information on which the payout of variable remuneration was based is determined to be incorrect.

For all members of the Board of Management, in the event of a change of control of the company, the Supervisory Board may at its discretion allow all or part of the allocations of performance shares and/or matching shares to vest on the date on which control of the company passes.

However, in the event of a change of control, the proceeds of the 2010 performance share grant will be capped at the level of the sum of:

- the average of the closing prices of the TNT 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 under the previous bullet point.

The Supervisory Board has the discretionary authority to decide on one-off payments to members of the Board of Management 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.

ACTUAL REMUNERATION IN 2010

The table below summarises the 2010 compensation elements of the members of the Board of Management as they are to be calculated under IFRS in the financial statements. For detailed disclosure on the remuneration of individual members of the Board of Management, see note 19 of the consolidated financial statements of TNT N.V.

Total remuneration Board of Management

		Fixed remuneration	Variable remuneration				
	Financial year	Base salary	Accrued for short term incentive [1]	Accrued for long term incentive [2]	Other periodic paid compensation [3]	Pension costs [4]	Total
Peter Bakker *Chief Executive Officer*	2010	918,000	606,893	362,005	133,864	109,968	2,130,730
	2009	918,000	519,390	466,052	159,268	86,674	2,149,384
	2008	918,000	587,795	485,125	159,998	86,083	2,237,001
Bernard Bot [5] *acting Chief Financial Officer*	2010	187,500	281,939	50,204	27,573	61,682	608,898
Harry Koorstra *Group Managing Director Mail*	2010	612,000	396,945	214,842	168,665	99,299	1,491,751
	2009	612,000	365,636	254,643	122,182	86,527	1,440,988
	2008	612,000	439,722	248,304	143,302	84,315	1,527,643
Marie-Christine Lombard *Group Managing Director Express*	2010	612,000	343,395	214,842	390,260	281,520	1,842,017
	2009	612,000	365,636	307,078	423,083	281,520	1,989,317
	2008	612,000	195,840	353,173	501,958	281,520	1,944,491
Henk van Dalen [5] *former Chief Financial Officer*	2010	459,000	12,134	172,813	118,624	71,453	834,024
	2009	612,000	349,268	254,643	536,853	253,221	2,005,985
	2008	612,000	336,784	212,617	525,459	254,616	1,941,476

1. 1. The accrued short term incentive consists of the accrued bonuses for the performance of the year reported and paid in cash in the next year and the costs relating to the bonus matching share plan. The accrued amount for Bernard Bot includes a discretionary bonus.
2. Acrrued for long term incentive chargeable to the company in the financial year (i.e. cost in current financial year for performance shares granted in the current and previous years).
3. Other periodic paid compensation includes company costs related to tax and social security, company car and other costs.It also includes salary allowances made as compensation for the change in pension system to Peter Bakker of €60,106; Harry Koorstra of €55,208 and Henk van Dalen of €41,403. Also included are periodic payments for French social taxes and French social security contributions for Marie-Christine Lombard, calculated on the the full salary package i.e. base salary, bonus and performance shares.
4. Pension costs include the fourth instalment of the actuarial value of a total compensation of €1,350,000 to be equally contributed in four instalments in accordance with the employment agreement of Henk van Dalen.
5 Henk van Dalen left the company per 1 October 2010.Bernard Bot is acting CFO since 1 August 2010.

(in €)

Note: Effective 1 August 2010 Mr van Dalen, CFO resigned from the Board of Management. The Supervisory Board appointed Mr Bot to the position of acting CFO with the intention to formalise his appointment as statutory director and CFO of TNT N.V. at the Annual General Meeting of Shareholders in May 2011, as prescribed by the articles of association. The Supervisory Board will formally notify the Annual General Meeting of Shareholders of its intention to appoint Mr Bot as statutory director and CFO of TNT N.V. However, in light of the intended separation, should the demerger proposal be approved by the Annual General Meeting of Shareholders, the Supervisory Board will not proceed with the actual appointment of Mr Bot as statutory director of TNT N.V. Instead Mr Bot will be designated as the new CFO of Express

In the below table, you will find a summary of the 2010 variable pay targets and achievement thereof of the Board of Management:

Scorecard		Peter Bakker	Bernard Bot	Harry Koorstra	Marie-Christine Lombard
Financial targets	50%				
- EBIT	35%	√	√	√	√
- ROIC		√	√	√	√
- Cash Flow		√	√	√	√
TSR	15%	-	-	-	-
Non-financial targets	50%				
People					
- Engagement	15%	-	-	-	-
- MD		-	-	-	-
Customers	20%	√	√	√	-
Environment					
- CO_2	15%	√	√	√	√
- H&S		√	√	-	√

REMUNERATION POLICY FOR 2011

Compared to 2010, no changes in the 2011 remuneration policy are proposed. The remuneration committee has advised the Supervisory Board to maintain the current level of base salary and to maintain the fixed-to-variable compensation ratio (100% base salary and 100% variable income), as approved by shareholders in April 2010. The proportion of financial and non-financial targets for the variable income scheme remains at 50% financial and 50% non-financial.

The 2010 three-year variable income scheme ended on 31 December 2010 due to the proposed separation of TNT. A new three-year plan will take effect on 1 January 2011.

UNWINDING OF EXISTING EQUITY PLANS

Subject to approval of the demerger proposal by shareholder, the existing and unvested rights on performance shares and matching shares will vest on a pro-rated basis in accordance with current plan rules and applying the most recent performance criteria.

The unvested rights on performance shares and matching shares granted in 2009 and 2010, as well as any unexercised options, will be unwound immediately before the demerger date. All schemes will be terminated before the planned demerger and no 'legacy plans' will exist thereafter. The unwinding will be executed as described below unless the Supervisory Board decides otherwise in the period before the demerger.

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

The exercise period of the employee options for TNT shares will be shortened and will end immediately before the planned demerger date. The value upon demerger of any unexercised option will be calculated in accordance with a generally accepted option valuation model and will be paid to the eligible employees.

MEMBERS OF THE BOARD OF MANAGEMENT

Term of employment

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

For the non-Dutch members of the Board of Management, local legislation is applicable.

Term of appointment

Members of the Board of Management are appointed to the Board of Management for a period of four years. On expiry of the four-year term, a member of the Board of Management may be reappointed for successive terms of four years each. Details on each member's appointment are set out below.

Appointment details

	Employed since	Term of employment	Board member since	Year of (re)appointment	Term of appointment
Peter Bakker	October 1991	Indefinite	1998	2008	Four years
Harry Koorstra	October 1991	Indefinite	2000	2009	Four years
Marie-Christine Lombard	December 1999	Indefinite	2004	2008	Four years

Changes in 2010

The employment of Mr van Dalen was terminated effective 30 September 2010. In application of the Board of Management remuneration policy and contractual arrangements, no variable income is due with respect to the 2010 financial year. Mr van Dalen owned 6,841 vested shares, all available for trading as of his resignation date. Next to the vested shares, Mr van Dalen was granted rights on 63,005 unvested shares from the 2008 LTI grant (rights on 19,508 performance shares) and from the 2009 LTI grant (rights on 43,497 performance shares). In 2010, no performance shares were granted to members of the Board of Management. In application of the rules of the relevant performance share plan, all unvested shares automatically lapsed per his resignation date.

On 1 August 2010, Mr Bot was appointed as acting CFO.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board comprises base pay and variable pay linked to attendance of the meetings of the committees of the Supervisory Board. The members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with the company. The members of the Supervisory Board do not receive any severance payments in the event of termination. TNT does not grant loans, including mortgage loans, to any member of the Supervisory Board. The remuneration of the Supervisory Board has not changed since 2006.

Remuneration of Supervisory Board

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

(in €)

Section C: Report of the Supervisory Board

TNT'S SUPERVISORY BOARD

Mr P.C. Klaver, Chairman
Nationality: Dutch
Appointed: April 2008
Term expires: 2012
Committee membership:
Nominations (chair), remuneration, public affairs

Mr S. Levy, Vice-Chairman
Nationality: French
Appointed: April 2005
Term expires: 2013
Committee membership:
Remuneration (chair)

Mr R.J.N. Abrahamsen
Nationality: Dutch
Appointed: May 2000
Term expires: 2012
Committee membership:
Audit (chair), nominations

Ms P.M. Altenburg
Nationality: Dutch
Appointed: April 2009
Term expires: 2013
Committee membership:
Audit, public affairs

Mr V. Halberstadt
Nationality: Dutch
Appointed: June 1998
Term expires: 2010
Committee membership:
Public affairs (chair), nominations

Ms M.E. Harris
Nationality: British
Appointed: April 2007
Term expires: 2011
Committee membership:
Audit, remuneration, nominations

Mr R. King
Nationality: American
Appointed: April 2006
Term expires: 2014
Committee membership:
Remuneration

Mr W. Kok
Nationality: Dutch
Appointed: April 2003
Term expires: 2011
Committee membership:
Public affairs (chair), nominations

Mr G.J. Ruizendaal
Nationality: Dutch
Appointed: April 2008
Mr Ruizendaal passed away in November 2010
Committee membership:
Audit

Mr J. Wallage
Nationality: Dutch
Appointed: April 2010
Term expires: 2014
Committee membership:
Public affairs

Chapter 12 Report of the Supervisory Board

FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear stakeholders,

Thanks to thoughtful and thorough preparations the separation of TNT N.V. into two strong companies, Mail and Express, is progressing well. Both companies have very qualified management, good market positions and solid capital structures. This will enable each company to successfully implement an independent strategy for the benefit of shareholders, employees, customers and other stakeholders.

On behalf of the Supervisory Board I would like to compliment the Board of Management and the teams for the enormous and relentless effort over the past months to prepare for the separation in such an excellent manner.

Assuming the shareholders vote on 25 May 2011 in favour of the separation, Peter Bakker's tenure as CEO of the company will come to an end. Peter will pursue other opportunities after completion of the separation. We wish him well. Peter has been with TNT for almost 20 years, of which the last 10 years as CEO. Under his leadership, TNT has been shaped into a strong, professional, responsible, industry leading organisation with a great reputation for corporate responsibility, a company to be truly proud of. The Supervisory Board highly appreciates Peter's great contribution to TNT over such a long period.

Our esteemed colleague in the Supervisory Board, Mr Gerard Ruizendaal, passed away at the age of 52. He was a member of our Supervisory Board since April 2008. He was a very well liked and knowledgeable person whose expertise is greatly missed in the Supervisory Board.

Piet Klaver
Chairman of the Supervisory Board of TNT N.V.

INTRODUCTION

In this chapter the Supervisory Board of TNT reports on its activities in 2010 and on the information required to be provided under the Dutch Corporate Governance Code published on 10 December 2008 (the 'Code').

AUTHORITIES, COMPOSITION AND WORKING OF THE SUPERVISORY BOARD

The Supervisory Board is charged with supervising the Board of Management and the general course of action of TNT, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of TNT. It shall take into account the relevant interests of the company's stakeholders, and, to that end, consider all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. The Supervisory Board is responsible for the quality of its own performance and for this purpose annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

Composition of the Supervisory Board

TNT's articles of association mandate that the Supervisory Board should consist of a minimum of seven and a maximum of 12 members. The Supervisory Board has discretion on the number of its members. At present, TNT's Supervisory Board consists of eight members.

The Supervisory Board has prepared a profile of its size and composition, taking into account the nature of TNT's business and activities and the desired expertise and background of the members of the Supervisory Board. The Supervisory Board evaluates the profile annually and discusses the profile during the general meeting of shareholders and TNT's central works council, when any amendments to the profile are made.

The Supervisory Board had amended its profile relating to the aspects of diversity in the compositions of the Supervisory Board to align it with the Dutch Corporate Governance Code in 2009. In 2010 there were no additional amendments.

The composition of the Supervisory Board changed in 2010. At the Annual General Meeting of Shareholders held on 8 April 2010, Mr Halberstadt resigned, following the expiration of his term. Mr Halberstadt was a member of the Supervisory Board and chairman of the public affairs committee from 1998 to April 2010. Mr King was available for reappointment, and was reappointed in 2010. Mr Wallage was appointed as a new member. His nomination was supported by the central works council and he has become a member of the public affairs committee. Mr Levy became a member of the audit committee. Ms Harris became a member of the remuneration committee and the nominations committee.

On 30 November 2010, Mr Ruizendaal passed away at the age of 52. Mr Ruizendaal was a member of the Supervisory Board since April 2008. He was also a member of the audit and nominations committees of the Supervisory Board. His expertise is greatly missed in the Supervisory Board.

The Supervisory Board discussed the changes in composition as part of the succession policy of its members and in relation to the profile of the Supervisory Board.

Composition Supervisory Board and committees as per 1 January 2011

Name	Nationality	Appointed	Term expires	Committee membership
Mr P. C. Klaver	Dutch	April 2008	2012	Nominations (chair), remuneration, public affairs
Mr S. Levy	French	April 2005	2013	Remuneration (chair), audit
Mr R.J.N. Abrahamsen	Dutch	May 2000	2012	Audit (chair) , nominations
Ms P.M. Altenburg	Dutch	April 2009	2013	Audit, public affairs
Mr V.Halberstadt	Dutch	April 2007	2011	Audit, public affairs
Ms M.E. Harris	British	April 2007	2011	Audit, remuneration, nominations
Mr R. King	American	April 2006	2014	Remuneration
Mr W. Kok	Dutch	April 2003	2011	Public affairs (chair), nominations
Mr J. Wallage	Dutch	April 2010	2014	Public affairs

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. Also, TNT's articles of association provide that members of the Supervisory Board shall retire periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which appointments and/or reappointments occur simultaneously. Both profile and rotation plan can be viewed on TNT's corporate website, group.tnt.com.

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

Committees of the Supervisory Board

TNT's Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs 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's corporate website. 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, inter alia, the integrity of TNT's financial and corporate responsibility reporting and reporting process, its financing and finance-related strategies, its system of internal control and financial reporting and its system of risk management. The audit committee reviews the independence of the external auditor and the functioning of internal audit, its tax planning and compliance with relevant primary and secondary legislation and codes of conduct. The audit committee has the authority to retain independent advisors as it deems appropriate. TNT will bear these costs.

The audit committee consists of at least three members. All members of the audit committee must be members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules. A member of the audit committee may not simultaneously serve on the audit committees of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such a member to serve effectively on the audit committee. The audit committee and the remuneration committee may not consist of the same 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 Board of Management for adoption by the Supervisory Board. The remuneration committee also proposes a remuneration policy, including schemes under which rights to shares are granted for members of the Board of Management, and prepares a proposal for the remuneration of the individual members of the Supervisory Board, which is submitted for adoption to the 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's share capital to other senior management within TNT.

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 Board of Management, to set up procedures to secure adequate succession of members of the Board of Management and the assessment of such candidates, and to assess the size and composition of the Supervisory Board and the Board of Management. It makes proposals for the profile of the Supervisory Board, assesses the functioning of individual members of the Supervisory Board and the Board of Management 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 Board of Management and the functioning of the individual members are assessed by the nominations committee and discussed by the Supervisory Board.

Public affairs committee

The public affairs committee is appointed by the Supervisory Board to act as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring TNT's public affairs policy governing the relationships between TNT and national and international (semi) public bodies, including but not limited to governments, ministries, parliaments, industry supervising authorities (e.g. OPTA), works councils, trade unions and antitrust authorities, and (ii) formulating and developing TNT's social and environmental policies.

Reporting by committees

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. Minutes of the audit committee meetings were prepared overnight, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting.

The information on the composition and functioning of the Supervisory Board and its subcommittees will be included in the corporate governance statement as made publicly available on TNT's corporate website group.tnt.com under Corporate Governance. An abbreviated version of the corporate governance statement can be found on page 157 of chapter 10.

MEETINGS OF THE SUPERVISORY BOARD

In 2010, the Supervisory Board held 17 (mostly evening and next-day morning) meetings, of which 13 were with the Board of Management present as well. In every meeting, business and market developments and the results and positions in various market segments within Express and Mail were discussed. Strategic, regulatory and corporate social responsibility issues were recurring topics.

In addition, the Supervisory Board held a number of meetings by telephone. Almost all meetings were attended by the full Supervisory Board. There was no frequent absence of any of the members of the Supervisory Board.

In February, the Supervisory Board approved the 2010 targets as well as the 2010 remuneration package for the Board of Management. The Board Report by TNT's auditors, PricewaterhouseCoopers Accountants N.V. (PwC), and the 2009 integrated annual report and corporate responsibility report were discussed. The 2009 integrated annual report and corporate responsibility report and the agenda for TNT's Annual General Meeting of Shareholders of 8 April 2010 were approved. The guidelines of TNT N.V. on reserves and dividend were discussed. The reappointment of Mr van Dalen as member of the Board of Management and CFO for another four-year term was approved. An update on the integrity programme (including the 2009 fraud and whistleblower report) was provided and the investigation of a potential separation of the Mail and Express divisions ('the separation process') was discussed. The outcome of the risk management process was shared and discussed with the Supervisory Board. The 2009 fourth quarter results were discussed. The Supervisory Board approved TNT's financial statements. Discussions were held on the business outlook for 2010 and the availability and mix of dividend over the 2009 financial year. This resulted in the approval by the Supervisory Board of the decision of the Board of Management to propose to the Annual General Meeting of Shareholders a distribution of an optional final dividend, which equalled €0.35 per ordinary share. To the extent the final dividend was paid out in shares, this was paid up from additional paid in capital, free from withholding tax in the Netherlands.

In April, the Supervisory Board held two meetings, in preparation for the Annual General Meeting of Shareholders and to discuss the first quarter results. The nomination for the reappointment of Mr King and the nomination for the appointment of Mr Wallage as members of the Supervisory Board were approved by the Annual General Meeting of Shareholders. An update was given on the progress of the strategies of Mail and Express ('the mid term and growth strategy').

In June, the Supervisory Board held the annual strategy meeting together with the Board of Management, reviewing both the business plans of Mail and Express as well as the group strategies, including financial strategies. The portfolio mix and transformation, defining areas for growth, areas for deeper focus and value development were discussed as well as the progress of the mid term and growth strategy on the potential separation of the two divisions. For more information, see the section below on strategy.

In July, the half-year results and second quarter results were discussed as well as the progress on the separation process. The Supervisory Board approved the 2010 interim dividend and discussed the health and safety reporting. An update on the integrity programme (including the half-year 2010 fraud and whistleblower report) was provided. A further strategy meeting was held. The proposed resignation of Mr van Dalen and the appointment of Mr Bot as acting CFO were discussed.

In September, the Supervisory Board together with the Board of Management discussed the separation process and the various choices that needed to be made to realise the separation of Express.

In October, the third quarter results and the progress on the strategies of Mail and Express ('the mid term and growth strategy') were discussed.

In November, the Supervisory Board together with the Board of Management pre-discussed the messages on the separation of Mail and Express in anticipation of the publication of the strategic choices proposed by the company on 2 December 2010.

In the December meetings, the Supervisory Board discussed and approved the 2010 budget plan with the Board of Management. The Supervisory Board evaluated with the CEO the functioning of the Board of Management and its individual members. Subsequently, the Supervisory Board discussed in a private session the functioning of the CEO. Its own functioning as supervisory board and that of its individual members, its profile, composition and competence and the functioning of its committees was discussed in February 2011. This evaluation has been carried out based on an elaborate self-assessment.

Throughout the year, additional meetings were held relating to the mid term and growth strategy (including the progress on the separation process). The Chairman of the Supervisory Board as well as some individual members had meetings with the central works council on a regular basis.

MEETINGS OF THE COMMITTEES OF THE SUPERVISORY BOARD

Audit committee

In 2010, the audit committee met five times. All meetings were attended by the group director Internal Audit and the group director Financial Reporting Consolidation and Accounting. Four meetings were attended by the CEO and the CFO and all meetings were attended by the external auditor PwC and by the group director Business Control.

The audit committee discussed with PwC, the full year 2009 and half-year 2010 Board Report as well as TNT's 2009 annual results and the 2010 first quarter, half-year and third quarter results. It also reviewed press releases and compliance with TNT's Group Policy on Auditor Independence and Pre-Approval, as well as internal control over financial reporting. The reports of TNT's internal audit function were discussed each quarter. The audit committee further reviewed proposals for the 2009 full year dividend and the 2010 interim dividend.

In February, the risk management process was reviewed. In April, the external audit fee proposal for 2010 was approved, and the first quarter results were discussed and agreed. In July, the risk profile was shared and discussed. In October, the third quarter results were discussed and agreed by the audit committee. In December, the audit committee reviewed the 2011 budget plan and part of the internal audit plan for 2011. The potential impact of the economic downturn on TNT's financial position and on the position of the pension fund's coverage ratio was discussed during every meeting of the audit committee.

The financial reports supporting the strategies of Mail and Express ('the mid term and growth strategy') were discussed in detail, including the view on development of the business, continuation of the dividend policy, focus on cost savings, possible restraints on investments, and strict management of working capital and cash.

Remuneration committee

In 2010, the remuneration committee held five meetings. In the course of 2010, the remuneration committee reviewed the current Board of Management remuneration policy. With an eye to the envisaged separation of Mail and Express, the remuneration committee proposed a new remuneration policy, which was supported by the Supervisory Board. Pending approval by the Annual General Meeting of Shareholders in May, the new remuneration policy will become effective in 2011.

See chapter 11 for further details on remuneration for the Board of Management and the Supervisory Board, including a further explanation of the remuneration policy and actual remuneration and the relationship between remuneration and performance of members of the Board of Management for 2010.

Nominations committee

The nominations committee held seven meetings in 2010. The Supervisory Board (re)appointments were discussed as well as the reappointment of Mr van Dalen to the Board of Management. Succession planning relating to the Supervisory Board for the years 2010 and 2011, including the composition of the supervisory boards of the new separate entities Mail and Express, were discussed as well as the composition of the committees of the proposed supervisory boards. It was decided to nominate Mr Klaver as chairman of the Supervisory Board of the new separate entity Mail, and Ms

Altenburg, Mr Kok, Mr Abrahamsen and Mr Wallage as members of the Supervisory Board. The Supervisory Board will propose to the shareholders meeting to appoint two new members in the new separate entity Mail. The Supervisory Board for the new separate entity Express will consist of Ms Harris, Mr Levy and Mr King. The Supervisory Board will propose to the shareholders meeting to appoint three new members with one member selected as the chairman in the new separate entity Express.

The nominations committee discussed and advised the Supervisory Board on the proposed resignation of Mr van Dalen as CFO of the company. Also the proposed appointment of Mr Bot as acting CFO (until the notification to the meeting of shareholders has taken place) was discussed and advice was given to the Supervisory Board.

Public affairs committee

The public affairs committee met six times in 2010. The committee discussed national and international postal regulatory developments, including the effects of the new Dutch postal law and the status of various related subjects of the liberalisation of the European postal market. The committee reviewed TNT's proposed new corporate responsibility strategy for 2011 onwards. The committee reviewed and discussed the cost saving initiatives for the Dutch mail operations (the Master Plans), health and safety issues (including fatalities) and initiatives to reduce the number of fatalities. The negotiations with the unions on the new collective labour agreement in the Netherlands were discussed as well as the collective labour agreement for the postal sector.

The committee also included on the agenda specific Express issues, for example landing rights and the regulatory framework within which Express operates in Europe. In addition, developments in OPTA, the Independent Supervisory Authority for Post and Telecommunications, as well as the large company regime and the position of Mail in the Dutch social landscape were discussed.

INDUCTION AND TRAINING

As a new member of the Supervisory Board, Mr Wallage attended two full-day induction programmes on 18 and 27 May 2010. Senior corporate directors informed him of the strategic, financial, legal, reporting, integrity and compliance affairs of TNT. Mr Wallage also visited Mail facilities.

INDEPENDENCE OF MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Dutch Corporate Governance Code.

DIVERSITY WITHIN THE SUPERVISORY BOARD

TNT adheres to best practice provision III.1.3 of the Dutch Corporate Governance Code, which states that information must be given in the annual report on the members of the Supervisory Board themselves. The Supervisory Board has explicitly included in the information given on its members, the number of women in the Supervisory Board together with information on nationality, age, expertise and social background.

The Supervisory Board consists of eight members. Of these eight members, two are female (25%). With respect to nationality, 50% of the board members are non-Dutch. Four nationalities are represented. The average age is 63.5 and the ages range between 44 and 72. The majority of the members possess a university degree or the equivalent thereof. The field of expertise ranges from (public) administration to members who are experienced in (Dutch) labour issues to members who have general management experience in the United States, the Far East and/or Europe.

The profile of the Supervisory Board is such that each member must be capable of assessing the broad outline of the overall policy and should have the specific expertise required to fulfil the duties assigned to their designated role designated within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties. The Supervisory Board has ensured its composition meets the required profile and is as independent and diverse as possible. In anticipation of the envisaged demerger, the Supervisory Board has adopted profiles for the new Mail and Express entities.

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. Furthermore, the chairman arranges for the induction and training programme for the members of the Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management. The chairman of the Supervisory Board may not be a former member of TNT's Board of Management.

The Supervisory Board is assisted by TNT's corporate secretary. All members of the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that Supervisory Board procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the articles of association. The corporate secretary is appointed and dismissed by the Board of Management, following the approval of the Supervisory Board.

At TNT, the corporate secretary is appointed as secretary to the Board of Management and the Supervisory Board and as central officer, as mentioned in the TNT Group Policy on Prevention of Insider Trading, which can be found on TNT's corporate website, group.tnt.com.

There is an agreed procedure for members of the Supervisory Board to obtain independent professional advice at TNT's expense, if so required. The Supervisory Board made use of this facility by appointing Credit Suisse S.A. for strategic advice relating to the demerger of Express from TNT N.V.

MEMBERS OF THE SUPERVISORY BOARD IN 2010

P.C. (Piet) Klaver (1945, Dutch)

Mr Klaver was appointed as a member of the Supervisory Board on 11 April 2008. His current term expires in 2012. He has been chairman of the Supervisory Board since 1 January 2009. Mr Klaver is chairman of the supervisory boards of the Utrecht School of Arts, Dekker Hout Groep B.V., Jaarbeurs Holding B.V., Dura Vermeer Groep N.V., Blokker Holding B.V. and Credit Yard Group B.V. Furthermore, he is a member of the supervisory boards of ING Group N.V. and SHV Holdings N.V. He is a member of the board of African Parks Foundation. Formerly, Mr Klaver held various positions at SHV Holdings N.V., lastly as chairman of the executive board of directors.

S. (Shemaya) Levy (1947, French)

Mr Levy was appointed as a member of the Supervisory Board on 7 April 2005. His current term expires in 2013. He is vice-chairman of the Supervisory Board as of 1 January 2009. Mr Levy is a member of the supervisory boards of Safran, Segula Technologies Group and AEGON N.V. Formerly, Mr Levy was chief executive officer of Renault Industrial Vehicles Division and executive vice-president and chief financial officer of Renault Group as well as member of the supervisory boards of Nissan and Renault Spain.

R.J.N. (Robert) Abrahamsen (1938, Dutch)

Mr Abrahamsen was appointed as a member of the Supervisory Board on 9 May 2000. His current term expires in 2012. Mr Abrahamsen is chairman of the supervisory board of Optimix Vermogensbeheer N.V. and is a member of the supervisory boards of Fluor Daniel B.V., Havenbedrijf Rotterdam B.V., B.V. ANP and Bank Nederlandse Gemeenten N.V. He was a member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and was senior executive vice-president of ABN AMRO Bank N.V.

P.M. (Nelly) Altenburg (1952, Dutch)

Ms Altenburg was appointed as a member of the Supervisory Board on 8 April 2009. Her current term expires in 2013. Ms Altenburg is a member of the supervisory boards of MSD B.V., Art and Culture Pension and Life insurance Maatschappij N.V., KONI B.V. and Mn Services N.V. She is chairperson of the Committee Verstrekkings en Indicatiegeschillen van het College voor Zorgverzekeringen and vice-chairperson of the Nederlands Instituut van Psychologen (NIP). Formerly, Ms Altenburg held various positions at the trade union FNV and was member of the board of ABVAKABO FNV. She was member of the boards of Dutch pension funds ABP and PGGM.

M.E. (Mary) Harris (1966, British)

Ms Harris was appointed as a member of the Supervisory Board on 20 April 2007. Her current term expires in 2011. From 1994 to 2006, Ms Harris held a number of positions at McKinsey & Company in London, China, South-east Asia and Amsterdam. Previously, Ms Harris held positions at media venture capital firm Maxwell Entertainment Group, Pepsi Cola Beverages and Goldman Sachs & Co. Ms Harris is a non-executive director at J. Sainsbury plc, a member of the supervisory board of Unibail-Rodamco SE and a member of the advisory board of Irdeto B.V.

R. (Roger) King (1940, American)

Mr King was appointed as a member of the Supervisory Board on 20 April 2006. His current term expires in 2014. Mr King is non-executive director of Arrow Electronics, Inc. (USA), Orient Overseas International Limited (Hong Kong) and Sincere Watch (Hong Kong) Limited. He is Honorary Consul for the Republic of Latvia in Hong Kong SAR, and serves on various business and community committees. Mr King is Adjunct Professor of Finance and Director of the Center for Asian Family Business and Entrepreneurship Studies at Hong Kong University of Science and Technology and Director of Center for Business Case Studies School of Business & Management. He is former president and chief executive officer of Sa Sa International Holdings Limited, former chairman and chief executive officer of ODS System-Pro Holdings Limited (Hong Kong), part of the CY Tung Group of Companies, and was managing director and chief operating officer of Orient Overseas International Limited.

W. (Wim) Kok (1938, Dutch)

Mr Kok was appointed as a member of the Supervisory Board on 1 April 2003. His current term expires in 2011. Mr Kok is a non-executive director of Royal Dutch Shell plc and member of the supervisory board of KLM Royal Dutch Airlines N.V. Furthermore, Mr Kok is the chairman of the board of trustees of the National Ballet and the Antoni van Leeuwenhoek Hospital 'Netherlands Cancer Institute'. He is a member of the board of trustees of Het Muziektheater and chairman of the Anne Frank Foundation. Mr Kok was formerly Prime Minister of the Netherlands, Minister of Finance, Member of Parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation, member of the supervisory board of ING Group N.V., and vice-chairman of the board of trustees of the Rijksmuseum.

J. (Jacques) Wallage (1946, Dutch)

Mr Wallage was appointed as a member of the Supervisory Board on 8 April 2010. His current term expires in 2014. Mr Wallage has had a very successful career in the public sector in the Netherlands. For a number of years he was a member of the Dutch Parliament (Lower House) and served as a junior minister of the Ministry of Education and Sciences and as a junior minister of the Ministry of Social Affairs. He was mayor of the city of Groningen from 1998 until 2009. Mr Wallage is chairman of the boards of the Nationale Reisopera, the Council for Public Administration, the board of HEC/ROI (Het Expertise Centrum/ Rijksopleidingsinstituut) and vice-chairman of the Oranjefonds. He is a professor at the University of Groningen, the Netherlands (integration and public administration).

G.J. (Gerard) Ruizendaal (1958 - 2010, Dutch)

Mr Ruizendaal was appointed as a member of the Supervisory Board on 11 April 2008. His current term ended upon his death on 30 November 2010. Mr Ruizendaal was a member of the group management committee of Royal Philips Electronics N.V. He held various positions at Philips, including group controller, and was vice-chairman of the supervisory board and member of the audit committee of Atos Origin SA.

V. (Victor) Halberstadt (1939, Dutch)

Mr Halberstadt was appointed as a member of the Supervisory Board on 28 June 1998. His current term expired in 2010. Mr Halberstadt is professor of public finance at Leiden University, international advisor of The Goldman Sachs Group Inc., and non-executive director of PA Consulting Group Ltd. Furthermore, he is a member of the supervisory board of Het Concertgebouw N.V. Mr Halberstadt previously served among other things as president of the International Institute of Public Finance, crown-member of the Social and Economic Council, chairman of the Daimler Chrysler international advisory board and member of the supervisory board of Royal KPN N.V.

COMPLIANCE

In 2010, the Supervisory Board confirms that no decisions were taken by the Supervisory Board that did not comply with its by-laws.

STRATEGY

At the end of 2009, the Supervisory Board approved the Vision 2015 strategy, which identifies five focus areas, one in Mail and four in Express. During 2010, as part of the Vision 2015 strategy, the Supervisory Board discussed together with the Board of Management the strategy for the period 2010-2015. These discussions were held in June, July, September, October, November and December. These discussions included the potential separation of the Mail and Express divisions. As is customary for this process, all strategic options for the development of the Group and its businesses were discussed.

As a result of the reflection on the best strategy for future of the company, on 2 August 2010, TNT announced its intention to fully separate Express and Mail. This announcement was followed by a further announcement on 2 December 2010 providing details of the proposed separation structure and timing.

The Supervisory Board commenced an investigation into the potential separation of TNT N.V. for multiple reasons:
- The strategic challenges for the predominantly domestic declining Mail business and the cyclical global Express business were increasingly divergent, requiring different strategies, management styles, capabilities and (supportive) shareholder bases.
- The changed nature of the two businesses had led to a deterioration of potential synergy between the two businesses. Apart from a larger debt capacity of the combined businesses, no meaningful synergies remained.
- Furthermore, a stronger focus with regards to strategy, customers, management, employees, investment discipline and capital allocation would facilitate the creation of two unique company cultures.
- Externally, a separation would facilitate a more focused pursuit of partnership options for the stand-alone companies. In addition, the two companies would be in a better position be distinguished as a value stock (Mail) and a growth stock (Express).

After the review of separation options was undertaken, the Supervisory Board decided to pursue the statutory demerger of the Express activities by TNT N.V., with the retention of a minority financial shareholding in Express by TNT N.V. (Mail) of 29.9%. This transaction is considered the best separation alternative as it:
- permits immediate Express and Mail listing, (Mail continuing as TNT N.V.),
- permits two independent strategies including mergers and acquisitions,
- avoids embarking on capital raising transactions or other capital markets transactions prior to demerger,
- received positive works councils advice and provides an optimal solution that best satisfies all stakeholders,
- retains TNT N.V. as sponsoring employer for the Dutch pension plans,
- is not dependent on market conditions, and is fully in TNT's control, with high execution certainty,
- does not create any impediment to the strategic agendas of Mail and/or Express, and
- enables shareholders to vote on the proposed solution.

The retained shareholding of 29.9% is a financial and temporary stake, which will be sold down over time. Proceeds from the sale of the retained shareholding will be returned to shareholders once the Mail equity position permits, while maintaining targeted BBB+ (S&P) / Baa1 (Moody's) credit ratings.

The separation structure will be proposed for approval at the Annual General Meeting of Shareholders to be held on 25 May 2011.

The Supervisory Board believes that this separation proposal will lead to the creation of two strong stand-alone companies, with strong management and solid capital structures, enabling each company to successfully implement an independent viable strategy for the benefit of shareholders, employees, customers and other stakeholders. For this decision, the Supervisory Board has taken a full view on all stakeholder positions in a balanced way.

RISKS

TNT's risk management process is described in chapter 10 and the principle key risks facing TNT's strategic, operational, legal and regulatory compliance and financial objectives going forward are outlined in chapter 18. The outcome of the risk management process, the principle key risks identified and the mitigation plans in place to manage these risks in the short to mid term are shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board.

FINANCIAL STATEMENTS

This annual report and the 2010 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V. (PwC), were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PwC's report can be found on page 148 of chapter 9.

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 Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Financial Markets Supervision Act (*Wet op het financieel toezicht*). See also chapter 10 on page 157.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2010 consolidated financial statements of TNT. The Annual General Meeting of Shareholders will be asked to release the members of the Board of Management 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 150.

The Supervisory Board endorses the Board of Management's view on 2011. The Supervisory Board therefore approved the decision by the Board of Management to propose a dividend over 2010 at €0.57 per ordinary share, of which €0.28 was already paid as an interim dividend (at the election of the shareholders in cash or in stock) in August 2010 and a second interim dividend will be made available in March 2011 (at the election of the shareholders in cash or in stock). In addition, the Supervisory Board approved the decision by the Board of Management to propose to the Annual General Meeting of Shareholders a distribution of a final 2010 dividend of nil per ordinary share as the retained earnings set at the disposal of the shareholders at the Annual General Meeting of Shareholders will have been consumed by two interim dividends.

The Supervisory Board wishes to thank the Board of Management and all employees of TNT for their outstanding contributions in 2010.

Supervisory Board
Hoofddorp, 21 February 2011

Chapter 13 Corporate governance

GENERAL

Under the rules of the large company regime, a company is required to adopt a two-tier system of corporate governance, comprising a board of management entrusted with the executive management under the supervision of an independent supervisory board.

Under the large company regime certain resolutions of the board of management require the prior approval of the supervisory board. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties. Members of the board of management are appointed and can be suspended or dismissed by the supervisory board. The decision of the supervisory board to dismiss a member of the board of management can only be taken after the general meeting of shareholders has been consulted on the intended dismissal.

Pursuant to the Enabling Act as it was formulated until 31 March 2009, TNT was subject to the full Dutch large company regime. Since 1 April 2009, the Enabling Act no longer prescribes the applicability of the large company regime to TNT at group level. Consequently and pursuant to article 154(4) of book 2 of the Dutch Civil Code, the Board of Management with the approval of the Supervisory Board, submitted a proposal to the Annual General Meeting of Shareholders on 8 April 2010 to either continue the large company regime at the level of TNT N.V. or to discontinue the large company regime at that level. A discontinuation would mean implementation of the large company regime at a lower level within the TNT Group in unchanged circumstances. The Annual General Meeting of Shareholders voted against the proposal to continue the large company regime at the level of TNT N.V. During the Annual General Meeting of Shareholders to be convened on 25 May 2011, the Board of Management with the approval of the Supervisory Board, will submit its proposals for implementation of the decision made by the shareholders, also taking into account the separation proposal.

For further information on the separation process and the content of the proposals submitted to the Annual General Meeting of Shareholders please refer to chapter 2.

BOARD OF MANAGEMENT

The Board of Management is responsible for setting TNT's mission, vision and strategy and the implementation thereof, and takes responsibility for TNT's overall results. The Board of Management consists of four members: the CEO, the CFO and the two group managing directors of Mail and Express.
The group managing directors of TNT's two divisions are primarily responsible for developing and executing the business strategy and operational performance of the division within the framework set by TNT's corporate strategy. The Board of Management is collectively responsible for the management of TNT as a whole and for all decisions taken in this respect.

If and to the extent the Annual General Meeting of Shareholders vote in favour of the proposal to demerge on 25 May 2011 the separation will come into force at the end of May 2011. After separation the two new companies will be led by Ms Lombard as CEO for Express and Mr Koorstra as CEO for Mail.

TNT's reporting structure in 2010 was in line with the management structure of the two divisions.

Duties of the Board of Management

The Board of Management is charged with the management of TNT, which means among other things that it is responsible for establishing and achieving TNT's objectives and strategy and managing the associated risks, the development of results, as well as addressing the corporate responsibility issues relevant to TNT.

The Board of Management acts in accordance with the interests of TNT and to that end is required to consider all appropriate interests associated with the company. The Board of Management is firmly committed to managing the company in a structured and transparent way. TNT aims to provide stakeholders with a clear view on corporate decisions and decision-making processes. Value-based management provides TNT with an additional framework for decision making within the company, based on objective criteria. Day-to-day decisions in the divisions are decentralised within established standards, processes, requirements and guidelines.

TNT's Board of Management is responsible for complying with all relevant primary and secondary legislation, the risk profile associated with the strategy, the corporate responsibility issues relevant to the company, its financing, and for its external communications. TNT's Board of Management is required to report developments on the above-mentioned subjects to, and discusses the internal risk management and control systems with TNT's Supervisory Board and its audit committee.

TNT's Board of Management has formed the following bodies to ensure compliance with applicable corporate governance requirements: a disclosure committee, an ethics committee and a corporate responsibility (CR) council.

The disclosure committee advises and assists TNT's Board of Management in ensuring that TNT's disclosures in all reports are full, fair, accurate, timely and understandable and that they fairly present the condition of the company in all material respects. The disclosure committee provides oversight of the design, development, implementation and ongoing effectiveness of TNT's disclosure controls and procedures.

The ethics committee is appointed to advise and assist in developing and implementing group policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud throughout TNT worldwide, and monitoring compliance with integrity and ethical behaviour standards. The ethics committee oversees and coordinates investigations resulting from complaints via the TNT Group Procedure on Whistleblowing and/or the TNT Group Policy on Fraud Prevention, and it advises and makes recommendations with regard to guidelines for disciplinary actions. The ethics committee also advises and makes recommendations to the Board of Management and line-management on the mitigation of fraud risk and on ethical and anti-corruption matters. The ethics committee reports regularly to the Board of Management and every six months to the Supervisory Board.

The CR council advises and assists the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and to integrate CR in daily operations. It also supports the Board of Management in developing and achieving its CR strategic objectives by group and divisional functions and departments. These functions and departments — CR reporting, Group Integrity, Procurement, Human Resources and Group Communications — are responsible for ensuring that the legal and regulatory compliance objectives are achieved. In light of the separation the council has been disbanded. The independent companies, once separated, will each design their own CR strategy whereby new CR councils could be installed.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on TNT's corporate website, group.tnt.com.

The Board of Management performs its activities under the supervision of the Supervisory Board. The Board of Management provides the Supervisory Board in a timely manner with the information necessary for the proper performance of its duties. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of TNT. The Board of Management seeks full transparency in its communication with the Supervisory Board.

Under the large company regime, members of the Board of Management are appointed by the Supervisory Board after it has notified the general meeting of shareholders of its intention to do so. The Supervisory Board can dismiss a member of the Board of Management after having consulted the general meeting of shareholders of the intended dismissal. For further details on the appointment and dismissal of members of the Board of Management see article 21 of TNT's articles of association.

Members of the Board of Management

M.P. (Peter) Bakker (1961, Dutch)

Chief Executive Officer

Mr Bakker has been CEO and chairman of the Board of Management since November 2001. He joined Royal TNT Post (then called PTT Post) in 1991 and was appointed financial director of its Parcels business unit in 1993. He was appointed financial control director of TNT Post in 1996 and became a member of the Board of Management of TNT Post in 1997. Since the demerger of TNT N.V. (then called TNT Post Groep N.V.) from Royal PTT Nederland N.V. until his appointment as CEO, Mr Bakker was CFO and a member of TNT's Board of Management. Before joining TNT Post, Mr Bakker worked for TS Seeds Holdings.

Mr Bakker's portfolio includes corporate strategy, corporate relations, general counsel, corporate responsibility, human resources and internal audit.

Mr Bakker is a member of the advisory board of the World Press Photo organisation and a member of the board of the Moving the World Foundation. As of 1 January 2011, Mr Bakker is chairman of the board of War Child, a non-governmental organisation established in the Netherlands. Mr Bakker was appointed by the United Nations Secretary-General as the World Food Programme Ambassador against Hunger. All these functions are non-remunerated.

B.L. (Bernard) Bot (1966), Dutch)

Acting Chief Financial Officer as of 1 August 2010

Mr Bot was appointed by the Supervisory Board to the position of acting CFO with the intention to formalise his appointment as statutory director and CFO of TNT N.V. at the Annual General Meeting of Shareholders on 25 May 2011, as prescribed by TNT's articles of association. The Supervisory Board will formally notify the Annual General Meeting of Shareholders of its intention to appoint Mr Bot as statutory director and CFO of TNT N.V. However, in light of the intended separation, should the demerger proposal be approved by the Annual General Meeting of Shareholders, the Supervisory Board will not proceed with the actual appointment of Mr Bot as statutory director of TNT N.V. Instead Mr Bot will be designated as the new CFO of Express.

Prior to joining TNT, Mr Bot worked at McKinsey & Company for 13 years. His portfolio includes financial reporting and accounting, risk management and internal control, mergers and acquisitions, business control, treasury, tax, investor relations, legal and integrity.

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

H.M. (Harry) Koorstra (1951, Dutch)

Group Managing Director Mail

Mr Koorstra has been group managing director of Mail and a member of the Board of Management since July 2000. Mr Koorstra joined Royal TNT Post (then called PTT Post) in 1991 as managing director of its then Media Service business unit and became a member of its Board of Management in 1997. Before joining the company, Mr Koorstra worked at VNU N.V. for 15 years, lastly as general director of its Admedia/VNU Magazine Group. Mr Koorstra is chairman of the supervisory board of Postkantoren B.V. He was reappointed as a member of the Board of Management by the Supervisory Board for another four-year term in April 2009. He has been designated as the new CEO of Mail.

Mr Koorstra is chairman of the supervisory board of Hermans Investments B.V. and a member of the supervisory board of Royal Swets and Zeitlinger Holding N.V. He is also a member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW).

M.C. (Marie-Christine) Lombard (1958, French)

Group Managing Director Express

Ms Lombard has been group managing director of Express and a member of the Board of Management since January 2004. She joined Jet Services in France in 1993. Upon TNT's acquisition of Jet Services in 1999, Ms Lombard joined TNT (then called TNT Post Groep N.V.) as the managing director of the domestic Express business and from March

2001 until January 2004, she was managing director of TNT's international Express business in France. She has been designated as the new CEO of Express.

Ms Lombard is a member of the supervisory board of METRO AG of which supervisory board she has resigned as of 1 January 2011. She is also president of the 'Lyon Ville de l' Entrepreneuriat' Business Network Group, advisor of Bridgepoint France and an independent member of the supervisory board of Groupe BPCE.

C.H. (Henk) van Dalen (1952, Dutch)

Chief Financial Officer until 1 August 2010

Mr van Dalen has been CFO and a member of the Board of Management since April 2006. He resigned from the Board of Management effective 1 August 2010. His portfolio included financial reporting and accounting, risk management and internal control, corporate responsibility reporting, mergers and acquisitions, business control, treasury, tax, investor relations, legal and integrity.

The members of the Board of Management have no important outside board positions as defined in the Code other than those listed above.

SUPERVISORY BOARD

Duties of the Supervisory Board

The Supervisory Board is charged with supervising the Board of Management and the general course of affairs of TNT, as well as providing advice to the Board of Management. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of TNT. It takes into account the relevant interests of the company's stakeholders, and, to that end, considers all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. TNT's Supervisory Board is responsible for the quality of its own performance and for this purpose it annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

Share ownership is not required to qualify as a member of the Supervisory Board. Under the large company regime, members of the Supervisory Board are appointed by the general meeting of shareholders following nomination by the Supervisory Board. The general meeting of shareholders can, furthermore, dismiss the Supervisory Board as a whole by an absolute majority of the votes cast representing at least one-third of the issued capital. For further details on the appointment and dismissal of (members of) the Supervisory Board see articles 28 and 29 of TNT's articles of association.

The Supervisory Board and the public affairs committee of the Supervisory Board perform an oversight role with respect to corporate responsibility issues. TNT's internal audit function and the company's external auditors support the Board of Management and the Supervisory Board in monitoring the CR governance structure and reporting. Please refer to chapter 10 for a comprehensive overview of the roles of internal audit and the assurance services provided by the external auditor.

TNT's articles of association and the by-laws of the Supervisory Board can be viewed on TNT's corporate website group.tnt.com.

SECURITIES OWNED BY BOARD MEMBERS

The members of the Supervisory Board, the Board of Management and TNT's other senior management are subject to the TNT Group Policy on Prevention of Insider Trading, which contains rules of conduct to prevent trading in TNT's financial instruments when in possession of inside information.

TNT's Supervisory Board has adopted a policy concerning the ownership of and transactions in securities other than TNT's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the by-laws of the Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, to TNT's corporate secretary, acting as central officer, of any changes in his or her holding of securities in Dutch listed companies. A member of the Board of Management 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 number of shares held by each member of the Board of Management and the Supervisory Board, other than shares allocated under TNT's performance share plan, bonus and/or matching plan and/or share option plan, are listed in the table below:

TNT shares held by the members of the Board of Management and Supervisory Board [1]

As at 31 December	2010
Peter Bakker	92,148
Bernard Bot	12,727
Harry Koorstra	35,825
Marie-Christine Lombard	17,174
Piet Klaver	3,500

[1] This table does not include any granted rights on shares allocated to the members of the Board of Management under TNT's performance share plan and/or any participation in the variable compensation scheme. See chapter 11, under Remuneration in 2010.The information in this table is publicly available at www.afm.nl.

CONFLICT OF INTEREST OF BOARD MEMBERS

The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other hand.

A member of the Board of Management or a member of the Supervisory 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 Board of Management (if it concerns a member of that board) on any conflict of interest or potential conflict of interest that may be of (material) significance to the company and/or to the relevant member. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and provide all relevant information. In both situations, 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.

In the event of a conflict between TNT and a member of its Board of Management, the company will be represented by another member of the Board of Management 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 Board of Management or a member of the Supervisory Board that is of (material) significance to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2010, therefore compliance with best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 inclusive of the Code did not come up for discussion. The same applies for provision III.6.4 of the Code.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or of the Supervisory Board does not participate in any discussion or decision making that involves a subject or transaction in relation to which such member has a conflict of interest with the company. This occurred once in 2010.

SHAREHOLDERS AND THEIR RIGHTS

General meetings of shareholders

Annual General Meeting of Shareholders held on 8 April 2010

On 8 April 2010, TNT held its Annual General Meeting of Shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 53% of the total outstanding share capital, compared to 42% in 2009.

During the Annual General Meeting of Shareholders all proposed resolutions except one were adopted, including the extension of authority to issue shares. The shareholders voted against maintaining the large company regime at the level of TNT N.V. The Annual General Meeting of Shareholders extended the then current authority of the Board of Management to issue ordinary shares for another period of 18 months, ending on 8 October 2011. Ordinary shares up to a maximum of 10% of the issued share capital may be issued by resolution of the Board of Management. An additional 10% of the issued share capital may be issued in a similar manner when a share issue takes place in relation to a merger or acquisition.

The resolutions of the meeting, the agenda and the voting results for each resolution, as well as the presentations given during the meeting can be found on TNT's corporate website group.tnt.com. Minutes of the meeting are available in Dutch and English on TNT's corporate website.

Frequency and venue

TNT is required to hold an Annual General Meeting of Shareholders within six months after the end of the financial year in order to adopt the financial statements and to decide on any proposal concerning dividends, among other things,. In accordance with Dutch law, the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year are also agenda items for this meeting. However, this release only covers liability for matters reflected in the financial statements or otherwise disclosed to the general meeting of shareholders prior to the adoption of the financial statements.

Other general meetings of shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall in principle be convened if the Board of Management proposes to take a decision that will result in a significant change in the identity or character of TNT or its business.

Furthermore, in the event shareholders jointly representing at least 10% of the outstanding share capital, make a written request to convene a general meeting of shareholders to the Supervisory Board and the Board of Management, stating their proposed agenda in detail, a general meeting of shareholders shall in principle be convened.

General meetings of shareholders may only be held in Amsterdam, the Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

Agenda

One or more shareholders holding shares representing at least 1% of TNT's issued share capital or representing a value of €50 million according to the Official Price List of Euronext Amsterdam (Official Price List) has the right to request that the Board of Management or the Supervisory Board place items on the agenda of the general meeting of shareholders. Such a request has to be honoured by the Board of Management or the Supervisory Board provided that the request is received by the Board of Management or the Supervisory Board in writing at least 60 days before the date of the general meeting of shareholders.

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

Notice to convene

General meetings of shareholders are convened by at least 42 days prior notice published on TNT's website.

Admission to and voting rights at the meeting

Each shareholder has the right to attend general meetings of shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of TNT's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date as set by the Board of Management.

Each of the shares in TNT's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or TNT's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

Under TNT's articles of association there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of TNT's securities, and TNT is not aware of any such restrictions under Dutch corporate law.

Liquidation rights

In the event of TNT's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid, and secondly, to holders of the ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders

Rights of shareholders may change pursuant to an amendment of the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code or dissolution of the company. A resolution of the general meeting of shareholders is required to effect these changes. Under TNT's articles of association, such a resolution may only be adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders

To TNT's knowledge, TNT is not directly or indirectly owned or controlled by another corporation or by any government. TNT does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Protection TNT and preference shares B' below.

The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

ARTICLES OF ASSOCIATION, SHARE ACQUISITION, REDUCTION AND INCREASE OF ISSUED SHARE CAPITAL

Amendments to the articles of association

Amendments to TNT's articles of association can take place upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the general meeting of shareholders. A proposal to amend the articles of association must be stated in a notice convening a general meeting of shareholders and announced by publication in a nationally distributed daily newspaper and in the Official Price List, or in such manner as shall be permitted by law at any time. The proposal shall be passed upon an absolute majority of the votes cast in the general meeting of shareholders.

Ability of the company to acquire its own shares

In order to execute share buy-back programmes, TNT must be allowed to acquire its own shares. Under its articles of association, TNT may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

- TNT's shareholders equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association, and

- following the share acquisition, TNT may not hold shares with an aggregate nominal value exceeding one-tenth of its issued share capital.

The acquisition of shares in its capital may be effected by a resolution of the Board of Management, subject to the approval of the Supervisory Board.

In addition to the above, the Board of Management requires prior authorisation by the general meeting of shareholders to acquire shares in the company for consideration. This authorisation may be valid for a period not exceeding 18 months from the date of the meeting and must specify:

- the number of shares that may be acquired,
- the manner in which shares may be acquired, and
- the price limits within which shares may be acquired.

Authorisation by the general meeting of shareholders is not required if TNT's own shares are acquired for the purpose of transferring those shares to TNT employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general

Issued share capital can be reduced by the cancellation of shares following a repurchase. TNT's issued share capital may also be reduced if the nominal value of its shares is lowered by amendment of TNT's articles of association. The resolution to reduce TNT's issued share capital has to be agreed by the general meeting of shareholders. Pursuant to TNT's articles of association, such resolution may be taken, by a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than is required by Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights

TNT's Board of Management has been designated as the body competent to resolve to issue shares in TNT and to grant rights to subscribe for ordinary shares, including options and warrants. Pursuant to TNT's current articles of association, such resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management is determined by the general meeting of shareholders. Under TNT's articles of association the scope relates at most to all shares in its authorised share capital that have not been issued. The duration of the authority shall be for a period of five years at most.

Extension of the term of designation of the Board of Management as the body competent to issue shares may also be effected by amending TNT's articles of association. If no extension is given, the issue of shares or granting of rights to subscribe for ordinary shares requires a resolution of the general meeting of shareholders. Such resolution may only be taken upon a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right to any issue of ordinary shares or the granting of rights to subscribe for these shares. Registered holders of American Depositary Shares (ADS) and holders holding their ADS through a broker or a nominee evidenced by American Depositary Receipts do not qualify as holders of ordinary shares in this respect.

Pursuant to TNT's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body competent to resolve to issue shares. Such resolution is subject to the approval of the Supervisory Board. Pursuant to TNT's articles of association, the provisions with respect to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

FOUNDATION PROTECTION TNT AND PREFERENCE SHARES B

'Stichting Bescherming TNT' (Foundation Protection TNT) was formed to safeguard TNT's interests and those of the enterprises connected with TNT and all interested parties, such as shareholders and employees. It does so by, among other things, preventing as far as possible, any influence that could threaten TNT's continuity, independence and identity contrary to such interests. Foundation Protection TNT is an independent legal entity and is not owned or controlled by any other legal person.

TNT's articles of association provide for protective preference shares B that can be issued to Foundation Protection TNT to serve these interests. The preference shares B have a nominal value of €0.48 and have the same voting rights as TNT's ordinary shares. There are currently no preference shares B issued, although Foundation Protection TNT has a call option to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to Foundation Protection TNT.

The exercise price with respect to the call option is the nominal value of €0.48 per preference share B, although upon exercise only €0.12 per preference share B is required to be paid. The additional €0.36 per preference share B is due at such time as TNT makes a call for payment by a resolution of its Board of Management and subject to the approval of the Supervisory Board. Foundation Protection TNT has credit facilities in place to enable it to pay the exercise price.

TNT and Foundation Protection TNT have entered into the call option agreement to prevent, delay or complicate unsolicited influence of shareholders, including an unsolicited take-over or concentration of power. The issue of preference shares B enables TNT to consider its position in the circumstances at that time. The preference shares B will be outstanding no longer than is strictly necessary. Once the reason for placing the preference shares B no longer exists, TNT shall propose to the general meeting of shareholders to cancel the preference shares B entirely as a class.

Six months after the issuance of preference shares B, Foundation Protection TNT may require TNT to convene a general meeting of shareholders to discuss cancellation of these shares. However, if within this six months Foundation Protection TNT should receive a demand for repayment under the credit facilities referred to above, it may also require TNT to convene a general meeting of shareholders. In accordance with TNT's articles of association, a general meeting of shareholders must ultimately be convened 12 months after the first date of issuance of any preference shares B to Foundation Protection TNT. The agenda for that meeting shall include a resolution relating to the repurchase and/or cancellation of the preference shares B.

TNT has granted to Foundation Protection TNT the right to file an application for an inquiry into the policy and conduct of TNT's business with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). TNT believes that this may be a useful option in the period before the issuance of preference shares B, without causing a dilution of the rights of other shareholders at that stage.

The members of the board of Foundation Protection TNT are Mr Pieterse (chairman), Mr Lindenbergh, Mr van Vonno and Mr Nieuwe Weme. All members of the board of Foundation Protection TNT are independent from TNT. This means that Foundation Protection TNT is an independent legal entity as referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act.

DIVIDEND

The Board of Management may determine, subject to approval by the Supervisory Board, that any dividend on ordinary shares be paid wholly or partly in TNT's ordinary shares rather than in cash, or that any dividend in ordinary shares be paid by giving the shareholders the option to choose between dividend paid in TNT's ordinary shares or in cash (optional dividends).

If and when dividends are declared, TNT pays dividends out of profits, or by exception out of the distributable part of its shareholders' equity as shown in TNT's financial statements. TNT is not allowed to pay dividends if the payment would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or its articles of association.

The Board of Management may, subject to approval by the Supervisory Board and to provisions of Dutch law, distribute one or more interim dividends.

No dividend shall be paid on shares held by TNT in its own capital. Such shares shall not be included for the computation of the profit distribution, unless the Board of Management resolves otherwise. Such a resolution is subject to the approval of the Supervisory Board.

Under TNT's articles of association, if preference shares B have been issued, TNT has to pay dividends on the paid-up portion of the nominal value of the preference shares B. Payment is made at a rate of the average 12-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 Board of Management, subject to approval by the Supervisory Board, of at least one percentage point and at most three percentage points.

The Board of Management then determines, subject to approval by the Supervisory Board, the part of the remaining profits to be appropriated to reserves. The profit that remains after appropriation is at the disposal of the general meeting of shareholders.

The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website group.tnt.com. Any changes to these guidelines shall be explained as a separate agenda item at the Annual General Meeting of Shareholders.

AUDITOR

TNT's external auditor, PricewaterhouseCoopers Accountants N.V. (PwC), is appointed by TNT's general meeting of shareholders. TNT's audit committee has the sole authority, subject to confirmation by the Supervisory Board, to recommend to the general meeting of shareholders the appointment or replacement of the external auditor. The audit committee is directly responsible for overseeing the work of the external auditor on behalf of the Supervisory Board (including resolution of disagreements between management and the external auditor regarding financial reporting).

At times, TNT uses its external auditor to provide services in cases where these services do not conflict with the external auditor's independence. The TNT Group Policy on Auditor Independence and Pre-Approval governs how and when TNT may engage its external auditor.

The audit committee is required to pre-approve (supported by the group director Internal Audit) all services to be provided by the external auditor in order to assure that these do not impair the auditor's independence from TNT. The audit committee annually grants a general pre-approval for certain routine services. Significant non-audit services require a tender process, and certain services are prohibited outright. In its approval-granting process, the audit committee considers the applicable regulations and stock exchange rules on auditor independence. The audit committee also considers the ratio between the total amount of fees for audit and audit related services and the total amount of fees for non-audit services. See note 21 to the consolidated financial statements of TNT N.V. for the fees paid to PwC and the distribution of the fees between audit related services and non-audit services.

The audit committee requires a formal written statement from the external auditor confirming its independence.

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

All services performed by the external auditor in 2010, followed the pre-approval process.

Once every three years, the audit committee and the Board of Management are required to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The last assessment was held in 2010. The main conclusions of this assessment were communicated during the 2010 Annual General Meeting of Shareholders. The lead (signing) partner and the concurring (review) partner of the external auditor are rotated after a maximum period of seven years. In 2010, Mr de Ridder, who has been lead partner for seven years, was succeeded by Mr Dekkers.

TNT's internal audit function operates under the responsibility of the Board of Management and is subject to monitoring by the Supervisory Board, assisted by the audit committee. The Board of Management is required to ensure that the external auditor and the audit committee are aligned in defining the tasks and plans of the internal audit function.

DUTCH CORPORATE GOVERNANCE CODE

TNT applies the principles and best practices of the Dutch Corporate Governance Code published on 10 December 2008 and designated on 3 December 2009 as code of conduct, as referred to in article 391 paragraph 5 of book 2 of the Dutch Civil Code, except for the following best practice provisions below that are not fully applied:

- provision II.2.5 Dutch Corporate Governance Code inter alia states that shares granted without financial consideration to members of the Board of Management shall be retained for a period of at least five years or until the end of the employment, if this period is shorter.
    - *Since the start of TNT's equity programme, the process for the members of the Board of Management has been such that if and when vesting of the right on shares takes place (leading to the delivery of shares), which happens in any event not earlier than three years from grant of the right, enough of the shares are sold for the purpose of using the proceeds to pay for the tax relating to the grant of these shares. This process will not be discontinued as no loans will be granted to the members of the Board of Management. Reference is made to chapter 9 note 19 under bonus/ matching share plan and vesting of the long-term incentive.*
- provision II.2.8 Dutch Corporate Governance Code states that the remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the 'fixed' remuneration component). In case one year's salary would be manifestly unreasonable, the severance pay may not exceed twice the annual salary.
    - *Severance payments other than related to a change of control for members of the Board of Management are one year base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable. The employment contract of TNT's former CFO, Mr van Dalen effective 1 April 2006, states that the severance payment upon dismissal other than related to a change of control will amount 24 months base salary during the first four-year term as a member of the Board of Management. During further terms as a member of the Board of Management, his severance payment amounts to 12 months base salary. The employment contract with Mr van Dalen was terminated effective 30 September 2010 whereby no severance payment has been made. All other rights derived from his employment contract have been settled appropriately. As stated in chapter 11, contracts entered into prior to 2004 remain unaltered.*
    - *For members of the Board of Management who are not residents of the Netherlands, TNT follows local market practice for that part of the base salary earned in the country of residence. This is done to ensure that TNT can offer a competitive package to foreign members of the Board of Management commensurate with local practice.*
    - *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 last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management. TNT is of the opinion that such payment is realistic taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.*
- provision II.2.13(f) Dutch Corporate Governance Code states that the remuneration overview in the remuneration report of the Supervisory Board shall in any event contain a description of the performance criteria on which the performance-related component of the variable remuneration is dependent in so far disclosure would not be undesirable because the information is competition sensitive.
    - *TNT discloses quantified financial and non-financial targets which are published in general terms. The actual targets are specific and thus contain competition-sensitive information, and are therefore not disclosed. See chapter 11 under Remuneration Policy 2010.*

In the chapter sections referred to above, TNT explains why it deviates from these best practice provisions. Material future (corporate) developments might justify further deviations from the Dutch Corporate Governance Code at the moment of occurrence.

Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch Corporate Governance Code shall be submitted to the general meeting of shareholders for discussion.

The full text of the Code can be viewed on TNT's corporate website group.tnt.com as well as the corporate governance statement pursuant to the Decree implementing further accounting standards for the content of annual reports dated 23 December 2004 (as amended on 20 March 2009). The information on (i) the composition and functioning of the Board of Management, (ii) the composition and functioning of the Supervisory Board and its committees, (iii) the functioning of the general meeting of shareholders and its key capacities and (iv) the rights of shareholders and how these rights can be exercised is included in this statement. An abbreviated version of the corporate governance statement can be found on page 157 of chapter 10.

For the Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act please refer to chapter 10 - Directors' Responsibility Statement.

Chapter 14 Regulatory environment

Mail provides a global service with facilities in several countries. As such, it is confronted with complex regulatory requirements in many jurisdictions.

INTERNATIONAL POSTAL REGULATION

Universal Postal Union

The Universal Postal Union (UPU) is a specialised agency within the United Nations framework. It is responsible for the regulation of cross-border postal services. Almost all nations are members ('Member States' according to the new UPU terminology) of the UPU. The common rules applicable to cross-border postal services are laid down in the UPU Convention and its regulations. In the Convention, the UPU has established an international system for mutual payments for the delivery of cross-border letter mail, known as the terminal dues system. The purpose is to compensate the destination country's public postal operator ('designated operator' according to the new UPU terminology) for delivering international letter post. A different compensation scheme with similar purposes exists for parcel mail.

Since 1 January 2006, a terminal dues system has applied, under which designated operators from 'target' countries (mostly industrialised countries) pay each other country-specific rates linked to domestic postal tariffs. The percentage of the domestic 20 grammes tariff paid gradually increased over the subsequent four years, from 60 in 2006 to 70 in 2010. 'Transition' countries (mostly developing countries) continue to pay each other and target countries a fixed kilogramme rate according to a 'per item and per kilogramme' formula based on world average costs and weight. Transition countries are, however, expected to move towards the target system by 2014, when all exchanges will be based on country-specific compensation.

Amendments to the 2006 system were extensively discussed in several regional postal meetings held worldwide. This led to additional discussions and subsequent decisions by the 2008 UPU congress, which resulted in moderate increases in terminal dues over the next four-year cycle.

REIMS

Most European postal operators view the UPU target terminal dues system as inadequate for its purposes. As a consequence, a large majority of postal operators are party to the separate, multilateral 'REIMS IV agreement' where terminal dues calculations are based on a percentage of domestic tariffs similar to those used in the UPU system. This has resulted in higher terminal dues and, in turn, higher service quality.

Mail has not entered into the REIMS IV agreement that came into force on 1 January 2010. Mail believes that this agreement does not reflect market reality, and does not allow it to compete successfully in its highly competitive home market. Instead, Mail has concluded commercially-oriented bilateral agreements with most of the major European postal operators, and intends to continue to do so.

The REIMS IV agreement has been criticised by its signatories as an increasing number of postal operators are facing declining mail volumes and stronger competition for cross-border mail. It is expected that negotiations on a new multilateral agreement will start in the first quarter of 2011.

EU postal regulation

As of 1 January 2011, the current regulatory framework in the European Union is set by the EU Postal Directive 2008/6/EC amending Directive 97/67/EC, as earlier amended by Directive 2002/39/EC, with regard to the further opening to competition of the community postal services (EU Postal Directive). It includes a harmonised set of minimum obligations for the universal postal services (mandatory postal services), such as service levels, rates, and cost and revenue accounting principles, as well as quality of service standards with which all Member States, including the Netherlands, must comply.

Under the current legislation, the use of reserved postal services as a financing mechanism has been abolished. This has led to funding through a wide variety of other methods, such as tendering, public funds and compensation funds. Eleven Member States have been permitted to delay opening up their markets until January 2013. The new Directive provides the Member States the discretionary power to determine the scope of the universal postal services, as long as the defined minimum scope is assured.

Export controls

Export control regulations restrict the movement of commodities, persons and/or parties, information and economic resources globally. Export controls are governed by embargoes, sanctions and arms controls legislated by the United Nations, the United States, European Union and other country-specific export controls. Mail is required to comply with all relevant export control requirements, without exception. Examples of these regulatory authorities include: Office of Foreign Asset Controls (OFAC), Bureau of Industry and Security (BIS), United Nations Security Council and the European Union Sanctions.

POSTAL REGULATION IN THE NETHERLANDS

Since 1 April 2009, the key legislation regulating Mail's activities has been the Dutch Postal Act 2009. This Act requires a designated postal provider to perform the universal postal services in the Netherlands. By separate decree, Koninklijke TNT Post B.V. (TNT Post) has been designated as provider of the universal postal services. The Postal Act 2009 sets the requirements for these universal postal services. In connection with the Dutch Postal Act 2009, the parliamentary Postal Decree 2009 specifies the services that constitute the universal postal services.

Furthermore, Mail is regulated by the Postal Regulation 2009, which specifies regulation on tariffs of the universal postal services and the transparency of the financial accounting of these services according to the EU Postal Directive. It also contains obligations to provide a report on the number of postal outlets, quality of domestic universal postal services and costs and revenues of the universal postal services.

The Dutch Postal Act 2009 also includes obligations for other postal operators, as well as obligations for postal operators vis-à-vis each other. In practice, these latter obligations, such as accessibility of P.O. boxes and postal codes, set requirements for TNT Post only.

OPTA, the Independent Supervisory Authority for Post and Telecommunications established by the government, supervises the postal market and TNT Post's performance of the universal postal services. The responsibility for postal policy remains under the authority of the minister of Economic Affairs, Agriculture and Innovation.

The universal postal services

Scope

The domestic universal postal services consist of the conveyance against payment of standard single rates of the following postal items:

- letters (including reply items) and printed matter with a maximum individual weight of two kilogrammes,
- postal parcels with a maximum individual weight of 10 kilogrammes, and
- registered, registered insured and registered value declared items.

The Dutch Postal Act 2009 does not require Mail to offer domestic services for the delivery of bulk letters, bulk printed matter such as advertising, magazines and newspapers or unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act 2009 and in accordance with the rules of the UPU, universal postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at other than standard single rates with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, universal postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of universal postal services

Regarding universal postal services, the Dutch Postal Act 2009 imposes various regulatory conditions on TNT Post with respect to service provision, such as the number and spread of postal outlets, and tariffs. The Postal Regulation 2009 mainly deals with cost and revenue accounting, detailed tariff regulation, financial administration and reporting. Unlike the universal postal services, none of Mail's postal services are subject to governmental control.

With respect to service levels, the Dutch Postal Act 2009 requires TNT Post to provide nationwide services and to perform a daily delivery round, except for Sundays and public holidays. TNT Post is required to deliver no less than 95% of all standard single rate domestic letters at a next-day service standard, excluding Sundays and public holidays. TNT Post is required to maintain a network of service points (letter boxes, post offices and agents) for the access of the general public to the services.

Tariff regulation

With respect to rates and conditions, OPTA had to set rates for the universal postal services as of 1 October 2009, based on information and recommended rates provided by TNT Post. OPTA repeatedly judged the subsequent information on cost allocation given by TNT Post as insufficient and demanded payment of €6 million because of two orders under penalty. TNT Post started legal proceedings on the merits concerning these orders under penalty and OPTA's omission to set new starting tariffs in a timely manner. The Rotterdam court ruled on 1 July 2010 that TNT Post's initial information already met the requirements, and that OPTA unjustly failed to set new starting tariffs. On 22 July 2010, OPTA finally set the starting tariffs, in accordance with TNT Post's proposal dating from spring 2009. However, OPTA lodged an appeal at the College van Beroep voor het bedrijfsleven (CBb). A date for the appeal is unknown at present.

Following each OPTA rate setting, TNT Post is allowed to set rates and associated conditions that must be transparent, non-discriminatory and uniform. TNT Post is required to submit these rate changes to OPTA, and OPTA will assess whether the proposed changes are in accordance with the price cap system.

The price cap system limits tariff developments in two different categories of services - letters and parcels - to the development of the general Consumer Price Index. The letter category comprises single rate letters, both domestic and abroad. The parcel category comprises single rate parcels, also domestic and abroad. The price cap system uses a weighting factor for each service in these categories. In accordance with the price cap system, TNT Post introduced new tariffs as of 1 January 2011, which according to OPTA met the requirements.

In December 2010, the junior minister of Economic Affairs, Agriculture and Innovation sent an adjustment of the Postal Regulation to the Dutch Second Chamber of Parliament to regulate in detail the second rate-setting by OPTA. According to this proposal, in 2011 and every four years thereafter, OPTA will judge whether TNT Post's proposed new rates for the universal postal service lead to a return of sales (RoS) that exceeds the maximum RoS of 10%. A judgement will be made separately for parcels and letter mail. OPTA must set the tariffs as of 1 October 2011, with implementation as of 1 January 2012. In response to questions from the Dutch Second Chamber of Parliament, the junior minister of Economic Affairs, Agriculture and Innovation suggested in a letter that the proposal should be accepted and the Postal Regulation evaluated in 2012. On 17 February 2011, the junior minister asked for approval of a speedy implementation.

Accounting and other financial obligations

TNT Post's reporting obligations include a financial report on TNT Post's performance of the universal postal services. Furthermore, TNT Post is required to maintain separate financial accounts within its internal financial administration for universal postal services. Every year, TNT Post must submit to OPTA a declaration by an independent auditor, designated by OPTA, to certify that its financial accounting system complies with these obligations.

Underlying this accounting system and the financial reports to OPTA is a system for allocating costs and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive and the Postal Regulation 2009.

Evaluation of universal postal services obligations

As a result of the Dutch Postal Act 2009, the scope of the universal postal services has been reduced and the former reserved area for TNT Post no longer exists. Therefore, the junior minister of Economic Affairs, Agriculture and Innovation has announced an evaluation of the universal postal service in 2011. Investigations have already been conducted by Intomart GFK, a well-known independent research institute. The results will be debated in parliament in 2011.

Value-added tax on postal services

At present, Mail is not allowed to charge value-added tax (VAT) on postal items forming part of the universal postal services. Consequently, Mail cannot deduct the VAT amounts paid on its purchases of services and goods related to the universal postal services. For all other services, Mail is required to charge VAT, similar to its competitors, thus resulting in a level playing field. In most other Member States of the EU, the scope of universal postal services is extensive, resulting in a VAT exemption being given to national postal operators over a considerable part of the postal market in these countries. The European Commission believes that this distorts the functioning of the internal market for postal services, and it has launched an infringement procedure against Germany and the United Kingdom to resolve this issue.

Competitors and their labour conditions

Based on the Dutch Postal Act 2009, the former junior minister of Economic Affairs issued an Order in council (AMvB) that requires postal operators to offer employment agreements to their postal deliverers. Every postal operator has to work on the basis of 100% employment agreements, unless it has joined a collective labour agreement that contains the following development in the minimum number of employment agreements: 30% per 1 April 2011, 60% per 1 April 2012 and 80% per 1 October 2012. This Order in council enables the postal deliverers to earn a fair income and also provides for fair competition on employment conditions. The collective labour agreement in which competitors currently participate does not contain such a clear development path. However, competitors successfully instituted summary proceedings concerning the Order in council and the judge decided that the legal requirements for an Order in council were not met. The Dutch cabinet lodged an appeal against the decision and won.

On 30 June 2010, the labour unions cancelled the collective labour agreement, due to the lack of employees working under the agreement. Hence, as of 1 January 2011, competitors had to work on the basis of 100% employment agreements. However, at the request of the junior minister of Economic Affairs, Agriculture and Innovation, the former mayor Ruud Vreeman conducted an investigation. On 11 January 2011, Mr Vreeman advised the junior minister to postpone the deadline until 1 April 2011. He also suggested the creation of a fund, funded by excess postage, to finance the growth of employment agreements, and renegotiations between unions and competitors on a new collective labour agreement with a solid path for growth of employment agreements, with a new final date of 1 January 2014. A Mail fund should also be created, to enable further mobility measures for postmen. In parliament on 20 January 2011, a majority supported Mr Vreeman's advice on the content, but urged a final date of 31 December 2012. On 1 February 2011 and on 17 February 2011, the junior minister updated the Dutch Second Chamber of Parliament on progress in the negotiations. Employers and unions accepted the Vreeman report as a target for their negotiations. Besides this, talks concentrated on the development of the fund.

Mutual services

According to article 13 of the Dutch Postal Act 2009, Mail is obliged to give its competitors access to its P.O. boxes. This service must be delivered with reasonable, objectively justifiable and non-discriminatory conditions and remunerations. Previously, these conditions and remunerations were negotiated between parties. Based on article 12 of the Dutch Postal Act 2009, a similar arrangement has been made with Mail's competitors with regard to return-to-sender items of competitors that enter Mail's processes through the collection boxes.

POSTAL REGULATION OUTSIDE THE NETHERLANDS

Although the government believed in early 2009 that the regulatory issues in the United Kingdom and Germany were minor, enabling liberalisation in the Netherlands, these issues were an important impediment to the development of the European Mail Network organisation. Therefore, the announcement on 3 December 2009 that TNT had reconsidered the strategy led to a reduction in activities of European Mail Networks in Europe.

United Kingdom

TNT initiated a procedure concerning the VAT exemption for Royal Mail in the United Kingdom. The competent court has asked the European Court of Justice (ECJ) some pre-judicial questions. The ECJ declared on 23 April 2009 that 'public postal services' (usually referred to as incumbents) must be regarded as operators, whether public or private, who undertake to supply postal services that meet the essential needs of the population and therefore, in practice, to provide all or part of the universal postal service in a Member State. The ECJ furthermore stated that not all the supplies of services by the public postal services are VAT-exempt, regardless of their intrinsic nature. Only the supply by the public postal services acting as such, in their capacity as the provider of the universal postal service, is exempt. Supplies of services for which the terms have been individually negotiated are excluded from the exemption. This European Court of Justice decision is currently being worked out in a VAT working group and will probably lead to a VAT guideline. The competent court in the United Kingdom has not rendered its judgement.

Germany

The exemption Deutsche Post DHL enjoyed with regard to VAT was a barrier to competition. However, as of 1 July 2010, the regulation was adjusted and Deutsche Post DHL is required to levy VAT on bulk mail. Deutsche Post DHL refused to raise tariffs and absorbed the VAT transfer within its rates.

PUBLIC PROCUREMENT

Public procurement is the purchase of goods, services and public works by governments. Public sector procurement must follow transparent, open procedures ensuring fair conditions of competition for suppliers.

On 2 February 2004, the EU adopted a package of amendments to simplify and modernise its public procurement directives. Those directives impose EU-wide competitive tendering for public contracts above a certain value and transparency and equal treatment for all tenders to ensure that the contract is awarded to the tender offering the best value for money. The new Directive 2004/17/EC of 31 March 2004 coordinates the procurement procedures for entities operating in the water, energy, transport and postal services sectors.

COMPETITION LAW

Mail is subject to competition rules in the jurisdictions in which it operates. The most relevant rules stem from:

European competition law

The European Court of Justice has explicitly confirmed that the rules of EU competition law also apply to the national universal postal service of the Member States. The EU published a Notice in 1998 describing the application of competition rules to the postal sector and on the assessment of certain state measures. In particular, Mail is subject to the competition rules contained in articles 81 and 82 of the EC Treaty and to preventative control of mergers and acquisitions as regulated in the EC Merger Control Regulation. Article 81 prohibits collusion between competitors that may affect trade between Member States and which has the objective of restricting competition within the EU. Article 82 prohibits any abuse of a dominant position within a substantial part of the EU that may affect trade between Member States. National competition authorities and national courts have been empowered to apply articles 81 and 82 in full in close operation with the European Commission in order to ensure the effective and uniform enforcement of these competition rules.

Mail is also subject to the competition rules laid down in the Agreement of the European Economic Area (EEA), which corresponds to the rules of EU competition law. The EEA rules for competition are enforced by the European Commission and the EFTA Surveillance Authority.

Dutch competition law

The services Mail provides in the Netherlands, including the universal postal service, fall within the scope of the Dutch Competition Act. This Act stipulates a similar structure and set of rules as the rules of EU competition law on the prohibition of cartels, the prohibition of abuse of a dominant position and the preventative control on mergers and acquisitions. Compliance with the Dutch Competition Act is monitored by the Dutch Competition Authority, which is commonly called by its Dutch acronym, NMa.

In 2009, NMa completed the consideration of a complaint Sandd made in 2007 and extended in 2008. The complaint especially concerned alleged predatory pricing and conditional sales through Mail's subsidiary Netwerk VSP. This behaviour is usually characterised as an abuse of position. On 15 December 2009, NMa concluded that Mail did not abuse its position in any way. Sandd lodged an objection on 26 January 2010. As of the end of 2010, Sandd had not adduced its arguments.

Chapter 15 Financial policy, investor relations and share performance

FINANCIAL POLICY

Financial strategy

TNT's financial strategy is based on four pillars:
- driving business performance by using value-based performance measures,
- maintaining the right financial flexibility to support growth platforms through capital expenditures and mergers and acquisitions,
- growing its free cash flow in the medium and long term, and
- maintaining a strong and efficient capital structure, with a long-term investment grade credit rating target of BBB+/Baa1.

TNT defines free cash flow as the net cash from operating activities plus interest received, minus capital expenditure on property, plant, equipment and intangible assets, plus proceeds from sale of smaller assets.

Following the demerger of Express, Mail intends to continue to follow this strategy, with a minor adjustment. Previously, TNT's cash-related focus was on operational free cash flow. Going forward, the primary focus will be on providing cash flow to pay out dividends to shareholders. Mail believes that this strategy provides adequate financial flexibility, which is necessary to support the restructuring of the Dutch mail business and growth in Parcels and International.

The key components of TNT's financial strategy mentioned above directly relate to:
- effective risk management, internal control, and compliance,
- financial risk management and risk insurance structures,
- aligned legal and funding structures, and
- continued working capital management.

After the demerger, the financial strategy also directly relates to the return of excess cash from the sale of the retained shareholding of Express to shareholders and to balancing short and medium-term shareholder returns through profitable growth, dividends and incidental share repurchases or other shareholder returns from medium-term excess cash .

Capital structure and credit rating

The current capital structure is based on and managed along the following components:
- maintaining an investment grade credit rating targeted at BBB+/Baa1,
- availability of at least €500 million of undrawn committed facilities,
- structural funding via a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest,
- cash pooling systems facilitating optimised cash requirements for the Group by facilitating centralised funding and surplus cash concentration at Group level, and
- a tax-optimal internal and external funding focused on optimising the cost of capital for the Group, within long-term sustainable boundaries.

After the demerger, Mail aims to have between €400 million and €500 million of undrawn committed facilities available.

TNT's current long-term credit ratings are BBB+ 'negative' from Standard & Poor's Ratings Services (S&P) and Baa1 'negative' from Moody's Investors Services (Moody's). These credit ratings result from an evaluation and analysis of a variety of factors, including the proposed likely demerger of 70.1% of the Express activities, upon which S&P indicated to lower the credit rating to BBB.

TNT manages its credit ratings along the core cash flow and EBITDA-to-debt ratios. These ratios and the ranges per ratio as indicated by the rating agencies may change over time, depending on market conditions and analytical considerations. This is illustrated by the new guidance on the key ratios for TNT post-demerger as published by the rating agencies in their recent releases. An important factor in re-establishing TNT's targeted BBB+/Baa1 credit rating will be the ability to reduce its net debt, using part of the proceeds from the gradual sale of the retained 29.9% shareholding in Express.

INVESTOR RELATIONS

The investor relations programme includes analyst and investor meetings, conference calls, roadshows 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's policy is to provide the financial community with equal and simultaneous information about matters that may be price-sensitive.

Contacts between the Board of Management on the one hand, and financial analysts, current and potential investors and media on the other, are carefully handled and structured. The company will 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 the company. In 2010, TNT visited investors in major financial cities in Europe and the United States.

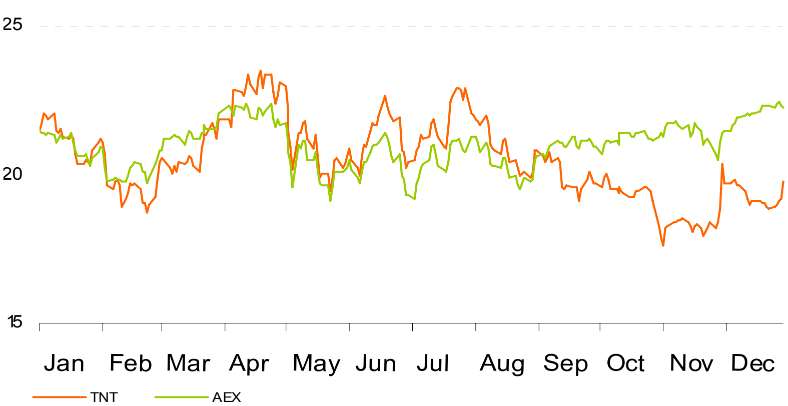
Explanation by the Board of Management on quarterly results is given either via group meetings or teleconferences, accessible by telephone and via the corporate website. Meetings with institutional investors may be held to ensure that the investment community receives a balanced and complete view of the company's performance and the issues faced by the business. In addition, TNT communicates with the financial community through press releases, the publication of the annual report, general meetings of shareholders, the company's corporate website and newsletters. Analyst meetings are broadcast via webcasting. The corporate website provides all relevant information with regard to dates of analyst meetings and procedures concerning webcasting. For further information, visit TNT's corporate website: group.tnt.com.

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

The Board of Management has adopted investor relations and media guidelines with which all members of the Board of Management must comply, unless explicitly exempted by the CEO.

Annual relative performance to Euronext Amsterdam (AEX)

2010



source: Bloomberg Professional (own currency based)

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

SHARE PERFORMANCE

The shares of TNT N.V. are listed on Euronext Amsterdam (ticker: TNT) and included in the AEX index, which normally consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover on Euronext Amsterdam and free-float adjusted market capitalisation.

In 2010, 424 million TNT shares were traded on Euronext Amsterdam (2009: 464 million).

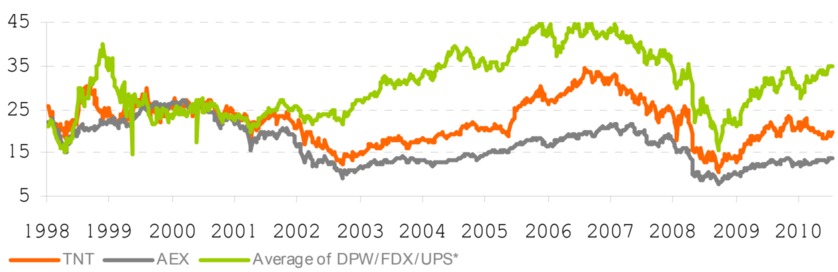
Share performance	2010	2009
Stock price (in €)		
High	23.49	21.50
Low	17.62	10.57
Close	19.75	21.50
Earnings per outstanding share (in €cents)	92.9	76.7
Dividend (in €cents) [1]	57.0	53.0
Dividend yield (based on closing rate for the year)	2.89	2.47
P/E Ratio	21.26	28.03
Number of issued ordinary shares at year end	376,339,096	370,988,519
Stock market capitalisation (in €millions)	7,433	7,976
Adjusted stock market capitalisation (in €millions) [2]	7,327	7,966

1 This includes the pro forma value of the optional stock/cash dividend.

2 Adjusted for shares held at year end by the company for cancellation/coverage of share plans.

Relative performance to AEX and peers

1998-2010



*Deutsche Post started trading as a publicly-listed company in 2000 and UPS in 1999.

Form of shares	Number of shares	Percentage of outstanding ordinary shares
Bearer shares	368,663,796	97.96%
Non-ADS registered	1,434	0.00%
ADSs[1]	7,673,866	2.04%

1 Held by approximately 32 holders on record. Since some shares are held by brokers and other nominees for their clients, this number may not be representative of the actual number of ordinary shares held by US residents or of the actual number of US resident beneficial holders of ordinary shares.

Share capital and shares

TNT's authorised share capital is divided into 1,600,000,000 shares of €0.48 each and consists of 800,000,000 ordinary shares and 800,000,000 preference shares B.

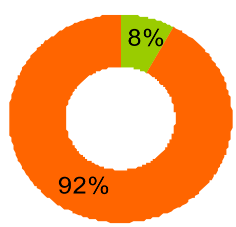
In the second quarter of 2010, TNT paid a final 2009 dividend of €64 million in cash and issued 2,900,567 ordinary shares as a stock dividend related to 2009. In the third quarter of 2010, TNT paid a 2010 interim dividend of €55 million in cash and issued 2,450,010 shares as stock dividend. As a result, the number of issued and outstanding ordinary shares increased from 370,988,519 on 31 December 2009 to 376,339,096 as of 31 December 2010. No preference shares B were issued or outstanding. For more information on TNT's equity, see note 10 to the consolidated financial statements of TNT N.V.

A second interim dividend for 2010 of €0.29 per share, to be paid in shares and/or cash at the choice of the shareholder, will be payable as from 11 March 2011. A final 2010 dividend of €0.00 per share will be proposed to shareholders at the Annual General Meeting of Shareholders to be held on 25 May 2011.

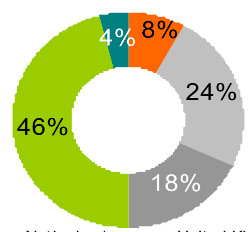
Major shareholders

The majority of TNT's ordinary shares are in bearer form, so the analyses of shareholdings by region and investor type are best estimates based on the limited information available to TNT through various market sources. Estimates as of 31 December 2010, and shown as a percentage of total shares outstanding (excluding shares held by the company) on that date, are:

Shareholders by sector



Shareholders by country



source: Thomson Reuters

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

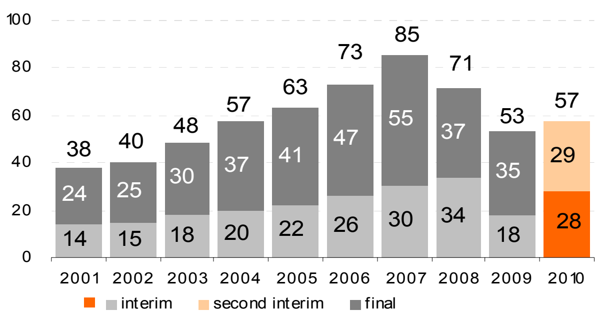
Overview of notifications in 2010

Date of notification	Company	(Indirect) holding	Holding of (indirect) voting rights
13 January	BlackRock Inc.	0.00%	4.98%
9 April	Barclays Plc.	5.99%	5.99%
15 April	Barclays Plc.	0.40%	
23 September	Massachusetts Financial Services Company	1.70%	4.63%

DIVIDEND

Currently, TNT aims to meet shareholders' return requirements in the long term through growth in the value of the company, and in the short term through dividends and, on an incidental basis, through tax-exempt share repurchases or other returns from excess cash, whereby TNT intends to pay an annual dividend (proposed for 2010: €57 cents per share) of around 40% of net normalised income by 2010, barring any unforeseen circumstances.

Dividend per share
in €cents



Starting in 2011, it is Mail's intention in principle to pay a dividend per share of around 75% of the underlying net cash income with a minimum of €150 million per year. The underlying net cash income is defined as 'profit attributable to equity holders of the parent' adjusted for significant one-off and special items, restructuring payments and additional cash pension contributions. This normalisation adjustment is based on the underlying cash EBIT, separately reported as one of the key performance indicators of the company. Mail intends to pay interim and final dividends annually in cash with the interim dividend set at €75 million.

In addition, Mail has the intention has the intention to distribute the excess capital relating to the 29.9% retained Express stake to the shareholders in a manner to be decided by Mail as soon as reasonably possible and within its distributable equity restrictions. The excess capital will be determined as the headroom within Mail's targeted credit rating of BBB+/Baa1 that is available over a medium-term horizon for distribution to shareholders of TNT above the anticipated regular dividends.

In the event any Express stake is (partially) sold, while return of excess capital to shareholders is not (yet) possible within the equity and credit rating headroom, Mail will make a most efficient use of the proceeds of the (partial) sale. It will do so by applying any such proceeds to its ordinary course of business, including without limitation, debt reduction, capital and operating expenses, provided, however, that Mail shall not use any of those proceeds to fund extraordinary capital expenses for new business development or any mergers and acquisitions not included in the 2010 - 2015 strategic business plans of Mail.

Mail considers the ordinary shares retained in Express as a purely financial stake. Accordingly, Mail intends, in addition to the regular dividend defined above and barring unforeseen circumstances, to return any (net) dividends received on its retained Express shares to the shareholders in a form to be decided upon by Mail.

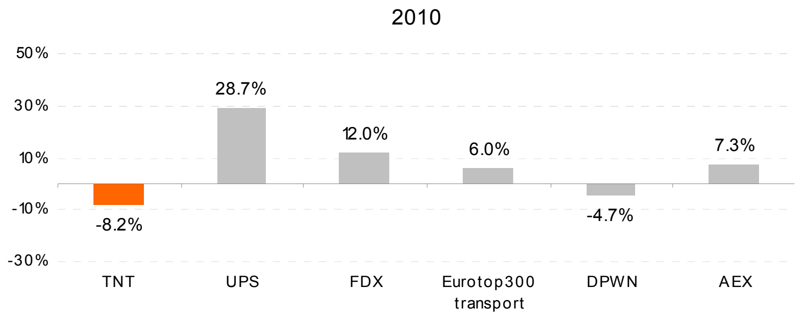
The Reserves and Dividend Guidelines are available on TNT's corporate website, group.tnt.com.

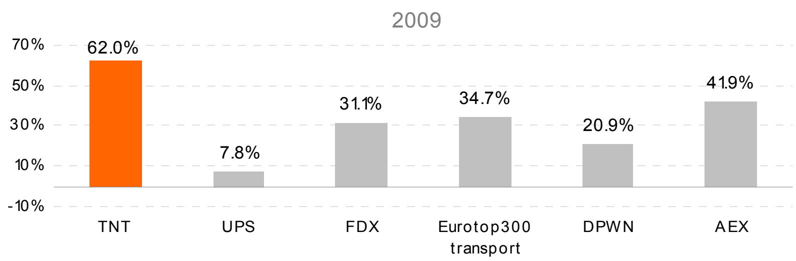
OTHER INFORMATION

Peer group total shareholder return comparison

In 2010, the TNT share price included both Mail and Express businesses. For comparative reasons, TNT has defined a peer group of listed companies with activities in industries similar to that in which the company operates. This peer group consists of Deutsche Post DHL (DPWN), FedEx (FDX) and UPS. Following the demerger, new peer groups for Mail and Express will be defined. The comparative performance in terms of total shareholder return in 2010 and 2009 is charted below. Also shown is the relative performance against the AEX index.

Total shareholder return





source:Bloomberg Professional (own currency based)

Performance benchmarks

The Dow Jones Sustainability Index and the Carbon Disclosure Project are two important internationally-recognised initiatives for benchmarking performance.

Dow Jones Sustainability Index

The Dow Jones Sustainability World Indexes (DJSI World) track the performance of the global sustainability leaders. The top 10% of the 2,500 largest companies in the Dow Jones Global Indexes are selected as components of DJSI World. This index allows stakeholders to compare companies' performance in corporate responsibility within and outside a company's sector and is also a source of company pride. In 2010, TNT earned the highest score within the supersector of Industrial Goods and Services for the fourth consecutive year with an overall score of 92 points out of a possible 100 (2009: 95). However, TNT recognises that there is still room for improvement, as the index highlighted some areas where TNT did not score best in class, including risk and crisis management, corporate governance, operational eco-efficiency, climate strategy, occupational health and safety and corporate citizenship. Refer to TNT's corporate website group.tnt.com for a detailed overview of the performance of the DJSI.

Carbon Disclosure Project

TNT participates in the Carbon Disclosure Project (CDP). This initiative was created to challenge the world's largest companies to measure and report their carbon emissions, integrating the long-term value and cost of climate change into their assessment of the financial health and future prospects of their business. CDP is endorsed by a large number of leading institutional investors. TNT scored 81 out of 100 points compared to 71 points in 2009. TNT is part of the industry sector that comprises the Capital Industry Group, Commercial and Professional Services Group and the Transportation Industry Group.

Financial calendar for 2011

21 February	Publication of 2010 fourth quarter and full year results
21 February	Second interim dividend 2010 announced
22 February	Ex dividend
11 March	Second interim dividend 2010 payment date
2 May	Publication of 2011 first quarter results
9 May	Capital markets day Mail
25 May	TNT Annual General Meeting of Shareholders
8 August	Publication of 2011 second quarter and half year results Mail
7 November	Publication of 2011 third quarter results Mail

Publications

TNT Share is a magazine published three times a year and distributed to 13,000 individual shareholders and other interested readers. This magazine and other publications can also be viewed and ordered through the corporate website.

Websites

For the latest and archived press releases, corporate presentations and speeches, current share price and other company information such as TNT's online annual report and interim reports, please visit the corporate website at group.tnt.com. TNT also invites you to visit the sites of TNT's two main trading brands: www.tnt.com and www.tntpost.nl. The information on these websites does not form part of this annual report.

TNT investor relations

Through the company's investor relations activities, TNT aims to provide shareholders with accurate and timely information. TNT proactively and openly communicates with institutional and retail investors and with intermediary groups such as analysts and financial journalists.

In addition to the quarterly, half-yearly and yearly result presentations, TNT maintains regular contacts with financial analysts and investors through meetings, roadshows, conference calls and company visits.

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Chapter 16 Corporate responsibility performance 2010

INTRODUCTION

The corporate responsibility (CR) strategy and performance summary were presented in chapter 8. In this chapter, the CR performance will be explained in greater detail.

In order to present an overview of stakeholders' opinions on Mail's CR strategy and performance, the corporate responsibility performance chapter begins with an overview of the stakeholder dialogue, other key dialogues and sector initiatives in which Mail participates. Further in this chapter, a more detailed explanation of performance in the four pillars that form the core of Mail's CR strategy is presented:

- employees (employee engagement and health and safety),
- environment (carbon efficiency and air quality),
- other stakeholders, such as customers, subcontractors and suppliers (customer satisfaction and green services), and
- voluntary contributions to society (cooperation with United Nations World Food Programme).

STAKEHOLDER DIALOGUE

In order to review its CR strategy and results, Mail collaborates with its stakeholders and other sector members. To better understand stakeholder perspectives and concerns regarding risks and responsibilities resulting from operations, a multi-stakeholder dialogue is organised annually by a cross-functional team to engage with all stakeholder groups. The stakeholder dialogue supports Mail in reviewing its strategy, to ensure that CR policies and practices effectively reflect Mail's mission and ambition.

Mail has identified the following key stakeholder groups, which reflect the groups that have the most significant impact on Mail's business:
- employees,
- customers,
- subcontractors,
- suppliers,
- investors (including the social responsibility investor community), and
- civil society.

In order to identify its stakeholders Mail investigated during 2008 its impact on key stakeholders by using survey findings and management interview feedback to understand where Mail has the greatest impact on society and the environment. Mail has listened to and taken on board their opinions as to the way forward. The results of these investigations confirm that where customers, employees and regulations shape the operational environment that facilitates or limits Mail's potential success, Mail's operations have the greatest direct impact on its employees, the environment and selected other stakeholders.

Due to the success of the multi-stakeholder dialogue and survey in 2009, the scope was expanded in 2010 to include the employee stakeholder group for an even more balanced representation of all stakeholders. The stakeholder survey was sent to 1,200 stakeholders across all stakeholder groups for both Mail and Express. Results of the survey have been split into Mail and Express results. Mail results will be discussed in this chapter, while Express results will be discussed in chapter 8 of the Express supplementary report.

Multi-stakeholder survey results

Mail's stakeholders were invited to provide feedback to management via an online survey, which covered issues such as familiarity with CR communication and opinions on Mail's CR strategy and performance.

Analysis of the survey results highlighted the following key points:
- Mail is widely regarded as a sustainable organisation with an ambitious CR strategy,
- the top four focus areas are carbon efficiency of operations, health and safety, satisfied customers and positively engaged employees,
- most stakeholders believe Mail sufficiently addresses its CR issues, however, stakeholders also noted that in dealing with these issues, only moderate improvements have been achieved since 2009,
- specific interest was expressed in the importance of CR performance as part of selection criteria for subcontractors, as subcontractors have a major impact on the total CR performance, and
- familiarity with the CR reports could improve, while there could also be more internal and external communication on CR.

Based on the outcomes of the online survey, the following three subjects were selected for further discussion during the multi-stakeholder dialogue:
- the scope of CR issues that should be reported,
- the importance of subcontractors' CR performance, and
- the relevance of voluntary contributions to society.

Multi-stakeholder dialogue results

On 14 December 2010, a multi-stakeholder dialogue was organised at TNT's Head Office in the Netherlands. TNT welcomed all stakeholder groups (employees, customers, subcontractors, investors, suppliers and members of civil society), of which a total of 21 external stakeholders attended the dialogue, to discuss the three selected subjects (see above), and to deliberate on stakeholders' concerns and opinions with respect to CR.

The main outcomes of the discussions were as follows:

- In relation to the scope of CR issues that should be reported - The content of Mail's reporting on CR was viewed as extensive and distinctive. More tailored reporting, however, could improve clarity for different stakeholder groups. Stakeholders further advised Mail to promote the use of web-based media, in particular social media, to increase familiarity with CR performance. In addition, stakeholders acknowledged the significance of transparent reporting, specifically on challenges. In conclusion, stakeholders praised integrated reporting and recommended even greater integration of CR information into reporting.
- In relation to the importance of subcontractors' CR performance - A large part of the carbon footprint is constituted by subcontractors' emissions. To influence subcontractors' CR performance, Mail could consult more frequently with subcontractors to discuss and improve their CR performance. Moreover, standard CR performance indicators could be integrated into contractual standard terms and conditions. Nevertheless, stakeholders understood the difficulty of implementing standard conditions as subcontractors differ considerably, for example in expertise and cultural background.
- In relation to the relevance of voluntary contributions to society - The voluntary contributions to society discussion focused on Moving the World (MtW) and its added value to Mail. Stakeholders believed that MtW could improve its communication and objectives. Stakeholders also indicated that MtW should not be presented as a philanthropic part of Mail, but as an integral component of employee engagement and Mail's products and services.

Mail acknowledges the above outcomes and takes them into account when reviewing its CR strategy and related actions. The outcomes of the 2010 multi-stakeholder survey and dialogue provide a general overview of opinions, key risks and significant focus areas, which may vary between the different stakeholder groups.

Other stakeholder dialogues

In addition to the multi-stakeholder dialogue, Mail invests in targeted dialogues with specific stakeholders.

Dialogue by using social media

Through social media, Mail employees are provided with channels and tools to make their voices heard. This is a form of empowerment that offers significant potential for enhancing dialogue, knowledge sharing and networking throughout the company. Therefore, Mail embraces social media (tools) and facilitates its use where possible, for instance in the recruitment of new staff. Furthermore, several webcasts (e.g. on quarterly results) and webinars (e.g. educational webinars on change or CR strategy) are organised to include as many colleagues as possible in online dialogues.

Dialogue agreements when confronted with restructuring

Managing and anticipating change is essential to Mail's competitiveness and performance, as well as to the well-being of Mail employees, and is particularly necessary during periods of restructuring.

In order to contribute to responsible social dialogue and to foster relationships based on trust, Mail has developed and implemented a 'Code of Conduct on Responsible Restructuring' (the Code). The Code sets out guiding principles for handling the social aspects of future restructurings in Europe and is aligned with the TNT Business Principles and other existing quality systems.

The main objectives of the Code are to promote effective social dialogue and to stress the importance of timely information and consultation, as well as to reiterate existing policies and safeguard the competitiveness of Mail's operations. Furthermore, the Code addresses the adverse effects on employees when implementing restructurings.

Dialogue with works councils and trade unions

A special committee has been formed to ensure an effective exchange of information on the proposed separation of Express and Mail with employee representative bodies, e.g. the Dutch central works council and the European Works Council. The intense cooperation of this committee and management should lead to a successful separation project.

Sector initiatives in corporate responsibility

Mail strongly believes in encouraging cooperation with other sector members, on sector-wide agreements, legislation, and other key issues. To execute this belief, Mail actively participates in the following sector initiatives:

- International Postal Corporation (IPC): this is a cooperative association of 24 postal operators in Europe, North America and the Asia-Pacific region. IPC, together with its members, has developed a common measurement and reporting framework to facilitate consistent industry-wide reporting on energy and CO_2 emissions.
- Universal Postal Union (UPU): a specialised agency within the United Nations framework. The UPU is constituted of almost all national postal operators in the world and is responsible for cross-border postal services and regulation. Common rules concerning cross-border mail and payments for cross-border delivery are regulated by the UPU Convention.
- PostEurop: a trade organisation of European public postal operators. PostEurop supports agreements and deliberation on social, regulatory, operational and market developments. A good example of PostEurop's significance is an agreement on greenhouse gas reduction between the postal operators.
- United Nations Global Compact: this provides a sustainability framework for businesses regarding the use of 10 universally-accepted principles in the areas of human rights, labour, environment and anti-corruption. TNT has been a signatory since 2006 and Mail intends to continue its participation.

EMPLOYEES

As a company operating in a labour-intensive service industry, the quality of service Mail delivers is directly linked to the dedication and commitment of its employees.

In the next few years, Mail will face significant human resources challenges. These challenges are vital to the future success of Mail and, as a result, the human resources function is represented in the Board of Management of the new independent company.

As a direct result of declining mail volumes, Mail intends to scale down its workforce, and replace 11,000 full-time mailmen with 35,000 part-time mail deliverers. During this difficult period of change, Mail aims to manage this transformation in a socially acceptable way. The majority of the 11,000 employees are expected to leave the company voluntarily or with the assistance of Mail, or through natural attrition. In 2010, it was concluded that a total of 4,500 forced redundancies remained. This announcement led to protests and the first strikes in Mail in 25 years.

An agreement with the unions, reached on 16 December 2010, reduced the number of compulsory redundancies to 2,800, and Mail pledged to identify opportunities to retain another 200 jobs as part of future organisational changes. Additionally, 300 employees will keep a temporary job until the end of 2013, to further reduce the number of compulsory redundancies. TNT Mobility will also be exploited more efficiently, with the aim of avoiding unemployment for an additional 500 workers. Finally, Mail and the unions will study ways in which employees whose jobs will be shed can be assisted in finding work elsewhere, through a secondment company set up by an external party. This agreement was accepted by the union members and is supposed to be ratified in the short term.

Employee engagement

Investors in People certification

Investors in People (IiP) sets the minimum criteria for continuous operational performance through management and employee development. Living up to this standard ensures that Mail employees receive the necessary attention and opportunities for development, which enable them to be successful and thus create value for Mail. Each year, progress evaluations are held with employees, with a focus on their performance, behaviour and personal development.

The IiP certification as a percentage of the total headcount working in certified sites for Mail in 2010 increased to 91% from 90% in 2009, as a result of changes in headcount. No additional entities were IiP-certified in 2010, though the United Kingdom has renewed its IiP certificate.

Global Engagement Survey

At the height of the economic downturn in 2010 and the announcement by Mail of 11,000 redundancies, all employees were invited to participate in the Global Engagement Survey (GES). The timing of the survey is likely to have influenced the response and outcome of the GES, which showed that employee engagement declined from 64% in 2008 to 54% in 2010.

The GES was not conducted in 2009: management decided to postpone it until 2010, in order to give adequate time to make improvements to the engagement programme and align the survey with current business needs.

To improve the results of the survey, Mail will focus on:
- enhancing coordination of the process across and within departments,
- improving the follow-up on action planning and communication, and
- building confidence and trust in the future of Mail.

Action plans on these improvement areas have been developed together with employees, and progress is discussed on a regular basis. Further improvement in the engagement programme is being formulated within the business.

Additional research by Arboned, a third-party researcher revealed signs of disquiet among staff. Arboned recommended Mail to recover the balance between task-oriented and people-oriented management. Mail has developed an improvement plan that will be implemented in 2011.

Recognition

Employees are the main asset of Mail. In light of the economic downturn and the decline in mail volumes, managing employee engagement has become even more important.

A key element of article three of the TNT Business Principles is to create an environment in which each employee is recognised as a valued individual. *"In TNT, we seek to attract, develop, reward and retain outstanding individuals who appreciate the value of acting as a team. We create equal opportunities for all our employees, without regard to age, disability, ethnicity, gender, marital status, race, religion or sexual orientation. We do not condone unfair treatment of any kind. We treat all people with consideration and respect."*

To highlight the fact that Mail recognises the importance of a diverse and inclusive culture, each member of the Board of Management has signed the diversity and inclusion statement and encourages every employee in Mail to live up to this statement.

Mail ensures employees are rewarded for performance according to market practice and acknowledges that recognition and reward is much more than a financial issue. For this purpose, TNT organises the internal Master Awards annually. The Master Awards seek to:

- pinpoint the long-term impact of business decisions,
- identify, celebrate and share best practices throughout the organisation, and
- encourage continuous improvement and continuous innovation in the pursuit of business excellence.

In 2010, the Master Award for large departments was won by Parcels for its subcontractor project. The department Quantitative Management Consulting won the Master Award for small departments in recognition of its work to quantify management issues. The Sustainability Award was won by the Master Chefs for Home Chefs cookery book project team.

Absenteeism

Mail's approach to absenteeism is to provide absent employees with a safe and timely return to work. A 'return to work interview' is held as an open discussion about the employee's absence. Its purpose is to establish whether management is able to support the employee and improve the situation. In many cases the employee's return to work is also closely managed by a certified medical practitioner.

In 2010, several initiatives were organised for employees to learn how to live a healthier life. These include health checks for senior management, work-life balance workshops for all employees and provision of healthy food in the restaurants.

Absenteeism as a percentage of total working days increased in 2010 to 5.6% from 5.2% in 2009, which can be ascribed to all entities of Mail. Part of this increase is attributed to the large number of lost time accidents during the extreme winter conditions in 2010. Absenteeism is being addressed as part of overall efforts to address disquiet among employees.

Turnover and internal promotion

Mail's operations are declining in the home market of the Netherlands. This trend presents Mail with many social challenges as it strives to compete with lower-cost operators and respond effectively to the volume declines that e-substitution has brought to the mail market.

As a consequence of the volume declines, employees will be made redundant in Mail's operations in the Netherlands in coming years. As a responsible employer, Mail's policy is to stimulate voluntary job moves. The TNT Mobility department has been created to provide employees with training and job opportunities, information, assessments and personal support. In 2010, 760 employees left Mail voluntarily via the Mobility programme.

The Mobility department has developed specific tools, such as the Accreditation of Prior Learning (APL) and 'Job Seeks Worker' programmes, to support employees in finding new employment options. APL is an education programme that offers a simple opportunity for current employees to gain a basic qualification (Dutch 'MBO2') to enter the labour market. 'Job Seeks Worker' is a way of helping specific and skilled Mail employees to find a similar role with another employer such as the Dutch railways, the police, security or transport firms. In addition to these two instruments, Mail supports employees with:

- financial incentives to encourage voluntary job moves with the aim of compensating a shortfall in salary,
- workshops designed for line managers on the implementation and management of change,
- training to enable employees to find a different job (e.g. cover letter writing skills and job interview skills), and
- personal guidance for employees by defining competences, offering a career choice test, helping to find suitable vacancies, and offering access to internships.

Voluntary turnover and Internal promotion

GRI indicator: LA 2

	2010	2009
Voluntary turnover in percentage of total headcount	18%	15%
Internal promotion in percentage of total management vacancies	62%	57%

Internal promotions to management vacancies increased by 5% in 2010. New vacancies emerged on account of the restructuring process within Mail. In order to prevent compulsory redundancies, as many vacancies as possible were filled by Mail employees. Only when no qualified candidates were available within Mail, expertise was obtained externally.

Learning and development

Mail aims to provide its employees with the necessary resources, learning and development opportunities and recognition to maximise their own potential and individual contribution to the business. These resources also provide employees with an appreciation of their contribution to Mail, by being a good corporate citizen and part of an environmentally responsible operator.

As a consequence of this renewed focus on learning and development of employees, the overall training hours per FTE in 2010 increased to 21, compared to 15 hours in 2009.

Human rights

Mail takes compelling steps to promote human rights by taking effective measures to avoid and mitigate any adverse human rights impact. The TNT Business Principles represent the core of Mail's commitment to human rights worldwide and outline four broad areas: the company, the employees, the business and the relationship with the world. This is supported by the establishment of a cross-functional working group that strategically focuses on engaging in partnerships, extending knowledge on human rights, and creating a connection with Mail business activities. Clearer roles and responsibilities are being developed and policies and procedures are being updated to reflect Mail's commitments.

Diversity and inclusiveness

Diversity and inclusion on the workfloor is important to Mail due to its multi-cultural workforce. Graduate and professional recruitment within Mail seeks multi-cultural talent and has commenced cooperation with specialised partners, such as Young Global People and the Moroccan Dutch Leadership Institute.

In addition, Mail focuses particularly on the promotion and sponsoring of female talents. In 2010, the percentage of women in management positions increased from 23% to 25%, while the overall percentage of women remained stable at 41%.

Gender profile

GRI indicator: LA 13

	2010		2009	
	Male	Female	Male	Female
Gender profile in percentage of headcount	59%	41%	59%	41%
Gender profile of management in percentage of total management	75%	25%	77%	23%

Employees with a disability

GRI indicator: LA 13

	2010	2009
Employees with a disability in headcount	1,462	1,374
Employees with a disability in percentage of total headcount	2.2%	2.1%

Mail supports various networks aimed at creating more awareness for diversity, including: TNT pride (gay, lesbian, bisexual and transgender), TNT link (dedicated to the professional development of women in TNT) and TNT unity (dedicated to cultural diversity within TNT).

Health and safety

OHSAS 18001 certification

OHSAS 18001 sets the minimum health and safety standards Mail expects in its operations and creates a platform for ongoing work-related health and safety performance improvements at entity level. This allows localised focus and ownership for monitoring and implementing these improvements.

In 2010, the percentage of total FTEs working in OHSAS 18001-certified sites increased to 88% from 86% in 2009, as a result of changes in FTEs. No additional entities received OHSAS 18001 certification in 2010. However, several certificates were renewed during 2010.

Health and safety performance

The purpose of measuring health and safety performance is to assess how effective Mail is in controlling its risks and developing a positive health and safety culture.

The definitions and basis of reporting on health and safety performance indicators are described in TNT's Group Policy on Accident Reporting. The policy separates accidents into four categories (definitions are available in Annex 3):
- fatal accidents,
- serious accidents,
- lost time accidents, and
- minor accidents.

Mail's accident investigation procedures are designed to evaluate performance, provide an opportunity to learn from mistakes and further improve the health and safety system and risk control.

Fatal accidents

Fatal accidents are divided into four categories, as shown in the table below. In 2010, Mail reported one fatal accident resulting in one fatality, compared to four fatal accidents with four fatalities in 2009.

Fatal accidents

GRI indicators: LT 12 & LA 7

in numbers

		2010	2009
▲	Workplace fatal accidents	0	1
▲	Road traffic fatal accidents involving own employees (Blameworthy)	1	3
▲	Road traffic fatal accidents involving own employees (Non-Blameworthy)	0	0
	Road traffic fatal accidents involving subcontractors	0	0
	Mail Total	1	4

Serious accidents

Mail monitors and reports on serious accidents to assess accident patterns before they become fatal. Serious accidents are divided into workplace and road traffic accidents.

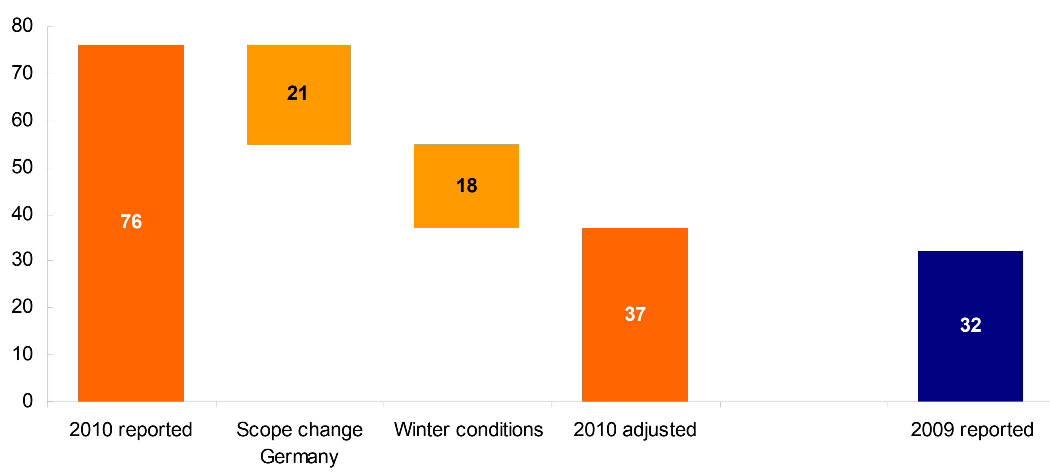
Serious accidents

GRI indicators: LA 7

in numbers

		2010	2009
Workplace serious accidents	▲	70	28
Road traffic serious accidents	▲	6	4
Mail Total		76	32

Number of serious accidents



In 2010, Mail reported 76, serious accidents compared to 32 in 2009. The increase is a result of two reasons. Firstly, in 2009, serious accidents were not reported in Germany. In 2010, Germany reported 21 serious accidents. Secondly, management has tracked year-on-year trends and can clearly demonstrate that serious accidents were materially higher in January, February, March and December 2010 than in the same periods of 2009. Each accident has been investigated and management concluded that a large part of the accidents can be contributed to either a road traffic accident as a direct result of ice and snow, which led to treacherous driving conditions, or falls and slippage of mail delivery personnel as a result of untreated pavements and cycle paths. The winter conditions accounted for a total of 18 serious accidents. This results in an adjusted number of serious accidents of 37, an increase of five compared to 2009.

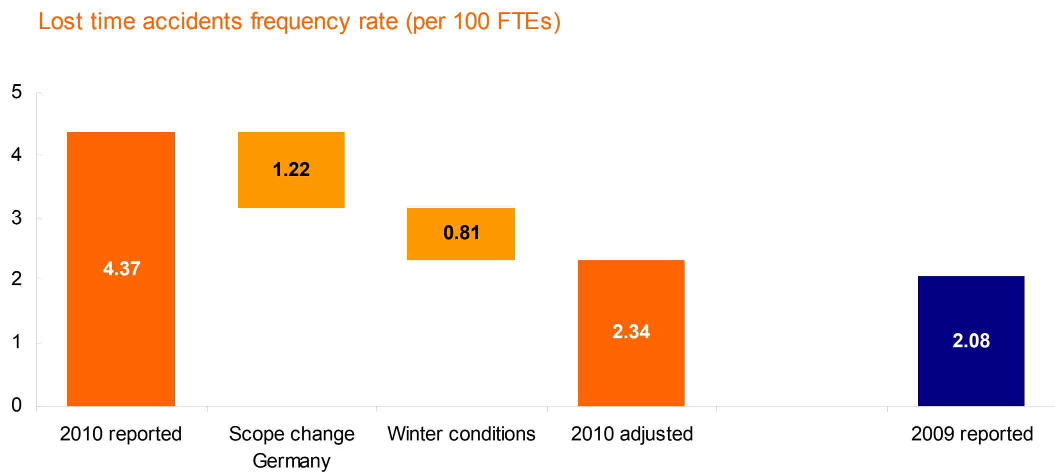
Lost time accidents

Lost time accidents (LTAs) are reported as an absolute number, but also as a frequency rate to show relative changes. The average number of days lost per accident gives an indication of the severity of the accidents.

Lost time accidents

GRI indicators: LA 7

		2010	2009
Number of lost time accidents	▲	1,580	731
Lost time accidents frequency rate (per 100 FTEs)	▲	4.37	2.08
Average number of days lost due to a lost time accident		18	no data



The lost time accidents frequency rate (per 100 FTEs) increased, from 2.08 to 4.37 in 2010, for the same reasons as previously explained. The adjusted number of lost time accidents per 100 FTEs is 2.34, an increase of 0.26 compared to 2009. Germany started reporting lost time accidents in 2010 and accounted for an effect of 1.22 on the reported LTAs per 100 FTEs. In Germany, employees frequently use motorised scooters to deliver mail, which may lead to higher accident rates and increased accident severity. The winter conditions (causing slippery roads and pavements) accounted for 0.81 LTAs per 100 FTEs.

The adjusted figures still show an increase and management is committed to further investigating and improving health and safety performance.

Minor accidents

In 2010, Mail began implementing a process to capture and report on minor accidents. A decision was made not to report on minor accidents at the end of 2010.

Road traffic incidents/collisions

A road traffic incident is defined as a crash or collision involving an operational Mail vehicle (company cars are excluded as of 2010).

Mail categorises road traffic incidents as blameworthy or non-blameworthy incidents. In 2010, 4.92 blameworthy road traffic incidents per 100,000 kilometres occurred. Due to a change in definition, this cannot be compared with 2009.

ENVIRONMENT

Mail's environmental management system is the main framework that enables Mail to manage its environmental performance in a structured way. Carbon management has been identified by the stakeholders of Mail as the most significant environmental topic. In addition to CO_2 emissions, Mail has other environmental impacts, such as local pollution, waste and noise, that impact human health (e.g. NOx and Particulate Matter (PM10)).

ISO 14001 certification

Mail has adopted the international standard ISO 14001 to manage its environmental performance. In 2010, 88% of Mail employees worked in ISO 14001-certified sites, an increase from 86% in 2009 as a result of FTE changes. No additional entities were certified in 2010. Cendris renewed its ISO 14001 certificate in 2010.

Carbon management

Ambitious CO_2 management creates opportunities

The transition to a low carbon economy is inevitable and gaining momentum. This leads to new demands from various stakeholders, with stricter regulations and higher expectations.

Customers are actively reducing CO_2 in their supply chain, which implies that CO_2 increasingly influences their purchasing decisions. Investors are more and more focused on climate change risk management, and by managing CO_2 performance, Mail intends to meet these investor expectations.

CO_2 strategy

As indicated in chapter 8, part of Mail's CR strategy is to focus on improving CO_2 efficiency within its operational activities:

- road transport, and
- operations in buildings.

Besides technological solutions to improve performance of its operations, Mail is also focusing on managing its CO_2 emissions by encouraging behavioural change. Engaging employees is key to the implementation of an effective CO_2 strategy. Two distinct groups need to be targeted: management (to create role models and build credibility), and drivers (to sensitise them to fuel-efficient driving behaviour, ensure acceptability and provide advice and technical solutions). The driver performance competition in which Mail participated in 2010 is an example of how to stimulate drivers to minimise their fuel usage and to create awareness of CO_2 reduction and road safety.

Managing the CO_2 emissions of subcontractors represents a particular challenge as Mail's influence on subcontractors is limited.

Road transport

By deploying vehicles of the highest environmental standard and managing the behavioural aspect of drivers, as well as further route optimisation, Mail expects to deliver tangible gains in fuel efficiency. To achieve drastic reductions in CO_2 emissions, a switch from fossil fuels to alternative fuels is required. Mail has studied the business case for electric vehicles and currently does not intend to invest in them. Instead, Mail will expand the number of vehicles running on natural gas and biogas in the coming year in order to improve CO_2 efficiency among its fleet.

Operations in buildings

Mail believes that incorporating energy efficiency measures in the design of new buildings, in addition to a number of other measures, leads to substantial improvements in the CO_2 efficiency of buildings.

CO_2 target and performance

The provision of accurate and timely CO_2 data is another key requirement for effectively managing CO_2 performance. Mail has successfully implemented a monitoring and reporting system that provides operating units with easy access to accurate information on CR performance, including CO_2 metrics.

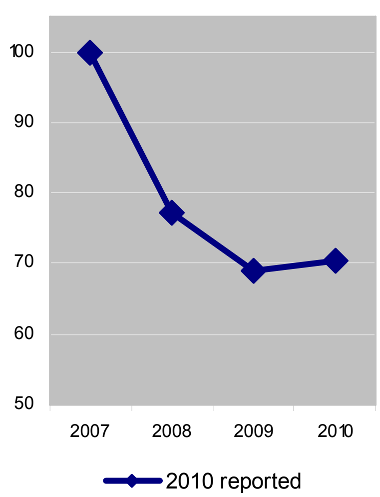
In 2010, TNT publicly announced its target to improve CO_2 efficiency by 45% by 2020 compared to the 2007 baseline year. This target is ambitious yet also realistic as it is based on the actual reduction potential specific to the Mail and Express business. In 2011, Mail will review its CO_2 target for its business to align with the overall 45% TNT target.

The CO_2 target is set on the CO_2 efficiency index. For Mail, the index combines the operational performance of the core operational activities, road transport and building operations into one indexed metric.

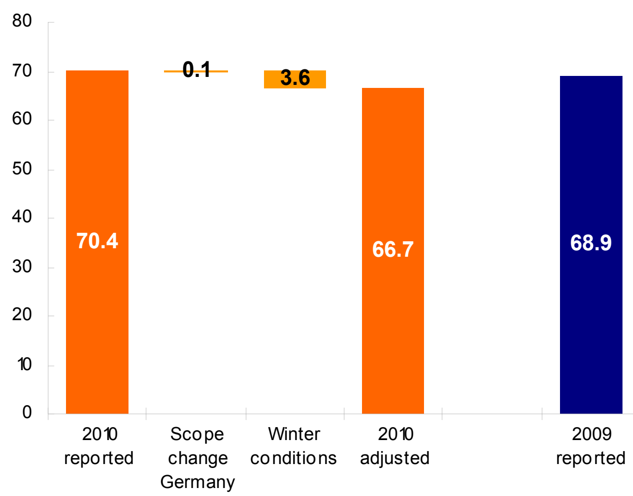
The CO_2 efficiency target is only credible when it is linked to concrete actions. The CO_2 efficiency target comprises various measures in Mail's core operational activities. Some of these measures can be regarded as 'business-as-usual', with a positive impact on CO_2 efficiency performance. However, the target can only be realised with dedicated efforts in fuel and energy efficiency, as well as in deployment of innovative solutions.

In 2010, a structured CO_2 management process was deployed to translate the 2020 CO_2 efficiency target into tangible action plans at operational level. Detailed action plans concerning CO_2 impact and budgetary requirements are linked to standard processes to ensure implementation at the core of the business. This process provides the basis for planning, tracking and rewarding the implementation of CO_2 efficiency improvement actions.

CO_2 efficiency index performance



CO_2 efficiency index



For 2010, the CO_2 efficiency index for Mail was 70.4, a deterioration of 1.5 points compared to 2009 (68.9). Management has analysed the underlying reasons for this deterioration and has concluded that it is mainly caused by increased gas usage as a result of the extreme winter conditions. Management therefore believes that the 2010 reported CO_2 efficiency indicator, when adjusted to reflect the extreme weather conditions, shows an improvement in 2010, with a figure of 66.7 compared with 68.9 in 2009.

Developments in 2010

Driver behaviour

Mail employs and subcontracts drivers who deliver mail and parcels. Mail's driver training is focused on improving driver awareness about fuel efficiency, providing continuous feedback on CO_2 reduction performance and imparting the best possible skills on the road to limit their impact on the environment.

Transport sector competitors TNT and DHL jointly organised and participated in a driving competition called the Drivers Challenge. This unique event saw pick-up and delivery (PUD) drivers from both multinationals competing for the title of best driving team, with the objective of challenging drivers on their level of fuel efficiency, road safety, customer excellence and speed of completion. The event was inspired by TNT's annual Drive Me Challenge, which took place for the fourth consecutive year.

CO_2-neutral postage

Customers of Mail are increasingly asking for a better understanding of the company's activities in all areas of corporate responsibility, and specifically to understand the CO_2 footprint caused by the transportation of their letters and parcels. For business customers, Mail offers 'CO_2-neutral' delivery. In 2010, a total of 1,020 clients (625 in 2009) sent more than 900 million mail pieces (407 million in 2009) CO_2-neutral. The CO_2 impact of these mail pieces was compensated.

Cleaner car contract

Mail signed a Gold Fleet Cleaner Car Contract with ING Car Lease. The contract demonstrates the ambition of ING Car Lease and Mail to be frontrunners in improving the fuel efficiency of company cars and to pressure policymakers to accelerate the introduction of more fuel-efficient cars. The Gold Fleet ambition aims to achieve a company car fleet average of 120 grammes of CO_2 per kilometre for all new leased cars in 2012, which goes beyond the European requirements for vehicle fuel efficiency.

The Green Cause

De Groene Zaak (The Green Cause), of which Mail is a Founding Partner, was launched on 11 February 2010. Dutch businesses have joined forces in a bid to lobby government for environmental changes. The objective of De Groene Zaak is to accelerate the realisation of a sustainable Dutch economy by lobbying Dutch politicians to remove existing regulatory and legal barriers.

Challenges faced in improving environmental performance

Increased dependence on subcontractors versus managing CO2 emissions

Mail's overall CO_2 footprint consists of 73% of subcontracted CO_2 emissions. Mail is keen to improve the CO_2 efficiency of subcontractors as it feels responsible for the complete footprint related to operational activities. It is therefore essential to manage the CO_2 performance of subcontractors to achieve Mail's ambition to reduce CO_2 emissions. Managing subcontractors' CO_2 performance represents a challenge and Mail is exploring various options, from voluntary schemes to contractual agreements, to deal with this challenge.

Long-term versus short-term vision

In the current economic climate and amid the difficulties the company is facing in achieving its short-term objectives, decisions that influence a long-term target, such as managing CO_2 efficiency, are subject to debate. Mail continues to discuss these issues with internal and external stakeholders, with the objective of focusing on the long term.

CO_2 efficiency versus absolute CO_2 emissions

Improving CO_2 efficiency does not automatically lead to a reduction in absolute CO_2 emissions. Business growth will result in more absolute CO_2 emissions as long as the increase in growth outperforms the CO_2 efficiency improvement. Therefore, the relative CO_2 target should be at such an ambitious level that it will also impact absolute CO_2 emissions.

CO_2 footprint

The CO_2 footprint, according to the Greenhouse Gas Protocol, can be reported in three categories to make a comparison in the sector possible:

- scope 1: covers all direct emissions generated by sources that are owned or controlled by the company, such as operational vehicles and heating,
- scope 2: includes all emissions from the generation of purchased electricity consumed by the company, and
- scope 3: refers to indirect emissions that are a consequence of the company's activities but occur from sources not owned or controlled by the company.

CO_2 emissions according to the Greenhouse Gas Protocol — GRI indicators: LT 2, EN 3, EN 4 & EN 16

in ktonnes

Emission source	2010	2009
Scope 1		
Small trucks and vans	22	25
Large trucks	27	27
Other operational vehicles	1	0
Total operational vehicles	50	52
Heating (gas, heating fuel)	23	21
Total scope 1	73	73
Scope 2		
District heating	1	0
Electricity (including electric vehicles)	9	10
Total scope 2	10	10
Scope 3		
Company cars	9	13
Business travel by air	1	1
Subcontractors	224	226
Total Scope 3	234	240
Total Mail own CO_2 footprint (scope 1 and 2)	▲ 83	▲ 83
Total Mail CO_2 footprint (scope 1, 2 and Subcontractors)	307	309

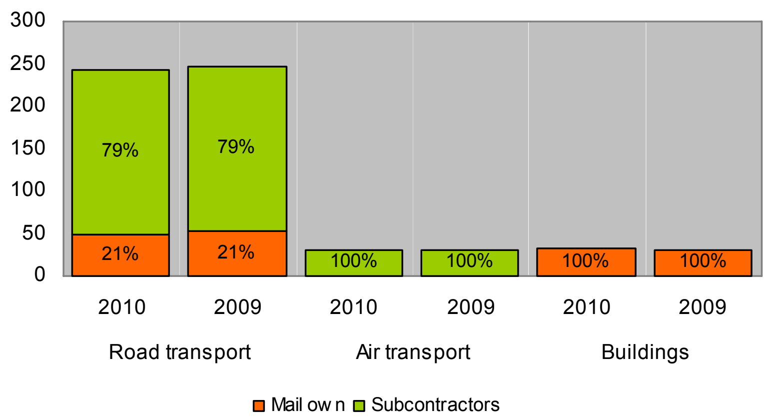
The absolute CO_2 footprint is shown in the above-mentioned Greenhouse Gas Protocol table, and is based on a broader scope compared to the CO_2 efficiency index scope. Additional categories for the Greenhouse Gas Protocol are: other operational vehicles (motorcycles, forklifts), company cars, business travel by air and subcontractors. These additional categories result in relatively low absolute CO_2 emissions, with the exception of subcontractors.

CO_2 footprint own operations and subcontractors

Mail is reliant on subcontractors, and to capture the relevant data related to their activities is one of Mail's biggest challenges in environmental reporting. Subcontracted activities account for 79% of Mail's road transport operations. This calculation is based on secondary indicators such as kilometres driven and costs, because primary data (fuel consumption) of subcontracted activities are not available.

The graph below shows both the absolute CO_2 footprint of Mail's own operations and subcontractors and the ratio in percentage between Mail's CO_2 emissions and subcontractors' CO_2 emissions.

Mail total CO_2 footprint (own and subcontractors) in ktonnes



The ratio in 2010 between CO_2 emissions of road transport from own operations (21%) and CO_2 emissions from subcontractors (79%) remained relatively similar to 2009 levels. The international delivery of mail and parcels by air transport is fully performed by subcontractors (commercial airlines).

Total own CO_2 emissions remained stable (83 ktonnes), whereas CO_2 emissions from subcontractors decreased slightly from 226 ktonnes CO_2 to 224 ktonnes CO_2 in 2010.

CO_2 footprint company cars and business travel by air

In 2010, Mail partly offset CO_2 emissions of company cars and business travel by air. The credits used for offsetting are delivered by renewable energy projects in India, and are 100% Verified Emission Reduction units (VERs), verified by an independent third-party organisation. For 2010, 3.7 ktonnes of CO_2 will be offset for Mail company cars in the Netherlands and 0.7 ktonnes of CO_2 will be offset for Mail's business travel by air booked with the preferred travel agency.

Mail aims to improve the CO_2 efficiency of company cars through its company car policy by setting selection criteria for the request of a new car. Only fuel-efficient company cars are permitted and a one-off financial incentive is provided when selecting a highly efficient company car. In 2010, 174 employees drove a company car with a hybrid engine compared to 129 in 2009. The total number of company cars increased by 9% to 1,663. Company car emissions decreased in 2010, primarily caused by improved coverage of the reporting scope. The 2009 figures were largely based on estimated figures, which were overestimated, while the actual emissions were substantially lower.

Operational CO_2 efficiency index performance indicators

The CO_2 efficiency index is based on the operational CO_2 performance indicators of Mail's core activities in:

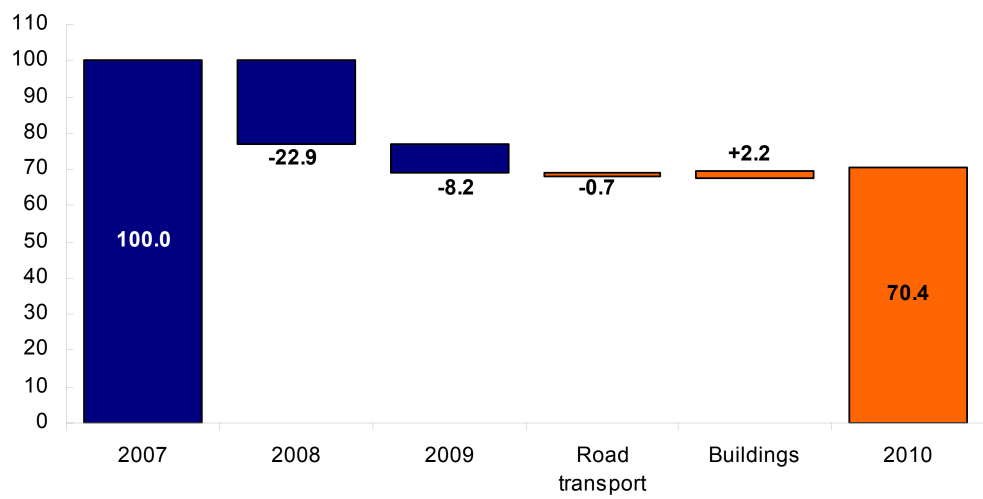
- road transport, and
- operations in buildings.

The CO_2 efficiency index excludes subcontractor emissions.

Operational CO_2 efficiency performance indicators	GRI indicators: EN 3 & EN 16						
			2010		2009	2008	2007
Small trucks and vans (< 7.5 tonnes)	g CO_2 per km	▲	237	▲	236	239	228
Large trucks (> 7.5 tonnes)	g CO_2 per km	▲	715	▲	737	735	723
Buildings	kg CO_2 per m^2	▲	29.4	▲	26.9	36.0	63.5

The improvement in CO_2 efficiency performance from road operations, specifically large trucks, is the result of a variety of efficiency measures, such as improved network efficiency. The CO_2 efficiency of buildings deteriorated compared to 2009 as a result of the increased gas consumption during the extreme winter conditions in 2010.

CO_2 efficiency index performance per operational activity



Road transport

The CO_2 efficiency index is positively influenced by the CO_2 efficiency of road transport (0.7 index points improvement), in particular by the efficiency of large trucks. The CO_2 efficiency of small trucks and vans deteriorated slightly to 237 grammes of CO_2 per kilometre. The number of small trucks and vans (mainly PUD vehicles) decreased from 3,667 in 2009 to 3,643 in 2010 (2% of this fleet is powered by alternative fuels). The CO_2 efficiency of large trucks improved to 715 grammes CO_2 per kilometre. Furthermore, the number of large trucks (mainly linehaul vehicles) increased from 340 in 2009 to 406 in 2010. The United Kingdom extended its fleet by 90 additional large trucks and they started reporting the large truck emissions in 2010, which positively influenced overall large truck emissions. The United Kingdom large truck fleet also has a higher fuel efficiency than other reporting units, caused by the greater distances travelled within the United Kingdom.

Buildings

The CO_2 efficiency index is negatively influenced by the CO_2 efficiency of buildings (2.2 index points deterioration). The CO_2 efficiency of buildings increased to 29.4 kilogrammes CO_2 per m^2 as a result of the increased gas consumption during the extreme winter months. Most Mail buildings are heated by gas, consequently their gas usage is highly dependent on the weather conditions.

Buildings	GRI indicators: LT 4 & EN 4	
	2010	2009
▲ Sustainable electricity usage (as a % of total electricity usage)	82.9%	80.9%
Energy efficiency of buildings (of total energy of electricity, gas, heating fuel and district heating in Mega Joules / m^2)	804	747

Mail uses different types of facilities such as depots, hubs, sorting centres and offices. Mail owns or leases approximately 1.1 million m^2 of building space. The energy efficiency of buildings combines all types of energy consumed in buildings and covers electricity, gas, heating fuel and district heating. The total (reported and estimated) energy use of buildings within Mail was 129.1 million kWh electricity, 12.9 million m^3 gas, 0.15 million litres heating fuel and 0.02 million GJoules district heating in 2010.

Other environmental impact

Other vehicle emissions

The objective of the European emission standards (Euro 4 and 5) is to reduce emissions of:

- particulate matters (PM10),
- nitrogen oxides (NOx), and
- carbon monoxide (CO).

European emission standards for small trucks and vans — GRI indicators: LT2

in percentage of total small trucks and vans in European Union countries

	2010	2009
Vehicles complying with Euro 5	19%	5%
Vehicles complying with Euro 4	73%	74%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)[1]	5%	20%
Vehicles older than 5 years	3%	1%

[1] 2009 soot filters placed under this category.

European emission standards for large trucks — GRI indicators: LT2

in percentage of total large trucks in European Union countries

	2010	2009
Vehicles complying with Euro 5	73%	61%
Vehicles complying with Euro 4	0%	0%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)[1]	1%	18%
Vehicles older than 5 years	26%	21%

[1] 2009 soot filters placed under this category.

Mail's fleet is being updated, with newer models replacing older trucks to comply with the Euro 5 standard. Furthermore, trucks more than five years old will be replaced by younger and cleaner trucks in the coming years.

Waste

In 2010, Mail continued to focus on waste management. Consequently, the waste figures have been reported more accurately and a more reliable division of waste into recyclable and non-recyclable waste has been made. Improvements in suppliers' data collection have resulted in an improvement in the recyclable waste percentage. Mail, furthermore, reduces the amount of waste of its customers by providing key information on the actual numbers of prints needed for advertising. This way, Mail proactively limits the amount of excessive unaddressed mail.

Waste

GRI indicators: EN 22 & EN 27

	2010	2009
Waste in tonnes per FTE	0.53	0.32
Recycling of waste in percentage of total waste	72%	62%

Mail had 10 tonnes of hazardous waste that required appropriate disposal (71 tonnes in 2009). Hazardous waste is mainly confined to the maintenance of vehicles. The major drop in hazardous waste is the result of misinterpretation of the hazardous waste definition by several entities in 2009. Therefore, more hazardous waste was reported than was disposed of in practice.

Noise

Noise monitoring and management is part of Mail's environmental management system. Mail conducts risk assessments for workplace noise and external noise nuisance in communities living close to Mail's operational facilities.

In 2010, Mail received one complaint related to noise as compared to zero in 2009.

Environmental incidents

Within Mail, 11 on-site environmental incidents occurred in 2010 (compared to 16 in 2009) and there were two off-site environmental incidents (three in 2009). These incidents were related to oil spillages from trucks.

OTHER STAKEHOLDERS

Other stakeholders such as customers, subcontractors and suppliers have a significant impact and influence on Mail's corporate responsibility performance within the supply chain.

Customers

Customer focus

Mail strives to understand its customers, their values, needs and preferences, and aims to respond to them with tailored products and services.

Mail believes that total customer focus is a sustainable competitive differentiator and therefore aims to exceed customer expectations by providing distinctive levels of customer care at all contact points. Mail bases its improvement programmes on quantitative and qualitative customer feedback, which ensures that required improvement actions focus on what is most important to customers, rather than only on internal measures.

Customer needs, satisfaction and loyalty levels are therefore important markers that are identified through regular contact and structured surveys. To measure the differentiation elements, Mail also conducts benchmarking surveys, which enable it to differentiate among the most important drivers of customer satisfaction and loyalty. Mail encourages its employees to 'go the extra mile' in their service to customers, with an understanding that engaged and motivated employees will deliver an exceptional customer experience, which in turn drives profit.

ISO 9001 certification

Mail's objective is to offer its customers excellent service. As such, it adheres to a number of strict quality standards. Mail's customer management approach is aligned with the ISO 9001 standard. This standard sets requirements for continuous quality improvements at entity level, challenges all entities on the service and quality they provide, and allows for a customised approach in implementing improvements.

In 2010, the percentage of total FTEs working at ISO 9001-certified sites increased to 89% from 87% in 2009. No additional entities were certified in 2010; however, several certificates were renewed in 2010.

Customer satisfaction

Mail aims to exceed customer expectations. Analysis shows that 'satisfied' and 'more than satisfied' customers are more loyal. Therefore, Mail aims to increase the percentage of 'more than satisfied' customers within the group of 'at least satisfied' customers. Understanding the mindset of 'less than satisfied' customers and obtaining their feedback will enable Mail to develop improvement strategies with the goal of increasing levels of customer retention.

Customer satisfaction (based on the annual customer satisfaction survey of small and medium-sized enterprises in Mail in the Netherlands) declined from 90% in 2009 to 89% in 2010.

In total, 3,450 customers were scored on five customer values in 2010. The final score is calculated by taking the weight customers ascribe to these customer values and multiplying the weights by the score for each value. The surveys have been optimised by measuring performance on all customer contact points and are compared to competitor performance. This enables Mail to take immediate action with measurable results.

On-time delivery in 2010 was 95% (95% in 2009). This percentage is preliminary and is yet to be validated by Dutch postal supervisor OPTA. It must be mentioned that due to a change in Dutch legislation, this figure consists only of single-item mail. The combined preliminary figure for single mail and bulk mail was 96% in 2010 (96% in 2009).

Subcontractors and suppliers

Mail acknowledges the significant ecological and social impact it has on its supply chain and suppliers' local communities. As such, Mail is committed to raising its social and ecological standards as well as those of subcontractors and suppliers.

Mail makes a distinction between subcontractors and suppliers. Where this annual report refers to subcontractors, this relates to providers of transport and logistical services. Suppliers are providers of services and materials, and other items excluding transport and logistical services.

Subcontractors

Mail works with its subcontractors in a proactive and innovative manner to deliver products and services, and encourages them to conduct their services in an environmentally-friendly and socially-responsible way.

Mail expects all its subcontractors to be socially responsible and act in accordance with all prevailing local and international legislation, and the provisions of the TNT Business Principles. Mail is committed to managing its operations in a way that complies with all relevant sustainability legislation and standards.

In 2010, Mail conducted a survey into subcontracted operations to help to improve the reliability of reported CR information. In addition, Mail invested in discovering new ways to work with its suppliers and subcontractors to improve the reliability of reported CR information. However, due to the complexity of the situation, and the diverse nature of the subcontractors, Mail will invest additional time to develop procedures for its subcontracted operations to reduce its subcontractors' social and environmental footprint.

The majority of the operational activities of Parcels are contracted out with the aim of reducing costs and increasing flexibility. In 2010, Mail continued its 'Subco united' programme to reduce costs as well as to support subcontractors in improving their sustainability performance.

Mail believes that developing collaborative efforts within its industry is an effective way of leveraging the work of each individual company or organisation to raise supply chain standards, set consistent standards and support subcontractors to implement these standards more sustainably.

Suppliers

Mail is involved with a large number of suppliers. By actively engaging with these suppliers, Mail promotes awareness of its corporate values. Furthermore, Mail identifies and manages the impacts of the supply chain by assessing the sustainability risks of suppliers and sharing best practices with them on mitigating these risks.

During 2010, Mail continued to develop health and safety, environmental and business principles by working in partnership with organisations to help strengthen the corporate responsibility approach within the supply chain. Mail recognises that corporate responsibility efforts, while contributing to sustainable development in general, support competitiveness and help to improve the financial performance of the business.

VOLUNTARY CONTRIBUTIONS TO SOCIETY

Mail 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 to WFP, Mail supports the WFP in fighting hunger worldwide. In 2010, the WFP provided food aid to 90 million people, in more than 70 countries.

In addition to the WFP partnership, Mail started a project on Jatropha curcas nuts in Malawi in 2008. For developing countries, generating sustainable income in the agricultural sector is considered to be the most effective tool to fight hunger and reduce poverty.

World Food Programme

Mail is committed to supporting WFP in its efforts to meet the number one Millennium Development Goal: to end poverty and child hunger by 2015. Both parties benefit from this partnership: WFP benefits from the knowledge, skills, resources and donations provided by Mail, while Mail benefits from increased employee engagement and employee and management development.

Moving the World contribution GRI indicators: EC 8

in € 1,000

	2010	2009
Kids Moving the World	261	244
School friends	0	92
Global Experience Programme	112	109
School Feeding Support Programme	146	167
Management & Office	180	180
BERL (Jatropha)	1,104	2,290
Total	**1,803**	3,082

Mail's expenditure on Moving the World decreased in 2010. However, this decline was exclusively caused by a reduction in BERL (Jatropha) spending. Before 2010, Mail was the only financier of the Jatropha project, whereas in 2010 the project received a subsidy from the Daey Ouwens Fund. This subsidy covered part of Jatropha's budget, resulting in less appeal to Mail for financial assistance. The school friends project received no financial assistance in 2010 as the project was terminated in 2009. Other Moving the World contributions remained stable in 2010.

Malawi School Feeding Programme

Mail is involved in a school feeding programme in Malawi, a WFP project that provides a free school lunch or snack to underprivileged children. The concept is straightforward: food attracts hungry children to school, and in return they get an education that enables them to break out of the vicious cycle of hunger and poverty. This is especially important for girls, who are the first victims of circumstance, as they are kept at home in underprivileged families. For many parents, the school meals are a reason to send their children to school rather than out to work. It costs WFP €0.20 to provide a child with a nourishing meal at school.

In 2010, Mail raised a total of €0.97 million for the School Feeding Programme.

Awareness and fundraising

Since the start of the partnership with WFP, Mail has played an important role in raising awareness of global hunger. Mail provides support to WFP by organising fundraising activities and engaging employees by sharing knowledge. Extra awareness and financial support is achieved through a range of activities, including Kids Moving the World, the Global Exchange Programme, Master Chefs for Home Chefs, the 'GSM Retourplan' and a number of local initiatives.

Kids Moving the World

The Kids Moving the World (KMtW) foundation focuses on creating awareness of global developmental issues among schoolchildren in the Netherlands. KMtW offers an educational package for primary school children. The package consists of three lessons and an interactive game, aimed at making young children aware of hunger, poverty and climate change issues. Over 100 Mail employees assisted the programme by facilitating the interactive game.

Since the launch of KMtW in 2004, the foundation has already reached 300,000 children.

Cookery book project - Master Chefs for Home Chefs

In 2007, Mail launched the success formula Master Chefs for Home Chefs. This cookery book raises money for the school feeding programme of the WFP mentioned above. Master Chefs for Home Chefs aims to:

- collect funds for the school feeding programme of the WFP,
- bring the WFP to public attention and increase recognition of the WFP brand, and
- increase world hunger awareness by making it relevant and close to home.

With the sale of one cookery book, a child can get 40 nutritious meals at school. Master Chefs for Home Chefs is in its fourth edition and is published in Canada, Italy, Germany, France and the Netherlands. Since the start in 2007, Mail has donated more than 8.6 million school meals to the children participating in the WFP school feeding programme.

GSM Retourplan

The GSM Retourplan is a non-profit foundation that collects mobile phones from the Dutch market for charity. The foundation was established by Mail and T-Mobile and in 2010, BEN and Tele2 joined the foundation.

The GSM Retourplan foundation organises the recycling and sale of used mobile phones via e-auction to second-hand markets. The benefits of the foundation are twofold: the profit of the GSM Retourplan is donated to War Child and WFP, while the unusable phones are recycled in order to prevent them from being dumped into the environment.

Local initiatives

Since the start of the partnership with WFP, Mail employees have raised funds to support the school feeding programme through a range of fun and effective fundraising activities, including sorting of mail and parcels, sports tournaments and auctions. These activities are organised on a voluntary basis outside normal working hours.

Knowledge transfer

Another essential element of the WFP partnership is the provision of skilled Mail specialists to support the school feeding programme. In 2010, three Mail employees worked as project manager on the school feeding projects in Malawi. Additionally, two other Mail specialists provided the WFP with logistical and financial knowledge in Malawi.

Global Experience Programme 2010

In order to provide future generations with a unique experience, Mail offered eight students a six-month humanitarian internship at Fleet Forum, North Star Alliance and WFP. During their internship, the interns gain experience in the fields of complex food provision logistics, the HIV problem and road safety. After careful consideration, Mail has decided to terminate the programme, due to the organisational change within TNT.

Building partnerships – Jatropha

For most developing countries, generating sustainable income in the agricultural sector is considered the most effective tool to fight hunger and reduce poverty. Mail therefore started the Jatropha project in 2008, to establish a social venture with a local Malawian company, Bio Energy Resources Limited (BERL), for developing biofuel production on a sustainable basis. Local smallholding farmers are provided with seeds to grow Jatropha Curcas as boundaries around their fields. Jatropha curcas is a small tree that yields nuts, which can be used to produce biofuel. There are multiple benefits:

- the Jatropha crops provide the farmers with an additional annual income,
- the biofuel will be used locally, replacing imported fuel and saving scarce foreign exchange, and
- the biofuel will bring environmental benefits in terms of carbon reduction and lower emissions.

Mail aims to qualify the project for carbon certification and to receive a fair return on its investment.

In 2010, BERL continued the establishment of the organisation. At the end of the second planting season three million trees, out of five million planted, survived. To improve the survival rate, BERL changed its planting programme, focused on certain geographic areas and existing farmer clubs and reduced the complexity of the planting instructions.

In the area of operations, a logistical strategy was formulated for the collection, storage and transport of the Jatropha curcas nuts with the support of Ortec. AkzoNobel managed the design of a scalable production plant that is planned to be built in 2011. Atos Origin supported Mail in the field of ICT. Accenture supported BERL in an extensive study of the solid biofuels that can be made from the seedcake (the remainder of the Jatropha seeds after the oil has been pressed out), which resulted in two focus areas: green charcoal and organic fertiliser.

The government of Malawi announced the development of a taxation package and standards for the Jatropha biofuel industry. BERL, together with Hogeschool Arnhem Nijmegen, analysed the performance of a straight vegetable oil and/or diesel blend. The research showed promising results and was handed over to the Malawian Bureau of Standards. To prepare for validation, the methodology BERL uses for carbon certification was audited by an external party. The audit indicated that BERL would most likely qualify, which is a great result for Mail's efforts.

Chapter 17 Corporate responsibility reporting and assurance

CORPORATE RESPONSIBILITY REPORTING

Corporate responsibility reporting criteria

The corporate responsibility (CR) data are prepared in accordance with the reporting criteria and guidelines of the A+ application level of the Global Reporting Initiative (GRI) G3 and the GRI Logistics and Transportation sector supplement as far as relevant to Mail (see Annex 1). Mail will continue to be a signatory of the UN Global Compact and therefore Mail reports on the 10 principles therein. A bridge between the GRI G3 indicators and the principles of the UN Global Compact is made in the GRI G3 index in Annex 1. In addition, the 2003 AA1000 framework is used for identification of stakeholders and integration of the stakeholder process in the reporting process. Definitions used for key performance indicators (KPIs) are defined in Annex 3. KPIs are selected on the basis of interactive stakeholder dialogue and the issues relevant to Mail's operations.

CR data is gathered using a questionnaire. All figures are based, accordingly, on the data provided by the reporting entities in Mail 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.

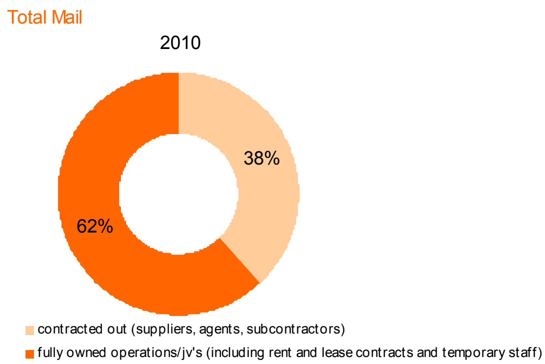
Corporate responsibility reporting scope

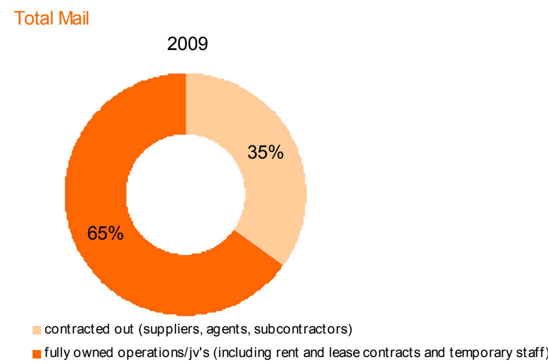
In accordance with TNT's Group Policy on CR Reporting, all companies acquired in any given year are required to report CR data as from the following year. Mail companies that are divested (full or partial sale whereby Mail no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place and the comparative is adjusted. In 2010, Mail China was transferred to Express and so the Mail China CR figures are excluded from both the reported 2009 and 2010 figures.

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. CO_2 efficiency indicators are presented relative to the baseline year of 2007 to show progress made towards long-term objectives for CO_2 efficiency improvements. Figures related to absolute CO_2 emissions are all extrapolated to reflect the entire Mail organisation, unless stated otherwise. Extrapolation is done on the basis of FTE coverage or m^2. Mail defines coverage as the number of full-time equivalents (FTEs) working in entities that report data, divided by the total number of FTEs in the CR reporting scope. The data clarification table in Annex 2 shows the coverage per indicator. Mail has taken all reasonable steps to ensure that the CR information in this annual report is accurate.

The charts below show the cost structure balance between the fully-owned and majority-owned operations and subcontractors' operations. The costs associated with work contracted out (suppliers, agents, subcontractors) increased from 35% in 2009 to 38% in 2010.

Cost structure balance of operational activities





This annual report includes only CR data from entities that are fully-owned or majority-owned and from those joint ventures where Mail has a controlling interest with respect to corporate responsibility. However, Mail does rely on a large number of subcontractors to perform daily activities. Mail 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.

Mail CR reporting scope
in number of FTE and headcount

	2010		2009	
	FTE	headcount	FTE	headcount
Mail Total (in CR reporting scope)	▲ 36,408	▲ 67,925	38,568	70,783
Out of CR reporting scope	3,830	12,488	3,590	11,963
Total Mail (including joint ventures)	40,238	80,413	42,158	82,746

The number of FTEs and headcount included in 'Out of CR reporting scope' are people for whom no CR data is available. These are people on payroll who are not entitled to all the benefits of a Mail employee (1,043 FTE and 8,985 headcount), employees of joint ventures, entities acquired in 2010 and Bio Energy Resources Limited (BERL).

CORPORATE RESPONSIBILITY ASSURANCE

External CR assurance process

Mail (as part of TNT N.V.) has engaged PricewaterhouseCoopers Accountants N.V. (PwC) to provide reasonable assurance on certain CR metrics and limited assurance on all other CR metrics. 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).

As part of the external assurance engagement, PwC also makes use of the capacity of the internal audit department of Mail. PwC reviews the findings of all internal audit reports and meets regularly with the management of the internal audit department to discuss any findings. Furthermore, for selected entities, PwC and the internal audit department perform their assurance procedures jointly.

Mail's objective is to obtain reasonable assurance on all key performance indicators. In 2010, the assurance scope was extended to include the health and safety indicators on serious accidents and lost time accidents. The CO_2 efficiency index itself is also included in the 2010 assurance scope.

PwC provided reasonable assurance on the following indicators:

- the number of employees and full-time equivalents employed,
- the percentage of Mail 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 FTEs,
- the absolute CO_2 footprint of owned operations (scope 1 and 2),
- CO_2 efficiency index,
- CO_2 efficiency of buildings,
- CO_2 efficiency of fleet, split into small trucks and large trucks, and
- the percentage of sustainable electricity.

All data and graphs related to these indicators have been audited and are marked with a triangle (▲). 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.

Internal control on CR reporting

An internal control framework has been designed for the CR reporting processes for the capture and reporting of reliable CR data. In 2010, the framework was implemented at head office level. Implementation of identified internal controls at country level was initiated in 2010 and will be completed in 2011. An implemented internal control framework will not only increase the reliability of CR data, but will also enable PwC in its audits to rely more on internal controls and reduce data-oriented audit activities.

ASSURANCE REPORT

To the Board of Management of TNT N.V.

REPORT ON THE CORPORATE RESPONSIBILITY CHAPTERS

Engagement and responsibilities

As explained in chapter 17 'corporate responsibility reporting and assurance', we have been engaged by the Board of Management of TNT N.V. ('TNT') to examine the content of chapters 8, 16 and 17 and the annexes in the annual report (hereafter referred to as: 'CR chapters') in which TNT renders account of the performance of its Mail division related to Corporate Responsibility ('CR') in 2010.

Our examination consisted of the following combination of audit and review procedures:

- audit of all data and graphs related to the following key performance indicators:
  - the number of employees and full time equivalents employed,
  - the percentage of Mail 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 FTEs,
  - the absolute CO_2 footprint of owned operations (scope 1 and 2),
  - CO_2 efficiency index,
  - CO_2 efficiency of buildings,
  - CO_2 efficiency of fleet, split into small trucks and large trucks, and
  - the percentage of sustainable electricity.
- review of all the other elements of the CR chapters not excluded from our assurance scope.

The Board of Management of TNT is responsible for the preparation of the CR chapters. We are responsible for providing an assurance report on the CR chapters.

Reporting criteria

TNT developed its reporting criteria on the basis of the G3 Guidelines of the Global Reporting Initiative (GRI) as explained in chapter 17 'corporate responsibility reporting and assurance'. 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 the Mail division as the CR chapters only include data from Mail entities that are fully-owned or majority-owned and from those joint ventures where Mail has a controlling interest with respect to CR. Detailed information on the reporting scope is given in chapter 17. We consider the reporting criteria to be relevant and appropriate for our examination.

For several indicators, the CR chapters are not yet based on full coverage as intended by TNT per its reporting criteria. By including a data clarification table (Annex 2), the coverage of the CR chapters is clarified, showing for each indicator the number of FTEs working in entities that report on that indicator as a percentage of total FTEs. We believe that this limitation with regard to the completeness of the CR chapters, and the reasons for it, are acceptable.

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 triangle (▲). 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 fulfil 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 and graphs, 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 set-up, 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, 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's 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's reporting criteria, and
- assessing the application level according to the G3 Guidelines of GRI.

We believe that the evidence obtained from our examination is sufficient and appropriate to provide a basis for our conclusions.

Conclusion

Based on our audit procedures

In our opinion all data and graphs marked with a triangle, as mentioned under 'Engagement and responsibilities', are in all material respects presented reliably and adequately, in accordance with TNT's reporting criteria.

Based on our review procedures

With respect to the other elements of the CR chapters not excluded from our assurance scope, nothing has come to our attention that would cause us to conclude that the CR chapters, in all material respects, do not provides a reliable and adequate presentation of the CR policy of TNT or of the CR related performance of its Mail division during the reporting year, in accordance with TNT's reporting criteria.

Amsterdam, 21 February 2011
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

Chapter 18 Risks

RISK ENVIRONMENT AND RESPONSE 2010/2011

The development of TNT's new business strategy (including the decision to separate the mail and express businesses in 2011), and the supporting financial and corporate responsibility strategies, is not without risk. Indeed, any new strategy automatically attracts a certain level of execution risk and strong change management capabilities are needed to manage these risks. The Board of Management believes that these strategies contain manageable execution risks as they are based on TNT's core strengths. As described in chapter 10 of this annual report, TNT's comprehensive and mature risk management and internal control, integrity and compliance framework has been designed to identify and prioritise specific key risks and to develop mitigating actions. It has as its foundation the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004). Furthermore, TNT maintains its policy to retain a BBB+/Baa1- credit rating as the basis for sound business and financial management, which will also define the boundaries of TNT's risk appetite.

In reviewing the business context and competitive position of its business, including the discontinued operations in Express, TNT has concluded that the economic outlook for 2011 is still uncertain and TNT continues to take a cautious view on short-term economic developments.

TNT's financial standing as per 31 December 2010 is solid and is based on a balanced and long-term secured funding position. In 2011, TNT will continue to focus on sustaining its good financial standing by, among other things, strict business performance and cash flow management, which will include continuous optimisation of working capital and capital expenditures. In addition, TNT will continue to sell real estate, provided favourable market conditions exist.

SPECIFIC KEY RISKS – SHORT TO MID TERM

The risks described in this section of the annual report cover the risks to both the Mail and Express businesses. The Express business, although reported as discontinued, is material to the results of TNT and as a result, risks specific to the Express business and its future strategy are disclosed.

Understanding strategic, operational, compliance and financial risks is a vital element of TNT's management decision-making processes. TNT's risk management and control programme is not an end in itself, but a process to support management. No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments in TNT's business and business environment from occurring or that its mitigating actions will be fully effective. It is important to note that new, as yet unknown, risks could still be identified. However, any of the following known specific key risks could have a material adverse effect on TNT's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this annual report.

SPECIFIC KEY RISKS IN 2011

The Board of Management has reviewed TNT's risk profile and confirms that the following specific key risks require focused and decisive management attention in the short to mid term, either due to the continued uncertainty in the macroeconomic environment, increased political involvement and/or the execution of the short to mid term strategy.

Specific Key Risks 2011 – Mail

<u>A downturn in the capital markets and/or a decline in interest rates may reduce the coverage ratio to below 105% of TNT's defined benefit pension fund obligations in the Netherlands, which in turn could require significant, multi-year additional funding by TNT.</u>

TNT's main Dutch "defined benefit pension fund" has total assets of over €5.2 billion, which are funded by investments held in various asset classes including equities with a view to benefiting from capital appreciation. The value of these asset classes may be volatile and a downturn in, for example, the capital, commodity and real estate markets could significantly reduce the value of these assets. In addition, a decline in interest rates may increase the net present value of TNT's pension liabilities. In the event that the coverage ratio of assets divided by liabilities falls below the minimum funding requirements prescribed by De Nederlandsche Bank (DNB), TNT will be required to increase contributions to the funds. If the assets were to lose a substantial amount of their value or if, as a result of a decline in interest rates, TNT's liabilities substantially increased, or both, TNT might be required to make large additional payments into the funds, which could adversely affect cash flow over a number of years.

In 2010, the main fund performed a risk management study aimed at reducing the occurrence of very low coverage ratios, by using equity and interest rate derivatives. As a result of this study, the main fund decided to change its investment policy. The strategic weight of direct equity investments decreased from 42% to around 11%. The proceeds were invested in bonds. To preserve part of the upward potential on equity and at the same time be protected against substantial decreases in equity valuations, the fund entered into equity derivatives for the portion of direct equity investments sold. In addition, the fund has interest rate derivatives outstanding to reduce the net interest exposure on its assets and liabilities. During the year, part of the interest rate swap portfolio was replaced by interest rate swaptions which, at a premium, allow the fund to benefit in its coverage ratio from interest rate increases. Additionally, other derivatives, including those on equity, commodity and foreign currency, may be used by the main fund to realise changes in the investment portfolio, to hedge against unfavourable market developments or to adjust the matching of assets and liabilities.

During 2010, the coverage ratio dropped to around 101% as at 30 June 2010, again below the 105% minimum funding requirement as prescribed by DNB. As a result, the main fund had to submit an updated short-term and long-term recovery plan to DNB. The updated recovery plan outlines measures the pension fund will take to restore minimum funding levels within a three-year time frame. In addition, the plan outlines how the coverage ratio will reach the required level (at the time of the updated short-term and long-term recovery plan to DNB) of around 117% within a time frame of 15 years, subject to the risks involved in the pension fund's asset portfolio and interest rates.

The updated recovery plan was approved by DNB in January 2011. Subject to the terms and conditions as agreed between TNT N.V. and the pension fund, the shortfall of the minimum required coverage ratio resulted in an additional contribution by TNT of €12 million during 2010. By the end of 2010, the coverage ratio of the main fund increased to around 107% (108% at 31 December 2009) ahead of the updated recovery plan and in particular due to the increase of the long-term interest rate and the fund's overall investment return. The fund's coverage ratio includes the latest longevity outlook, based on recent statistical studies performed by the Dutch Actuarial Association ("Actuarieel Genootschap").

<u>Changes in the conditions of the Universal Service Obligation (USO), if imposed by the Ministry of Economic Affairs, Agriculture and Innovation, might have a significant negative impact on Mail's profitability and cash flow ambitions.</u>

The Ministry of Economic Affairs, Agriculture and Innovation is in the process of finalising new tariff regulations for the USO. This future regulation will include legislation on reasonable returns and will further define a price cap system. It will also detail the supervisory responsibilities of OPTA. On the basis of this new regulation, the USO tariffs as of 1 January 2012 will be formally established. The new tariff regulation being finalised by the Ministry of Economic Affairs, Agriculture and Innovation and the subsequent decision by OPTA on the tariffs could have a material impact on Mail's profitability.

<u>The anticipated demerger of Express from TNT N.V. is a complex process involving a significant number of stakeholders and certain residual cross liabilities between the demerged legal entities will continue to exist.</u>

As part of the demerger process creditors may object and stakeholders may decide not to approve the demerger. Failure of TNT N.V. to successfully complete the demerger within a reasonable time frame may cause distraction to management, retention issues and could give rise to a risk that TNT N.V. is not able to timely implement its stated strategy. If the demerger is successfully completed, certain residual liabilities such as those related to the Dutch pension scheme, will remain for both Express and TNT N.V. (Mail) for those legal liabilities related to the other entity that existed at the time of the demerger, up to the value of the assets allocated to the entity at the time of the demerger. These residual cross liabilities based on Dutch demerger legislation are secondary in nature such that these liabilities arise when the other entity fails to settle these liabilities when they become due. TNT N.V. therefore has a residual risk for claims prior to the demerger date that are related to Express.

Specific Key Risks 2011 – Express

Sudden changes in customer preferences or shipping patterns due to e.g. macroeconomic changes could create the need to further rationalise Express' operations and might negatively impact results. Such changes could lead to a significant increase or decrease in volumes, weight per consignment, shifts between premium and economy products and pressure on yield.

Although Express has a significant proportion of its operational costs outsourced, a risk still exists of sharp volume fluctuations and shifts in customer preferences as a result of macroeconomic developments. In particular, the shift in international volumes from premium next-day express to economy express products significantly impacts operations and changes the profit profile. Where the premium product represents a relatively large share of international consignments at a low 7 kg weight per consignment, representing the majority of international revenues, economy products represent only a limited part of total consignments at 70 kg per consignment. A sharp premium or total volume decrease would only provide limited short-term opportunities to cost adaptation in the mostly fixed air network. TNT continues, however, to reduce structural and variable costs in order to protect margin and profit levels. Depending on the size and predictability of the fluctuations, the profitability of Express would be significantly influenced if Express is unable to keep up with the speed of onset of this risk.

Failure to prevent a terrorist attack and/or increased anti-terrorism requirements could impose substantial additional security costs on Express and could significantly impact TNT's reputation.

Escalating concerns about global terrorism and perceived insufficient levels of aviation security, which could result in a successful terrorist attack, have caused governments and airline operators around the world either to adopt or contemplate adopting stricter disciplines that will increase operating costs for businesses, including those in the transportation industry. For example, in recent years the EU has increased aviation security regulations and airports around the world have and continue to impose mandatory use of x-ray screening equipment and enhanced screening methods. It is not possible to fully determine the effect that these new rules or changed policies will have on Express' cost structure or its operating results. However, it is reasonable to expect that these enhanced rules and regulations or other future security requirements for air cargo carriers could impose material costs that will have a direct impact on Express.

Express may be unable to use commercial airlines as part of its linehaul needs due to increased regulatory pressure on security.

As a result of aviation security incidents in 2010, such as those reported in Yemen and Greece, accompanied by escalating concerns about global terrorism, many governments have implemented additional emergency measures for security on passenger aircraft and all cargo aircraft, particularly cargo sent to the United States on non-passenger flights. These emergency measures prevent certain types of goods from travelling on commercial passenger airlines. This restricts the movement of these goods to purely all-cargo aircraft, causing potential service delays and increased costs.

The above emergency measures are under review by various governments who hope to introduce new security standards for implementation globally. These new standards may directly or indirectly result in commercial passenger airlines banning the carriage of cargo on passenger flights. This would drastically limit Express' ability to provide current levels of connectivity and service without significant investments.

It is not possible to determine the extent of the development of the additional security measures or the impact they would have on service, revenue and cost. Even though the possibility of a complete ban is considered to be low, it is reasonable to expect that these enhanced security measures may result in partial bans by some airlines or countries that may increase security costs and impact operations and service quality.

ADDITIONAL SPECIFIC AND INHERENT KEY RISKS

In addition to the specific key risks requiring focus and attention in 2011, TNT has identified other risks that require ongoing monitoring and management. These additional risks are described below and have been classified by the risk categories as defined by COSO – ERM and the categories also recommended by the Monitoring Committee of the Dutch Corporate Governance Code. The risks are further classified into specific risks and inherent risks facing TNT. Specific risks are risks that the Board of Management believes could negatively impact TNT's short to mid term objectives, while inherent risks are those risks that are constantly present in the business environment, but which are considered sufficiently material to require disclosure and management. The sequence in which these risks are presented in no way reflects any order of importance, chance or materiality. The Board of Management believes that this approach remains a comprehensive and prudent method of disclosure.

Strategic risks

Specific strategic risks

<u>The acquisition and integration of acquired businesses may involve significant challenges (including costs) and could adversely affect TNT's revenues, costs and profitability.</u>
Mail and Express have entered into and will from time to time continue to enter into acquisitions. Acquisition plans in Mail and Express are supported by multi-year cash flow and profit projections identifying value creation opportunities based on sustainable profitable growth. The plans are carefully developed using the best possible analysis and judgement. The acquisition plans are discussed, where appropriate, with the Supervisory Board in detail prior to approval. These plans, however, are inherently uncertain. In addition to market risks and uncertainties that may have been overlooked or incorrectly forecast, the plans contain risks at key stages in the acquisition process, which may not be mitigated to the full extent possible. Mitigation of acquisition risks in emerging markets is particularly difficult due to the greater uncertainties of these markets. Uncertainties in the acquisition process start with the risk that the optimum target might not be selected, followed by the risk that the deal execution might minimise TNT's exposure at the best price, and end with the risk that the execution of the integration might not achieve an optimal result.

Express will strengthen its business through limited acquisitions where appropriate, with a focus on the emerging markets. Emerging markets by their nature contain higher levels of market and execution risk and expose us to uncertainty arising from the stability of our emerging platforms.

The integration of acquired businesses creates a requirement for change in both the acquired businesses and the TNT organisation, which leads to uncertainty. The integration of the companies TNT has acquired normally results in a significant challenge and change-related costs. This is particularly true in the context of an emerging market, where integration challenges are often significantly enhanced by cultural, social and infrastructure factors as well as by more volatile markets and unstable governments. The uncertainty and cultural differences, as well as the demands on management and resources to achieve the integration of the newly-acquired businesses, result in a risk that the integration of acquisitions is sub-optimal. In addition, the nature of the emerging markets is such that it is difficult to retain qualified management and staff in key positions. This increases the risk that TNT's growth strategy may be delayed, or may not be successfully achieved.

If an existing or future integration effort is delayed, or is not successful, TNT may incur additional costs and lose revenue with a resulting adverse effect on profitability. The value of the investment in the acquired company may decrease significantly and may be permanently impaired.

<u>Express derives a significant portion of its revenues from its international operations and is subject to the risks of doing business in emerging markets.</u>
Express has significant international operations and while the geographical diversity of its international operations helps ensure that it is not overly reliant on a single region or country, Express is continuously exposed to changing economic, political and social developments beyond its control. Emerging markets are typically more volatile than mature markets, and any downturn in these markets is typically more pronounced than those in the developed world. A downturn in these markets could negatively impact Express' revenues and adversely affect the business, financial position and operations.

<u>Changes in market conditions and/or relationships with TNT's joint venture partners may require TNT to revise its strategies, which could adversely affect TNT's profitability.</u>
Changes in market conditions may lead TNT to revise the strategies in which joint ventures are concluded. Revised strategies may lead TNT to demerge these businesses or terminate these joint ventures. The resulting employment reduction or other significant restructuring costs could impact TNT's profitability.

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended and could adversely affect TNT's reputation, revenues and profitability.
The cost initiatives under the Master Plans at Mail consist of efficiency measures and a restructuring to reduce labour costs. During 2010, TNT continued the implementation of new working routines at its delivery and collection offices, leading to more standardisation. TNT continued to recruit part-time mail deliverers at lower labour costs to fill vacancies in mail delivery. As a result, the majority of TNT's delivery work force currently consists of newly recruited part-time mail deliverers. In 2011, the implementation will start of Master Plan III with substantial redundancies in the coming years.

The cost saving targets and initiatives are based on assumptions and expectations which may not be valid. Restructuring of operations and other cost reducing measures may not achieve the results intended and may invoke restructuring and other costs and charges to TNT. In addition restructuring costs are based on expectations on for example the voluntary leave of employees. If those expectations may not be valid this may invoke additional restructuring cost. All these changes from expectations on savings and restructuring costs will affect TNT's profitability.

The loss of key suppliers, particularly in the subcontractor and commercial linehaul sectors, due to insolvency or bankruptcy in a worsening macroeconomic environment, or a significant further decline in volumes, could have a significant impact on TNT's cash flows and operational capabilities.
TNT's business model in both divisions is dependent upon the extensive use of subcontractors and other key suppliers. Bankruptcy of key subcontractors and other suppliers could result in operational disruption and could impact TNT's ability to offer its full range of delivery solutions.

TNT may decide to exit certain businesses or markets in the future which could result in additional costs related to closure of operations, impairment of goodwill or other contractual liabilities.
In the future both Mail and Express may choose to change its strategy and either fully or partially exit certain businesses or markets due, for example, to changes in strategic focus, unattractive market conditions, aggressive competitor pricing policies or other protectionist behaviour by governments etc. A full or partial exit could result in additional costs due to the closure of operations, the impairment of goodwill and other contractual liabilities.

Intensifying competition may put downward pressure on prices and could have an adverse effect on TNT's revenues and profitability.
TNT competes with many companies and services on a local, regional, European and international level. TNT's competitors include the incumbent postal operators of other nations in Europe, Asia, Australia and the United States; motor carriers, express companies, logistics service providers, freight forwarders, air couriers and others. TNT expects competition to intensify in the future in all its core business areas. Targeted, aggressive actions by competitors may negatively impact TNT's prices. In the Netherlands, TNT's present market share in the mail business results from being the former government-operated monopoly. TNT expects its market share to erode due to substitution and competition. In Europe, TNT continues to face strong competition in both its mail and express businesses. TNT's strategy focuses on a differentiated product and price approach and the quality of services related to price rather than on price discounts. Nevertheless, increased competition may force down prices for TNT's services and thus cause TNT's revenues and profitability to decrease.

Liberalisation of European postal markets may also result in further consolidation within the mail and express businesses as competitors seek to expand into newly-opened geographic markets and former state postal monopolies enter into acquisitions or alliances in order to expand the range and geographic coverage of their services. Consolidation within TNT's businesses may result in increased competition and, as a consequence, adversely affect TNT's business, revenues and profitability.

Inherent strategic risks

The increasing substitution of alternatives for Mail's delivery services could reduce revenues and profitability.
Mail delivers information such as letters and bank statements, as well as printed matter such as direct mail and periodicals. Increased use of the internet provides similar information and services at a lower price than traditional mail services. Due to increased substitution, among other factors, traditional mail volumes in the Netherlands have decreased in recent years, and Mail expects this downward trend in mail volumes to continue or even deepen in the coming years. An increase in the use of these substitutes would likely result in a further decrease in the use of Mail's

traditional mail services. If substitution continues on a large scale, it could adversely affect the volumes, revenues and profitability of Mail.

<u>Mail's strategic objectives could be subject to political debate and adverse outcomes.</u>
Political decision making could have an adverse influence on Mail's ability to achieve parts of its mid term strategy or to carry out its operations effectively. Postal regulation is often subject to fierce political debate. For instance, the liberalisation of the Dutch postal market appears to coincide with an increase in regulatory and supervisory controls for the national postal operator, TNT Post. Although the general regulatory trend in Europe is towards liberalisation of the postal sector, experiences in the United Kingdom and Germany also show that the political support for *de facto* liberalisation is tempered by concerns over labour conditions and the sustainability of the universal postal service. In emerging markets, modernisation of postal regulatory frameworks has a tendency to lead to stricter policies towards mail and express services.

<u>The German government could issue a new ordinance observing all the legal obligations surrounding minimum wage legislation for the postal sector, which could adversely affect Mail's ability to grow in Germany.</u>
Mail challenged the German government regarding the minimum wage, as it considered the minimum wage unconstitutional.

After several legal procedures, the Federal Administrative Court ruled, on 28 January 2010, that the minimum wage ordinance was null and void. The basis for this decision was that the German government failed to give TNT Post, Germany the opportunity to make written comments prior to the issuance of the ordinance, as required by law. The German government could, however, issue a new ordinance observing all legal requirements.

Operational risks

Specific operational risks

<u>TNT's operations and earnings are subject to risks related to the impact of natural disasters, extreme weather events and climate change regulation.</u>
In April 2010, TNT's operations were impacted by the closure of European air space following the volcanic eruption in Iceland. During this time, Express was able to curtail the impact on the business by switching networks from air to road, thus maintaining service across Europe. The risk of similar future events is impossible to predict and TNT continues to invest in continuity plans to address these events as and when they arise.

In the final weeks of 2010, TNT's operations were significantly disrupted by extreme adverse weather conditions which closed many airports across northern and western Europe, created significant delays in both air and road operations and impacted both revenue and earnings in 2010.

Global concern about climate change could lead to governmental action(s) and/or regulation(s) that require the company to improve the management of emissions from its air and road fleet. As such, there is a risk to future operations and a compliance risk for existing facilities and TNT's fleet, if TNT is not able to demonstrate adequate emissions management. Realisation of these risks could have an adverse impact on operational performance and TNT's financial position.

At a national, regional and global level, climate-related regulation remains uncertain, with various levels of maturity. An amendment in the regulatory environment that affects TNT stems from the inclusion of the aviation sector in the EU Emission Trading System (EU ETS) effective as of January 2011. At present, there are no regulations driven by climate considerations which directly affect TNT's road transport activities. However, many local governments are imposing regulations to limit both the volume of vehicular traffic and emissions associated with inner city distribution. A comprehensive analysis of TNT's fleet has revealed that TNT's exposure to this risk is limited, due to the high environmental performance of TNT's fleet. The most significant risk identified stems from TNT's subcontracted operations. TNT is developing corrective actions to mitigate this risk. TNT is also reassessing its business model for the possible introduction of carbon pricing and continues to test new technologies that can help continue to make its operations cleaner.

Rising fuel and energy prices as a result of climate regulation and depletion of resources will also affect TNT's profitability. Increases in fuel prices as a direct consequence of climate regulation are expected to be limited in the foreseeable future (they are currently mainly driven by market forces). Electricity prices may see further increases as a result of more stringent regulation of power utilities under the EU ETS scheme. With the CR strategy and initiatives, TNT aims to continuously improve the carbon efficiency of its operations and to use non-fossil energy sources wherever feasible. In this way, TNT addresses the risk of increased prices for fossil fuel or energy sources.

Express depends on a number of infrastructure facilities for which TNT has limited or no comparable back-up facilities. In the event of operational disruptions at one or more of these facilities, Express' revenues, profitability and business operations would be affected.

A portion of Express' infrastructure is concentrated in single locations for which there are either limited or no comparable back-up facilities, or very expensive back-up scenarios in the event of a disruption of operations. An example of this is its air express hub in Liège, Belgium. The operation of Express' facilities is prone to a number of risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as aeroplane crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure. If there were to be a significant interruption of operations at one or more of Express' key facilities and operations could not be transferred or could only be transferred at very high costs to other locations, Express might not meet the needs of its customers, and business and operating results would be adversely affected.

Impacts from climate change may affect this infrastructure and could potentially disrupt Express' services. Furthermore, Express employees living in risk-prone areas could potentially be affected by extreme weather events. Although Express has operations in geographical areas that are more susceptible to the potential consequences of climate change, the direct implications for Express' operations are expected to be limited in the short to mid term.

Incidents resulting from the transport of hazardous materials and confidential consignments or a major incident involving TNT's sorting centres, warehousing facilities, and air or road fleet may adversely affect TNT's revenues, profitability, reputation and share price.

TNT 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. TNT may also transport hazardous or dangerous goods without notification of the nature of the goods transported. TNT 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. Incidents involving these materials could result from a variety of causes including sabotage, terrorism, accidents or the improper packaging or handling of the materials.

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

If a significant incident occurred involving TNT's handling of hazardous materials or if confidential consignments were misplaced or lost, TNT's 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. This could negatively affect TNT's revenues and profitability. A significant incident, particularly a well-publicised incident involving potential or actual harm to members of the public, could also damage TNT's reputation.

As an owner and operator of a large air and road fleet, TNT is involved in activities that expose the company to liability in the case of a major air or road incident, not only for employees, facilities and third-party property, but also for the general public. An incident involving TNT's aircraft or vehicles could cause significant loss of life and property and could adversely affect TNT's revenues, profitability, reputation and share price.

TNT may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and negatively affect TNT's revenues and profitability.

In order to maintain market position and future growth, TNT must make ongoing investments in infrastructure such as aircraft, trucks and depots. Infrastructure investments are based on forecasts of future capacity requirements. Forecasts for future requirements might not be accurate, since they are based on a large number of factors, including factors beyond the direct control of TNT's management and, in particular, the changing macroeconomic conditions and changes in governmental regulation. As a consequence, there may be a mismatch between investment and actual requirements. If TNT underestimates its future capacity requirements, customer needs may not be met, and TNT could lose business, market share, revenues and profits. If TNT overestimates future needs, or if major contracts are cancelled by customers, it may experience costly excess capacity and this could adversely affect profitability.

TNT's reputation could be negatively impacted by increased fatalities as a result of road traffic accidents

TNT has a transparent policy of reporting all accidents which result in fatal injuries as part of its comprehensive corporate responsibility programme and it is evident that in spite of significant investment in health and safety, driver training and awareness, the number of accidents that result in fatalities continues to be an issue. Express' acquisitions in emerging markets have seen a significant increase in the number of such accidents. Adverse weather conditions as well as a general increase in road traffic have also contributed to this. Going forward continued focus on embedding and sustaining TNT's health and safety management system will be enforced by management but there remains a risk that TNT's reputation could be damaged if an increase in fatal accidents occurs in both TNT's mature and emerging platforms.

Inherent operational risks

TNT faces risks related to health epidemics and other outbreaks of contagious diseases, including pandemic influenza.

Another global pandemic of influenza like the pandemic of influenza type A(H1N1) announced by the World Health Organisation on 11 June 2009 could adversely affect TNT's business. These outbreaks of contagious diseases and other adverse public health developments would have a material adverse effect on TNT's business operations. These could impact TNT's ability to ship consignments or otherwise make deliveries of products originating in affected countries, as well as temporary closure of TNT offices or other facilities. Such closures or shipment restrictions could severely disrupt TNT's business operations and adversely affect its financial condition and results of operations. Since 2006, TNT has implemented measures to develop written preventive procedures and contingency plans to mitigate the effects of any future outbreak of pandemic influenza and other epidemics, but the epidemiology of the current virus and the reactions of local, national and regional governments are difficult to gauge, which could mean that the current plans do not address all possibilities.

Strikes, work stoppages and work slowdowns by TNT employees and the terms of new collective labour agreements could negatively affect TNT's revenues and profitability.

The success of TNT's business is dependent upon avoiding strikes, work stoppages and work slowdowns by TNT employees. Industrial action by large trade unions or even relatively small yet key groups of TNT employees could seriously disrupt TNT's operations. Industrial action may occur for reasons unrelated to TNT's collective labour agreements with a particular trade union or group of employees. For example, TNT's employees may refuse to cross picket lines established by other trade unions of other companies if a strike, work stoppage or work slowdown occurs, and TNT's revenues and profitability could be adversely affected.

TNT's business may be negatively affected by the terms of collective labour agreements that TNT concludes with its employees. These terms could include increases in compensation and employee benefits, less flexible work processes and conditions than those of TNT's competitors, limitations on future workforce reductions and other factors that make TNT's workforce less mobile. TNT's profitability could suffer if TNT is not able to conclude collective labour agreements on satisfactory terms with its employees.

A significant privacy breach could adversely affect TNT's business and it may be required to increase spending on data security.

The provision of service to TNT's customers and the operation of its network involve the storage and transmission of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. Breaches in physical and/or logical security could expose TNT, its customers or the individuals affected, to a risk of loss or misuse of this information, resulting in possible litigation and potential liability for the company, as well as the loss of existing or potential customers, damage to the TNT brand and reputation, or disruptions in operations. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Investigations into the transportation sector relating to anti-trust regulations, including regulations dealing with price fixing and other anti-competitive behaviour, could result in TNT having to cooperate with governments and/or regulators as part of an industry-wide process and, if TNT was found to have acted in breach of these laws, fines and other administrative sanctions could be imposed.

Recent investigations into price fixing and or anti-competitive behaviour by some companies may result in an increased focus on the transportation sector by regulators. TNT may be required from time to time to cooperate with law enforcement agencies in various jurisdictions as part of a wider industry investigation. Such actions could distract management from the day-to-day running of the business and could also negatively impact TNT's reputation by association.

Legal and regulatory risks

Specific legal and regulatory risks

TNT is exposed to various global and local legal and regulatory risks that may have a material adverse effect on the results of operations and on TNT's revenues and profitability.

TNT operates around the globe and provides a worldwide service with facilities in many countries. As a result, the company is confronted with complex legal and regulatory requirements in many jurisdictions, usually of a protectionist nature. These include tariffs, trade barriers, limitations on foreign ownership of assets and share capital and requirements relating to withholding taxes on remittances and other payments. In many of the jurisdictions in which TNT operates, in particular emerging markets such as China, India, Brazil, Russia and the Middle East, aspects of the developing legal system (including TNT's inability to enforce contracts; the absence of an independent and experienced judiciary; and similar factors such as the necessity to use nominee constructs) create an uncertain environment for investment and business activity. These risks and complexities will increase in the pursuit of the strategic objectives to expand operations to new markets. TNT's overall success as a global business depends, in part, on its ability to succeed in different economic, social, political and legal conditions. TNT may not succeed in developing and implementing policies and strategies that are effective in the locations where TNT's business is conducted. Failure to do so may have a material adverse effect on business operations and on TNT's revenues and profitability.

Express is in the business of transporting goods that are subject to specific restrictions and regulations.

Express provides transportation services to many different industry sectors and countries, some of which may be subject to specific export controls, customs, regulations, disclosures and denied parties regulations. In addition, Express is required occasionally to provide information requested by government organisations that are investigating carriage of certain restricted or regulated consignments to and from certain denied or restricted parties. The complex systems, IT and controls applied by Express may be insufficient to ensure all consignments comply with applicable regulations in all jurisdictions. This can lead to investigations and operational measures that can impact operations and could adversely affect revenues and profitability. In the event of any violation of applicable rules or regulations, Express may be subject to fines and other administrative sanctions, as well as contractual liabilities.

Inherent legal and regulatory risks

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

As a part of TNT's strategy, TNT occasionally seeks alliances with or acquires shares in companies, or seeks to divest part of its business. Any approval of a joint venture, an acquisition or a divestment of shares or a business by competition authorities may contain certain restrictions or conditions with respect to the intended transaction.

TNT may be unable to implement a transaction as contemplated, to be in compliance with any restrictions or conditions imposed by the Directorate General of Competition of the European Commission or national competition authorities. These restrictions or conditions may negatively affect TNT's revenues and profitability. If TNT is unable to implement a foreseen transaction under the restrictions or conditions applicable, or if the intended transaction is prohibited, the company may be unable to develop alternative approaches. This would have an adverse effect on TNT's ability to execute its strategy or focus on the company's core business.

Compliance with regulations and the securing of effective flight slot times may result in significant changes to the company's operations and could limit TNT's flexibility in operating its business and negatively affect costs and profitability.

TNT is subject to a wide variety of complex and stringent aviation, transportation, environment, employment and other laws and regulations in the Netherlands, the EU and the other jurisdictions where it operates. Existing regulations are subject to constant revision and new regulations are constantly being adopted. The interpretation and enforcement of such laws and regulations vary and could limit TNT's ability to provide its services in certain markets. It is uncertain whether existing laws and regulations or future regulatory, judicial and legislative changes will have a material adverse effect on TNT, whether national or international regulators, competition authorities or third parties will raise material issues with regard to compliance or non-compliance with applicable laws and regulations, or whether other regulatory activities will have a material adverse effect on TNT's business, revenues and profitability.

Express operates various types of aircraft throughout Europe and between Europe and Asia. As a result, Express is required to comply with a wide variety of international and national laws and regulations. In some of the markets in which Express operates, regulations have been adopted (or proposed) which impose night-time take-off and landing restrictions, aircraft capacity limitations and similar measures in order to address the concerns of local communities. Express relies on night-time operations at its air express hub in Liège, Belgium, for a substantial part of its international express business. A curtailment of night-time take-offs and landings at any of Express' key facilities, such as Liège, would likely harm business.

In addition, as the provider of time-sensitive delivery services, Express needs to secure adequate and effective flight slot times from airport coordination (or other local) authorities in all the countries and airports Express operates into and out of. The timing or limited availability of these slots could have an impact on the efficient operations of Express' time-sensitive air and road networks and could result in penalties for failing to meet the company's on-time delivery service commitments, or increased costs if Express is obliged to purchase slots from third parties to maintain its service levels.

Some governments have imposed stringent new security measures on air carriers that could result in additional operating costs. Express' failure to comply with these measures, or the costs of complying with existing or future government regulation, could negatively affect revenues and profitability. In addition, existing or future regulation on transport of goods may negatively affect TNT's ability to perform services that meet customer needs or may increase the costs of providing these services.

<u>The legal concept of limited liability for loss of or damage to goods carried by TNT is increasingly being challenged and this may result in increased exposure to claims.</u>

TNT transports goods under the conditions of international conventions regarding the carriage of goods by air (the Warsaw Convention) and by road (the Convention on the Contract for the International Carriage of Goods by Road). These conventions contain provisions that limit TNT's liability in the event that TNT loses or damages shipments belonging to its customers. In the past, this principle was generally accepted as normal business practice, but in recent years, courts and regulators in an increasing number of jurisdictions are more sympathetic to allegations of 'gross negligence' or 'lack of due care', thereby setting aside the principles of limited liability. This trend exposes TNT to more and increased loss and damage claims. TNT has covered this additional exposure in its insurance arrangements. However, if this trend continues it could definitely result in significantly higher insurance costs and thus in increased financial exposure, and so adversely affect TNT's profitability.

<u>Determination that subcontractors are to be considered TNT employees could affect TNT's current business model, causing operating expenses to rise and net income to suffer.</u>

In various jurisdictions, TNT uses subcontractors to perform aspects of its operations, such as picking up and delivering parcels, as is common practice in the transportation industry. In certain jurisdictions, the authorities have brought criminal and/or civil actions alleging that subcontractors or their employees engaged by TNT are to be regarded as TNT's own unregistered employees. If these allegations were upheld by a court, TNT would incur, in addition to criminal sanctions, costs such as social security contributions, wage taxes and overtime payments in respect of such employees. Subcontractors could also bring civil actions seeking the reclassification of subcontractor relationships in employment contracts. If these actions were successful, operating expenses would rise and net income would suffer.

<u>Employee and even (sub)contractor and supplier misconduct could result in financial losses, the loss of clients and fines or other sanctions imposed by the national and local governments (and other regulators) of the countries in which TNT does business.</u>

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

Similar risks apply with regard to misconduct by TNT's (sub)contractors and suppliers. In recent years courts and regulators have increasingly held companies liable for acts of their independent (sub)contractors and suppliers. In view of this trend TNT has among other things communicated the TNT Business Principles to its (sub)contractors and suppliers and is providing training to help ensure compliance. However, notwithstanding such communication and training activities, TNT may nevertheless experience potential liabilities in connection with its (sub)contractors and suppliers' activities, under certain circumstances, if those (sub)contractors and suppliers engage in conduct in violation of the TNT Business Principles and/or applicable laws. In addition, the application of the TNT Integrity Programme to certain (sub)contractors and suppliers may be affected by the fact that in certain jurisdictions, authorities have instituted actions against TNT alleging that subcontractors or their employees engaged by TNT are to be regarded as TNT's own unregistered employees.

FINANCIAL RISKS

Specific financial risks

<u>The demerger may have an adverse affect on the liquidity and price stability of the ordinary shares of TNT N.V.</u>
TNT N.V. will continue to be listed and traded on the regulated market of Euronext Amsterdam. The trading market for its ordinary shares may not continue to be as significant and have the same sustained liquidity as it does now. In addition, a reduction in market capital may result in the exclusion of the TNT N.V. (Mail) ordinary shares from Dutch and international indices in which TNT N.V. is currently included. This in turn may affect the liquidity and share price.

The price of the ordinary shares of TNT N.V. (Mail) may be volatile in the initial period after the demerger, because the supply of and demand for TNT N.V. (Mail) ordinary shares need to stabilise. The share price may also be materially affected by a number of other factors, including factors relating to the 29.9% shareholding of TNT N.V. (Mail) in Express and factors specific to TNT N.V. (Mail), its competitors and the domestic and international mail and parcels industry.

<u>Express' ordinary shares have not been previously listed and are subject to market fluctuations.</u>
Express will apply for its shares to be listed and traded on the regulated market of Euronext Amsterdam. The trading market for the ordinary shares in Express may not be as significant and may not have the same liquidity as is now the case for TNT N.V. This in turn may affect the share price.

The price of Express' ordinary shares may be volatile in the initial period because the supply of and demand for Express' ordinary shares need to stabilise. The share price may also be materially affected by a number of factors, including factors relating to the 29.9% shareholding by TNT N.V. (Mail), and factors specific to Express, its competitors and the express services industry.

<u>A downgrade in the credit rating of TNT N.V. may increase financing costs and harm TNT's ability to finance operations and acquisitions, which could negatively affect revenues and profitability.</u>
A material adverse effect on TNT's financial condition and/or results of operations and cash flows may result in a downgrade in credit ratings. Such deterioration may, for example, be affected by developments and trends in the world economy. In addition, the contemplated demerger of 70.1% of Express will have an impact on the credit ratings of TNT, which in turn are mainly driven by the allocation of cash, debt, results of operations and cash flows as well as by changes in the company's business profile.

A downgrade in TNT's credit rating may negatively affect TNT's ability to obtain funds from financial institutions, retail investors and banks. It may also increase TNT's financing costs through increased interest rates on outstanding debt that includes a step-up in interest rates in case of a rating downgrade, or may negatively affect the interest rates at which TNT is able to refinance existing debt or incur new debt.

On 29 August 2007, S&P lowered its corporate credit ratings on TNT to BBB+ long-term/A2 short-term with 'stable' outlook from A- long-term/A2 short-term with a 'negative' outlook (such ratings were issued by S&P on 10 March 2006). On 6 December 2010, S&P placed the long-term rating on CreditWatch Negative following the announcement of the planned demerger of the Express division. The short-term A2 rating was affirmed.

On 26 November 2008, Moody's changed the 'stable' outlook (issued on 27 March 2006) on the A3 rating of the issuer rating and senior unsecured debt ratings of TNT N.V. to 'negative'. On that same date, the short-term Commercial Paper rating of TNT Finance B.V., a 100%-owned and guaranteed finance subsidiary of TNT, changed from Prime-1 to

Prime-2. On 3 December 2010, Moody's lowered the credit rating to Baa1 'negative' on the basis of the announced Express demerger. The updated rating reflects its view that the rating will be weakly positioned over the short to medium term, while awaiting de-leveraging that is contingent on market conditions and the company's ability to dispose of the retained stake in the Express business. Moody's recognises that the current valuation of the remaining stake in Express could be sufficient to reduce the company's debt in line with guidance metrics. The short-term Commercial Paper rating was unaffected.

Express is in the process of applying for separate credit ratings. These credit ratings are subject to a rating evaluation of the two rating agencies which is expected to be completed before the contemplated demerger date.

<u>TNT is exposed to currency and interest rate fluctuations that could have an adverse effect on its financial condition and results as well as on the comparability of TNT's financial statements.</u>
Parts of TNT's total revenues and operating expenses as well as assets and liabilities are denominated in currencies other than the euro. The main sensitivities on revenues can be derived from geographical segmentation as provided in the additional notes to the financial statements.

In 2010, for example, around 30% of revenues and around 24% of asset book value were held in countries outside the euro zone. As TNT expands its international operations, it can be expected that an even greater portion of its revenues, costs, assets and liabilities will be denominated in non-euro currencies. The exchange rates between these currencies and the euro may fluctuate substantially. As a result, currency fluctuations could have a material adverse effect on TNT's results and financial condition in any given reporting period and may affect the comparability of TNT's financial statements from period to period.

The Board of Management has adopted and approved a group policy that requires all Group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with the Group Treasury department, whereby a financing company operated by the Group Treasury department, as 'in-house bank', trades these foreign exchange derivatives back-to-back with external banks.

Currency exposures can be evaluated at revenue, earnings and balance sheet level.

At present, no net investment hedges are outstanding. However, significant acquisitions and local debt are usually funded in the currency of the underlying assets. These form a natural hedge against foreign currency cash flow and earnings risks.

Part of TNT's borrowings and financial assets incur floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on TNT's results and financial condition in any given reporting period.

TNT's group policy is to limit the maximum interest cost exposure over a seven-year period as a specific percentage of EBITDA with a statistical 95% level of confidence.

Although TNT generally enters into hedging arrangements and other contracts in order to attempt to reduce its exposure to currency and interest fluctuations, these measures may be inadequate or may subject TNT to increased operating or financing costs. See also notes 30 and 31 of the consolidated financial statements of TNT N.V.

<u>A decline in the value of the euro could reduce the value of any investment in TNT and any dividends received.</u>
Since its introduction on 1 January 1999, the value of the euro relative to the US dollar has fluctuated widely. Fluctuations in the exchange rate between the US dollar and the euro will affect the dollar equivalent of the euro price of TNT's euro-denominated shares, TNT's non-listed American Depositary Receipts (ADRs) and the dollar value of any cash dividends. If the value of the euro relative to the US dollar declines, the market price of TNT's ADRs is likely to be adversely affected. Any decline in the value of the euro would also adversely affect the US dollar amounts received by shareholders on the conversion of any cash dividends paid in euros on TNT's ADRs.

In more general terms, if an investor has a functional currency other than the euro, their investment expressed in their own functional currency is similarly exposed to a decline of the euro against that other currency.

Changes in markets, useful lives of assets and TNT's business plans have resulted and may in the future result in substantial impairments of the carrying value of assets, thereby reducing net income.
Regular review of the carrying value of assets (including intangible, tangible and financial fixed assets) may in the future require TNT to recognise additional impairment charges. Among other things, events in the markets where TNT conducts its businesses, including current trading, macroeconomic developments, significant declines in stock prices, market capitalisations and credit ratings of market participants, as well as TNT's ongoing review and refinement of its business plans, are elements included in these regular reviews. In addition, TNT recognises increased depreciation and amortisation charges if it is determined that the useful lives of TNT's fixed assets are shorter than originally expected.

Inherent financial risks

The multinational nature of TNT's business could expose the company to uncertainty in effective tax planning and regulatory reviews and audits.
Multinational groups of TNT's size are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT accounts for its income and other taxes on the basis of its own internal analyses, supported by external advice. TNT continually monitors its global tax position, and whenever uncertainties arise, TNT assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

With regard to the key risks as mentioned and other risks, TNT's insurance policy is based on the conservative approach of retaining frequency losses (self-insured) and transferring 'catastrophe exposures' to the insurance market.
As frequency losses (such as cargo and vehicle claims) are of an operational and customer service nature, TNT believes that self-insurance is the best method to motivate operational units to address the underlying causes of these losses. TNT's total self-insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via reinsurance. In 2010, TNT's total annual retention cap on these losses was €5.5 million.

TNT's 'catastrophe exposures' are insured in the traditional insurance markets. These include aviation, property and business interruption, general liability, fraud, and director and officers' liability insurance. TNT has a strict policy to transfer risks only to insurers with a rating of A- or higher, and this is monitored on an ongoing basis.

Attention is being given to adjusting TNT's insurance protection to address the ever-changing legal and regulatory environment in which it operates, and all insurance policies are therefore tailor-made to TNT's unique requirements. Current insurance arrangements also need to support strategic developments and the changing risk profile of TNT.

Annex 1 Global Compact and GRI G3 Index

GLOBAL COMPACT

As a signatory of the UN Global Compact, Mail reports on the 10 principles therein. In the Global Reporting Initiative (GRI) G3 index table the GRI indicators on which Mail reports are linked to the numbers corresponding to the 10 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 INDEX

This GRI Index table is based on the G3 guidelines of the GRI. This index includes the core indicators of the G3 and complementary sector supplement indicators. The table below includes Mail's 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. Mail believes that the A+ level is applicable to this report. This has been validated by GRI and the external assurance provider.

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
Strategy and analysis				
1.1	CEO statement	Chapter 1, pp. 6 - 9	Fully reported	
1.2	Key impacts, risks, and opportunities	Chapter 1, pp. 6 - 9, and Chapter 3, pp. 14 and 15	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 3, p.14	Fully reported	
2.2	Products, and/or services	Chapter 3, pp. 14 and 15	Fully reported	
2.3	Operational structure	Chapter 3, pp. 14 and 15	Fully reported	
2.4	Headquarter location	Introduction and financial and corporate responsibility highlights, p. 1, and Chapter 3, p.14,	Fully reported	
2.5	Countries in operations/ TNT geographic spread	Chapter 3, p. 14, and Chapter 4, pp. 18 - 21	Fully reported	
2.6	Nature of ownership	Chapter 3, p.14	Fully reported	
2.7	Markets served	Chapter 4, pp. 16 - 21	Fully reported	

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
2.8	Scale of the organisation	Chapter 4, pp. 16 - 21	Fully reported	
2.9	Significant operational changes	Chapter 2, pp. 10 - 13, Chapter 5, pp. 23 - 25, and Chapter 7, pp. 43 - 55	Fully reported	
2.10	Awards received	Chapter 15, p. 199	Fully reported	
Report profile				
3.1	Reporting period	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.2	Previous report	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.3	Reporting cycle	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.4	Contact point for questions	Chapter 15, p. 200	Fully reported	
Report scope and boundary				
3.5	Content definition	Chapter 17, pp. 224 - 226	Fully reported	
3.6	Boundary of the report	Chapter 17, pp. 224 - 226	Fully reported	
3.7	Limitations on the reporting scope	Chapter 17, pp. 224 - 226	Fully reported	
3.8	Reporting basis	Chapter 17, pp. 224 - 226	Fully reported	
3.9	Data measurement techniques	Chapter 17, pp. 224 - 226	Fully reported	
3.10	Re-statements of information	Chapter 17, pp. 224 - 226	Fully reported	
3.11	Significant changes from previous reports	Chapter 17, pp. 224 - 226	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1, p. 244	Fully reported	
Assurance				
3.13	Assurance	Chapter 17, pp. 227 - 229	Fully reported	
Governance				
4.1	Governance structure	Chapter 13, pp. 195 - 201	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	Chapter 13, pp. 195 - 201	Fully reported	
4.3	Independence of Board of Management	Mail does not have a unitary board structure. Mail has a large company regime and is therefore required to adopt a two-tier system of corporate governance.	Not reported	
4.4	Shareholder feedback mechanisms	Chapter 13, pp. 181 and 182, and Chapter 15, pp. 194, 196 and 197	Fully reported	
4.5	Executive remuneration and performance	Chapter 11, pp. 157 - 164	Fully reported	
4.6	Conflict of interest at the Board of Management	Chapter 13, p. 180	Fully reported	
4.7	Board of Management expertise on sustainability	Chapter 13, pp. 176 and 177	Fully reported	
4.8	Mission and value statements	Chapter 2, pp. 10 - 13	Fully reported	
4.9	Board of Management governance	Chapter 13, pp. 176 - 187	Fully reported	
4.10	Evaluation of the Board of	Chapter 11, pp. 157 - 164	Fully reported	

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
	Management			
Commitment to external initiatives				
4.11	Precautionary principles	Annex 1, p. 244	Fully reported	
4.12	External charters, principles or initiatives	Chapter 16, pp. 202 - 205, 207, 211, 219, and 221 - 223	Fully reported	
4.13	Associated memberships	Chapter 16, p. 204	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 16, p. 202	Fully reported	
4.15	Stakeholder identification	Chapter 16, p. 202	Fully reported	
4.16	Stakeholder engagement	Chapter 16, pp. 202 - 204, 219 and 220	Fully reported	
4.17	Stakeholders' key issues	Chapter 16, pp. 202 - 204, 219 and 220	Fully reported	
Economic performance indicators				
DMA	Objectives & results	Chapter 6, pp. 28 - 32		
DMA	Responsibility	Chapter 10, pp. 151 - 156		
DMA	Policy	Chapter 10, p. 151		
DMA	Monitoring	Chapter 10, pp. 151 - 156, and Chapter 12, p. 166		
EC1	Direct economic value	Chapter 6, pp. 28 - 42, Chapter 9, pp. 62 - 66, and Chapter 15, p. 196	Fully reported	
EC 2	Financial implications of climate change	Chapter 18, p. 235	Partially reported *	7
EC 3	Benefit plan	Chapter 6, pp. 30 and 36	Fully reported	
EC 4	Financial governmental assistance	Mail does not receive significant financial assistance from governments. Chapter 13, pp. 176 and 177	Fully reported	
EC6	Local suppliers	Chapter 16, pp. 219 and 220	Partially reported *	
EC 7	Local recruitment	Mail has procedures in place for the hiring people and will always recruit the best person for the position and this maybe in the local community or outside and is dependant on the job profile required.	Partially reported *	6
EC 8	In kind or pro bono engagement	Chapter 16, pp. 221 - 223	Fully reported	
Environmental management approach				
DMA	Objectives & results	Chapter 8, pp. 56 - 60, and Chapter 16, pp. 211 - 219		
DMA	Responsibility	Chapter 13, pp. 176 and 179		
DMA	Policy	Chapter 8, p. 56		
DMA	Monitoring	Chapter 16, pp. 211 - 213		
DMA	Environmental performance indicators	Chapter 16, pp. 211 - 218		
EN 1	Volume of materials used	Chapter 16, pp. 215 - 217	Partially reported *	8
EN 2	Recycled materials	Chapter 16, pp. 217 and 218	Fully reported	8, 9
EN 3	Direct primary energy consumption	Chapter 16, pp. 214 - 217	Partially reported *	8
EN 4	Indirect primary energy	Chapter 16, pp. 214 - 217	Partially reported *	8

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
	consumption			
EN 8	Water withdrawal	Mail does not report on this issue and has no intention to report in this in the future as the disclosure does not relate to Mail's business, because Mail's core business does not require significant water use. Indicator not material for Mail	Not reported	8
EN 11	Land assets in sensitive areas	Mail does not report on this issue and has no intention to report in this in the future as the disclosure does not relate to Mail's business, because Mail does not own land assets in sensitive areas	Fully reported	8
EN 12	Biodiversity within lands owned	Mail does not report on this issue and has no intention to report in this in the future as the disclosure does not relate to Mail's business, because Mail does not own land in protected areas or areas with high bio diversity.	Fully reported	8
EN 16	Greenhouse gas emissions	Chapter 16, p. 214	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 16, p. 214	Fully reported	8
EN 19	Ozone-depleting substance emissions	Mail does not report on this issue and has no intention to report in this in the future as the disclosure does not relate to Mail's business, because the emission of ozone-depleting substances within Mail is very limited. This indicator is not material for Mail.	Not reported	8
EN 20	NOx, SOx emissions	NOx and SOx emissions are not measured and the weight and calculation of significant air emissions is not reported. Mail strives to reduce these emissions by increasing the number of Euro 4 and Euro 5 vehicles. Mail is considering measurement methods by 2016. Chapter 16, p. 217	Partially reported	8
EN 21	Water discharge by quality and destination	Mail's total water discharge is limited to domestic sewage. This indicator is not material for Mail.	Fully reported	8
EN 22	Waste by disposal method	Chapter 16, pp. 217 and 218	Partially reported *	8
EN 23	Significant spills	Chapter 16, pp. 217 and 218	Fully reported	8
EN 26	Environmental impact mitigation	Chapter 16, pp. 211 - 213	Fully reported	7, 8, 9
EN 27	Packaging materials	Chapter 16, pp. 217 and 218	Fully reported	8, 9
EN 28	Non compliance sanctions	Chapter 16, pp. 217 and 218	Fully reported	8
Labour practices and decent work performance indicators				
DMA	Objectives & results	Chapter 8, pp. 56 and 57, and Chapter 16, pp. 205 - 210		
DMA	Responsibility	Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 8, p. 56		
DMA	Monitoring	Chapter 16, pp. 205 - 210		
LA 1	Breakdown of workforce	Chapter 9, p. 107, and Chapter 17, p. 225	Partially reported *	
LA 2	Employee turnover	Chapter 16, pp. 206 and 207	Partially reported *	6

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
LA 4	Collective bargaining agreements	All the entities within Mail are responsible for the collective bargaining agreements. Information is available at but at entity level. Chapter 4, p. 17, Chapter 14, p. 191 and Chapter 16, pp. 203 and 204	Partially reported *	1, 3
LA 5	Minimum notice periods	Chapter 16, pp. 207 and 208	Fully reported	3
LA 7	Occupational health and safety and absenteeism	Chapter 16, pp. 207 and 208	Fully reported	1
LA 8	Education to assist workforce	Chapter 16, p. 207	Fully reported	1
LA 10	Training per employee	Chapter 16, p. 207	Partially reported *	
LA 13	Employee diversity & governance	Chapter 16, pp. 207 and 208	Partially reported *	1, 6
LA 14	Remuneration by gender	Mail does not report on this for the entire organisation due to the size and number of locations of the organisation. Only the remuneration of the members of the Board of Management is reported. Chapter 9, pp. 108 - 115, and Chapter 11, p. 160	Partially reported *	1, 6
Human rights performance indicators				
DMA	Objectives & results	Chapter 8, pp. 56 and 57, and Chapter 16, pp. 205 - 210		
DMA	Responsibility	Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 8, p. 56		
DMA	Monitoring	Chapter 16, pp. 205 - 210		
HR 1	Human rights clauses in investment	Chapter 10, pp. 154 and 155	Fully reported	1,2,3,4,5,6
HR 2	Supplier screening on human rights	Chapter 16, pp. 219 and 220	Fully reported	1,2,3,4,5,6
HR 4	Discrimination	Mail reports on the reported breaches or suspected breaches of any law, regulation, TNT business principles or other company policies and procedures (including discrimination). Chapter 10, pp. 154 – 1555, and Chapter 16, pp. 206 – 207	Partially reported *	1,2,4,6
HR 5	Association and collective bargaining	Chapter 16, pp. 206 and 207	Partially reported *	1,2,3
HR 6	Child labour	Chapter 16, pp. 206 and 207	Partially reported *	1,2,5
HR 7	Forced labour	Chapter 16, pp. 206 and 207	Partially reported *	1,2,4
Society performance indicators				
DMA	Objectives & results	Chapter 4, p. 16, Chapter 6. p. 27, and Chapter 16, pp. 202 - 204		
DMA	Responsibility	Chapter 10, pp. 154 and 155, and Chapter 13. pp. 176 and 177		
DMA	Policy	Chapter 8, p. 56, and Chapter 10, pp. 154 and 156		
DMA	Monitoring	Chapter 10, pp. 154 and 156		
SO 1	Impact on communities	Chapter 16, pp. 221 - 223	Fully reported	
SO 2	Corruption risks	Chapter 10, pp. 154 and 155	Fully reported	10
SO 3	Anti-corruption training	Chapter 10, pp. 154 and 155	Fully reported	10

Nr	G3 INDICATOR	Disclosure page number / reference	Extent of reporting	Global compact Principles
SO 4	Actions against corruption	Chapter 10, pp. 154 and 155	Fully reported	10
SO 5	Lobbying	Chapter 16, p. 204	Fully reported	1,2,3,4,5,6 ,7,8,9,10
SO 8	Regulatory non-compliance sanctions	Chapter 16, pp. 217 and 218, and Chapter 18, pp. 239 - 240	Fully reported	
Product responsibility performance indicators				
DMA	Objectives & results	Chapter 4, p. 17, Chapter 8, pp. 59 and 60, and Chapter 16, pp. 212 and 213		
DMA	Responsibility	Chapter 13. pp. 176 and 177		
DMA	Policy	Chapter 8, p. 56		
DMA	Monitoring	Chapter 8, p. 56, and Chapter 10, pp. 154 and 156		
PR 1	Product life cycle	Chapter 4, pp. 16 and17	Fully reported	1
PR 3	Product information	Chapter 4, pp. 16 and17	Fully reported	8
PR 6	Communication programmes	Mail's' marketing communication does not conflict with generally accepted ethical or cultural standards, neither is a vulnerable group targeted.	Not reported	
PR 9	Product non-compliance	Chapter 9, pp. 137 - 140	Fully reported	
Sector supplement indicators				
LT 1	Ship registry	This indicator is not relevant. Mail does not own ships	Fully reported	
LT 2	Fleet composition	Chapter 16, p. 216	Fully reported	
LT 3	Environmental reduction	Chapter 16, pp. 211 - 218	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 16, pp. 214 - 217	Fully reported	
LT 5	Renewable indirect energy sources and energy efficiency	Chapter 16, pp. 235 and 237	Fully reported	
LT 6	Traffic congestion	Chapter 4, pp. 18 - 21	Fully reported	
LT 7	Noise management and abatement	Chapter 16, p. 218	Fully reported	
LT 8	Environmental impact of real estate	Chapter 16, pp. 216 and 217	Fully reported	
LT 9	Work patterns of mobile worker	Chapter 16, pp. 208 - 210	Fully reported	
LT 10	Personal communication	Chapter 16, pp. 203 and 207	Fully reported	
LT 11	Substance abuse	Chapter 16, pp. 208 - 210	Fully reported	
LT 12	Road fatalities per kilometres driven	Chapter 16, p. 208	Fully reported	
LT 13	Ship safety inspections	This indicator is not relevant. Mail does not own ships	Fully reported	
LT 14	Mail accessibility	Chapter 14, pp. 188 - 191	Fully reported	
LT 15	Humanitarian Programmes	Chapter 16, pp. 221 - 223	Fully reported	
LT 16	Labour providers	Chapter 16, pp. 219 and 220	Partially reported *	
LT 17	Continuity of employment	Chapter 16, pp. 205 - 207	Partially reported *	

* These indicators have been found to be partially immaterial or immaterial for Mail's operations; for the purpose of this integrated report it was decided to report in a way that was better suited to Mail's operations and suits the expectations of its stakeholders.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **TNT** has presented its report "Annual Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 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 Guidelines.

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

18 February 2011, Amsterdam

A+
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because TNT has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

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 9 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

GRI 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
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	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

Annex 2 Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the CR chapters of the annual report. For each indicator the coverage is expressed as percentage of FTEs of the total number of FTEs that should ideally report within the defined reporting scope.

		Mail
FTEs reporting on:	2010	2009
Workforce		
Headcount	67,925	70,783
Full time equivalent	36,408	38,568
EMPLOYEES		
Training hours		
Training hours	84%	97%
Fatal accidents		
Workplace fatal accidents	100%	100%
Blameworthy road traffic fatal accidents (with a Mail employee involved)	100%	100%
Non-blameworthy road traffic fatal accidents (with a Mail employee involved)	100%	100%
Blameworthy road traffic incidents		
Blameworthy road traffic incident rate	99%	no data
Serious accidents		
Serious accidents	99%	91%
Lost time accidents		
Number of lost time accidents	99%	91%
Lost time accidents frequency rate	99%	91%
Diversity		
Gender profile	100%	100%
Gender profile of management	100%	91%
Employees with a disability	98%	91%
Employees with a disability (in percentage of headcount)	98%	89%
Absenteeism		
Absenteeism	100%	91%
Turnover and promotion		
Voluntary turnover	100%	100%
Internal promotion	100%	100%
ENVIRONMENT		
Operational vehicles		
Number of small trucks and vans (<7.5 tonnes)	100%	91%
Number of large trucks (> 7.5 tonnes)	100%	100%
CO_2 efficiency small trucks and vans (> 7.5 tonnes)	98%	91%

CO_2 efficiency large trucks (< 7.5 tonnes)	100%	88%

		Mail
FTEs reporting on:	2010	2009
Buildings		
CO_2 efficiency buildings	100%	100%
Energy efficiency buildings	100%	100%
Sustainable electricity usage	100%	100%
Company Cars		
Number of company cars	100%	90%
EU standard for trucks (only EU countries)		
Small Trucks	100%	91%
Large Trucks	100%	100%
Waste		
Total waste per FTE	88%	86%
Percentage of waste separated for recycling	88%	86%
Hazardous waste in tonnes	87%	87%
Noise complaints		
Noise complaints	100%	31%
Environmental incidents		
On-site environmental incidents	100%	100%
Off site environmental incidents	100%	100%
OTHER STAKEHOLDERS		
Subcontractors		
Subcontractor road traffic fatal accidents	100%	100%

Annex 3 Glossary and definitions

AA1000 framework
The AA1000 framework is a generally-applicable standard for assessing, attesting to and strengthening the credibility and quality of organisations' sustainability reporting and the underlying processes, systems and competencies. The standard is issued by AccountAbility, an organisation that promotes accountability for sustainable development. The AA1000 Assurance Standard principles are based on three key elements: responsiveness, completeness and materiality.

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).

Biofuel
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 Mail as a crash or collision involving a Mail 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 Mail 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 Mail 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 Mail 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 Mail driver is at fault.

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

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

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

CO_2 efficiency
CO_2 efficiency expresses the efficiency of Mail's 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.

Community investment
World Food Programme including costs for knowledge transfer, hands-on support, raising awareness and funds for WFP and cash donations.

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

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

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

Customer satisfaction
Customer satisfaction is a indicator of the number of customers that confirmed through external channels such as correspondence, surveys, focus groups, trade bodies and so forth that they were (un)satisfied or more overall with the service provided in the reporting period.

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

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

Employee engagement
Employee engagement relates to the number of employees (employed by Mail for 3 months or more) who stated in the employee engagement survey that they were engaged or more than engaged by Mail 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- and offsite incidents. Onsite incidents occurred on depots, hubs, offices and other locations owned, leased, rented or operated directly by Mail. Offsite incidents occurred away from depots, hubs, offices and other locations owned, leased, rented or operated directly by Mail.

European emission standards
Euro 4 and Euro 5 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like NOx and particulate matter (PM).

Full time equivalents (FTEs)
FTEs is the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

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

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

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

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

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

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

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

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

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

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

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

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

Minor accident
Accidents where a Mail employee is injured due to a work related accident, which requires first aid assistance, but there are no lost working days as a result.

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 on- or off-site.

Non-blameworthy road traffic incident
A road traffic incident is defined by Mail as a crash or collision involving a Mail 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 Mail 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 Mail 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 Mail driver is not at fault. Non-blameworthy road traffic accidents at subcontractors are not included.

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

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

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

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

PM10
Particulates, alternatively known to as particulate matter (PM), fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometers or less.

Road traffic fatal accident
A road traffic fatal accident is one where a Mail employee or third party is fatally injured such that the employee or third party died because of the accident and where any person driving a company-owned or company-operated vehicle is involved. Road traffic fatal accidents which occur in company owned or leased vehicles during weekends, non-working days or on the way to and from the office are included also. Road traffic fatal accidents with Mail 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 Mail 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 accident fatalities
A subcontractor road traffic accident fatality 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 Mail.

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.

Transport safety training hours
Transport safety training hours are the number of hours spent by the total of employees on payroll on transport safety training during the reporting period (both on and off the job training and both internal and external programmes).

Verified Emission Reductions (VERs)
A unit of greenhouse gas emission reductions that has been verified by an independent auditor, but that has not yet undergone the procedures and may not yet have met the requirements for verification, certification and issuance of Certified Emission Reductions (in the case of the Clean Development Mechanism, provided by article 12 Kyoto Protocol) or Emission Reduction Units (in the case of Joint Implementation, provided by article 6 Kyoto Protocol) under the Kyoto Protocol.

Voluntary turnover
Voluntary turnover is the number of Mail 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 Mail employee due to a work-related accident or the death of a third party whilst working at a Mail facility.

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

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

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement has been drafted in conformity with the Dutch Decree implementing further accounting standards for the content of annual reports dated 23 December 2004 (as amended on 20 March 2009) and forms part of TNT's 2010 Annual Report.

Adherence to the Dutch corporate governance code

TNT applies the principles and best practices of the Dutch Corporate Governance Code published on 10 December 2008 and designated on 3 December 2009 as code of conduct, as referred to in article 391 paragraph 5 of book 2 of the Dutch Civil Code, except for the following best practice provisions below that are not fully applied:

- provision II.2.5 Dutch Corporate Governance Code inter alia states that shares granted without financial consideration to members of the Board of Management shall be retained for a period of at least five years or until the end of the employment, if this period is shorter.
  - *Since the start of TNT's equity programme, the process for the members of the Board of Management has been such that if and when vesting of the right on shares takes place (leading to the delivery of shares), which happens in any event not earlier than three years from grant of the right, enough of the shares are sold for the purpose of using the proceeds to pay for the tax relating to the grant of these shares. This process will not be discontinued as no loans will be granted to the members of the Board of Management. Reference is made to chapter 9 note 19 under bonus/ matching share plan and vesting of the long-term incentive.*
- provision II.2.8 Dutch Corporate Governance Code states that the remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the 'fixed' remuneration component). In case one year's salary would be manifestly unreasonable, the severance pay may not exceed twice the annual salary.
  - *Severance payments other than related to a change of control for members of the Board of Management are one year base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable. The employment contract of TNT's former CFO, Mr van Dalen effective 1 April 2006, states that the severance payment upon dismissal other than related to a change of control will amount 24 months base salary during the first four-year term as a member of the Board of Management. During further terms as a member of the Board of Management, his severance payment amounts to 12 months base salary. The employment contract with Mr van Dalen was terminated effective 30 September 2010 whereby no severance payment has been made. All other rights derived from his employment contract have been settled appropriately. As stated in chapter 11, contracts entered into prior to 2004 remain unaltered.*
  - *For members of the Board of Management who are not residents of the Netherlands, TNT follows local market practice for that part of the base salary earned in the country of residence. This is done to ensure that TNT can offer a competitive package to foreign members of the Board of Management commensurate with local practice.*
  - *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 last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management. TNT is of the opinion that such payment is realistic taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.*

- provision II.2.13(f) Dutch Corporate Governance Code states that the remuneration overview in the remuneration report of the Supervisory Board shall in any event contain a description of the performance criteria on which the performance-related component of the variable remuneration is dependent in so far disclosure would not be undesirable because the information is competition sensitive.
    - *TNT discloses quantified financial and non-financial targets which are published in general terms. The actual targets are specific and thus contain competition-sensitive information, and are therefore not disclosed. See chapter 11 under Remuneration Policy 2010.*

In the chapter sections referred to above, TNT explains why it deviates from these best practice provisions. Material future (corporate) developments might justify further deviations from the Dutch Corporate Governance Code at the moment of occurrence.

Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch Corporate Governance Code shall be submitted to the general meeting of shareholders for discussion.

The full text of the Code can be viewed on TNT's corporate website group.tnt.com. The information on (i) the composition and functioning of the Board of Management, (ii) the composition and functioning of the Supervisory Board and its committees, (iii) the functioning of the general meeting of shareholders and its key capacities and (iv) the rights of shareholders and how these rights can be exercised, is included in this statement. An abbreviated version of the corporate governance statement can be found in chapter 10 of the 2010 Annual Report.

For the Board of Management's statement pursuant to chapter 5.1a of the Dutch Financial Markets Supervision Act see chapter 10 of TNT's 2010 Annual Report - Directors' Responsibility Statement.

Board of Management

Composition

The Board of Management consists of four members: the CEO, the CFO and the two group managing directors of Mail and Express.

M.P. (Peter) Bakker (1961, Dutch)
Chief Executive Officer
Mr Bakker has been CEO and chairman of the Board of Management since November 2001. He joined Royal TNT Post (then called PTT Post) in 1991 and was appointed financial director of its Parcels business unit in 1993. He was appointed financial control director of TNT Post in 1996 and became a member of the Board of Management of TNT Post in 1997. Since the demerger of TNT N.V. (then called TNT Post Groep N.V.) from Royal PTT Nederland N.V. until his appointment as CEO, Mr Bakker was chief financial officer and a member of TNT's Board of Management. Before joining TNT Post, Mr Bakker worked for TS Seeds Holdings.

Mr Bakker's portfolio includes corporate strategy, corporate relations, general counsel, corporate responsibility, human resources and internal audit.

Mr Bakker is a member of the advisory board of the World Press Photo organisation and a member of the board of the Moving the World Foundation. As of 1 January 2011, Mr Bakker is chairman of the board of War Child, a non-governmental organisation established in the Netherlands. Mr Bakker was appointed by the United Nations Secretary-General as World Food Programme Ambassador against Hunger. All these functions were non-remunerated.

B.L. (Bernard) Bot (1966), Dutch)

Acting Chief Financial Officer as of 1 August 2010

Mr Bot was appointed by the Supervisory Board to the position of acting CFO with the intention to formalise his appointment as statutory director of TNT N.V. and CFO directly upon notification of this intended appointment to the Annual General Meeting of Shareholders in 2011, as prescribed by TNT's articles of association. The Supervisory Board will formally notify the Annual General Meeting of Shareholders on 25 May 2011 of its intention to appoint Mr Bot as CFO of TNT N.V. However, in light of the intended separation the Supervisory Board will not proceed with the actual appointment of Mr Bot as statutory director of TNT N.V. if the Annual General Meeting of Shareholders approves the demerger proposal as it will be presented to it, whereby Mr Bot will be designated as the new CFO of Express.

Prior to joining TNT, Mr Bot worked at McKinsey & Company for 13 years. His portfolio includes financial reporting and accounting, risk management and internal control, mergers and acquisitions, business control, treasury, tax, investor relations, legal and integrity.

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

H.M. (Harry) Koorstra (1951, Dutch)

Group Managing Director Mail

Mr Koorstra has been group managing director of Mail and a member of the Board of Management since July 2000. Mr Koorstra joined Royal TNT Post (then called PTT Post) in 1991 as managing director of its then Media Service business unit and became a member of its Board of Management in 1997. Before joining the company, Mr Koorstra worked at VNU N.V. for 15 years, lastly as general director of its Admedia/VNU Magazine Group. Mr Koorstra is chairman of the supervisory board Postkantoren B.V. He was reappointed as a member of the Board of Management by the Supervisory Board for another four-year term in April 2009. He has been designated as the new CEO of Mail.

Mr Koorstra is chairman of the supervisory board of Hermans Investments B.V. and a member of the supervisory board of Royal Swets and Zeitlinger Holding N.V. He is also member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW).

M.C. (Marie-Christine) Lombard (1958, French)

Group Managing Director Express

Ms Lombard has been group managing director of Express and a member of the Board of Management since January 2004. She joined Jet Services in France in 1993. Upon TNT's acquisition of Jet Services in 1999, Ms Lombard joined TNT (then called TNT Post Groep N.V.) as the managing director of the domestic Express business and from March 2001 until January 2004, she was managing director of TNT's international Express business in France. She has been designated as the new CEO of Express.

Ms Lombard is a member of the supervisory board of METRO AG of which supervisory board she has resigned as of 1 January 2011. She is also president of the 'Lyon Ville de l' Entrepreneuriat' Business Network Group, advisor of Bridgepoint France and an independent member of the supervisory board of Groupe BPCE.

C.H. (Henk) van Dalen (1952, Dutch)
Chief Financial Officer until 1 August 2010
Mr Van Dalen has been CFO and a member of the Board of Management since April 2006. He resigned from the Board of Management effective 1 August 2010. His portfolio included financial reporting and accounting, risk management and internal control, corporate responsibility reporting, mergers and acquisitions, business control, treasury, tax, investor relations, legal and integrity.

The members of the Board of Management have no important outside board positions as defined in the Code other than those listed above.

Functioning of the Board of Management

The Board of Management is responsible for setting TNT's mission, vision and strategy and the implementation thereof, and takes responsibility for TNT's overall results. The Board of Management consists of four members: the CEO, the CFO and the two group managing directors of Mail and Express.
The group managing directors of TNT's two divisions are primarily responsible for developing and executing the business strategy and operational performance of the division within the framework set by TNT's corporate strategy. The Board of Management is collectively responsible for the management of TNT as a whole and for all decisions taken in this respect.
TNT's reporting structure in 2010 was in line with the management structure of the two divisions.

If and to the extent the Annual General Meeting of Shareholders vote in favour of the proposal to demerge on 25 May 2011 the separation will come into force at the end of May 2011. After separation the two new companies will be led by Ms Lombard as CEO for Express and Mr Koorstra as CEO for Mail.

The Board of Management is charged with the management of TNT, which means among other things that it is responsible for establishing and achieving TNT's objectives and strategy and managing the associated risks, the development of results, as well as addressing the corporate responsibility issues relevant to TNT.

The Board of Management acts in accordance with the interests of TNT and to that end is required to consider all appropriate interests associated with the company. The Board of Management is firmly committed to managing the company in a structured and transparent way. TNT aims to provide stakeholders with a clear view on corporate decisions and decision-making processes. Value-based management provides TNT with an additional framework for decision making within the company, based on objective criteria. Day-to-day decisions in the divisions are decentralised within established standards, processes, requirements and guidelines.

TNT's Board of Management is responsible for complying with all relevant primary and secondary legislation, the risk profile associated with the strategy, the corporate responsibility issues relevant to the company, its financing, and for its external communications. TNT's Board of Management is required to report developments on the above-mentioned subjects to, and discusses the internal risk management and control systems with TNT's Supervisory Board and its audit committee.

TNT's Board of Management has formed the following bodies to ensure compliance with applicable corporate governance requirements: a disclosure committee, an ethics committee and a corporate responsibility (CR) council.

The disclosure committee advises and assists TNT's Board of Management in ensuring that TNT's disclosures in all reports are full, fair, accurate, timely and understandable and that they fairly present the condition of the company in all material respects. The disclosure committee provides oversight of the design, development, implementation and ongoing effectiveness of TNT's disclosure controls and procedures.

The ethics committee is appointed to advise and assist in developing and implementing group policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud throughout TNT worldwide, and monitoring compliance with integrity and ethical behaviour standards. The ethics committee oversees and coordinates investigations resulting from complaints via the TNT Group Procedure on Whistleblowing and/or the TNT Group Policy on Fraud Prevention, and it advises and makes recommendations with regard to guidelines for disciplinary actions. The ethics committee also advises and makes recommendations to the Board of Management and line-management on the mitigation of fraud risk and on ethical and anti-corruption matters. The ethics committee reports regularly to the Board of Management and every six months to the Supervisory Board.

Until November 2010 the CR council advised and assisted the Board of Management in deploying the CR strategy, provides guidance on the CR direction, issues and opportunities, and to integrate CR in daily operations. It also supported the Board of Management in developing and achieving its CR strategic objectives by group and divisional functions and departments. These functions and departments — CR reporting, Group Integrity, Procurement, Human Resources and Group Communications — are responsible for ensuring that the legal and regulatory compliance objectives are achieved. In light of the separation the council has been disbanded. The independent companies, once separated, will each design their own CR strategy whereby new CR councils could be installed.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on TNT's corporate website, group.tnt.com.

The Board of Management performs its activities under the supervision of the Supervisory Board. The Board of Management provides the Supervisory Board in a timely manner with the information necessary for the proper performance of its duties. In addition, the Board of Management is required to provide the means to allow the Supervisory Board and its individual members to obtain all information necessary to be able to function as the supervisory body of TNT. The Board of Management seeks full transparency in its communication with the Supervisory Board.

Under the large company regime, members of the Board of Management are appointed by the Supervisory Board after it has notified the general meeting of shareholders of its intention to do so. The Supervisory Board can dismiss a member of the Board of Management after having consulted the general meeting of shareholders of the intended dismissal. For further details on the appointment and dismissal of members of the Board of Management see article 21 of TNT's articles of association.

On 8 April 2010 the Annual General Meeting of Shareholders voted down the large company regime at the level of TNT N.V. At the Annual General Meeting of Shareholders held on 25 May 2011 new articles of association will be presented to the shareholders as well as the separation structure which will be proposed for approval.

Supervisory Board

Composition

TNT's articles of association mandate that the Supervisory Board should consist of a minimum of seven and a maximum of 12 members. The Supervisory Board has discretion on the number of its members. At present, TNT's Supervisory Board consists of eight members.

The Supervisory Board has prepared a profile of its size and composition, taking into account the nature of TNT's business and activities and the desired expertise and background of the members of the Supervisory Board. The Supervisory Board evaluates the profile annually and discusses the profile during the general meeting of shareholders and TNT's central works council, when any amendments to the profile are made.

The Supervisory Board had amended its profile relating to the aspects of diversity in the compositions of the Supervisory Board to align it with the Dutch Corporate Governance Code in 2009. In 2010 there were no additional amendments.

The composition of the Supervisory Board changed in 2010. At the Annual General Meeting of Shareholders held on 8 April 2010, Mr Halberstadt resigned, following the expiration of his term. Mr Halberstadt was a member of the Supervisory Board and chairman of the public affairs committee from 1998 to April 2010. Mr King was available for reappointment, and was reappointed in 2010. Mr Wallage was appointed as a new member. His nomination was supported by the central works council and he has become a member of the public affairs committee. Mr Levy became a member of the audit committee. Ms Harris became a member of the remuneration committee and the nominations committee of the supervisory board.

On 30 November 2010, Mr Ruizendaal passed away at the age of 52. Mr Ruizendaal was a member of the Supervisory Board since April 2008. He was also a member of the audit and nominations committees of the Supervisory Board. His expertise is greatly missed in the Supervisory Board.

The Supervisory Board discussed the changes in composition as part of the succession policy of its members and in relation to the profile of the Supervisory Board.

P.C. (Piet) Klaver (1945, Dutch)
Mr Klaver was appointed as a member of the Supervisory Board on 11 April 2008. His current term expires in 2012. He has been chairman of the Supervisory Board since 1 January 2009. Mr Klaver is chairman of the supervisory boards of the Utrecht School of Arts, Dekker Hout Groep B.V., Jaarbeurs Holding B.V., Dura Vermeer Groep N.V., Blokker Holding B.V. and Credit Yard Group B.V. Furthermore, he is a member of the supervisory boards of ING Group N.V. and SHV Holdings N.V. He is a member of the board of African Parks Foundation. Formerly, Mr Klaver held various positions at SHV Holdings N.V., lastly as chairman of the executive board of directors.

S. (Shemaya) Levy (1947, French)
Mr Levy was appointed as a member of the Supervisory Board on 7 April 2005. His current term expires in 2013. He is vice-chairman of the Supervisory Board as of 1 January 2009. Mr Levy is a member of the supervisory boards of Safran, Segula Technologies Group and AEGON N.V. Formerly, Mr Levy was chief executive officer of Renault Industrial Vehicles Division and executive vice-president and chief financial officer of Renault Group as well as member of the supervisory boards of Nissan and Renault Spain.

R.J.N. (Robert) Abrahamsen (1938, Dutch)
Mr Abrahamsen was appointed as a member of the Supervisory Board on 9 May 2000. His current term expires in 2012. Mr Abrahamsen is chairman of the supervisory board of Optimix Vermogensbeheer N.V. and is a member of the supervisory boards of Fluor Daniel B.V., Havenbedrijf Rotterdam B.V., B.V. ANP and Bank Nederlandse Gemeenten N.V. He was a member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and was senior executive vice-president of ABN AMRO Bank N.V.

P.M. (Nelly) Altenburg (1952, Dutch)
Ms Altenburg was appointed as a member of the Supervisory Board on 8 April 2009. Her current term expires in 2013. Ms Altenburg is a member of the supervisory boards of MSD B.V., Art and Culture Pension- and Life insurance Maatschappij N.V., KONI B.V. and Mn Services N.V. She is chairperson of the Committee Verstrekkings- en Indicatiegeschillen van het College voor Zorgverzekeringen and vice-chairperson of the Nederlands Instituut van Psychologen. Formerly, Ms Altenburg held various positions at the trade union FNV and was member of the board of ABVAKABO FNV. She was member of the boards of Dutch pension funds ABP and PGGM.

M.E. (Mary) Harris (1966, British)
Ms Harris was appointed as a member of the Supervisory Board on 20 April 2007. Her current term expires in 2011. From 1994 to 2006, Ms Harris held a number of positions at McKinsey & Company in London, China, South-east Asia and Amsterdam. Previously, Ms Harris held positions at media venture capital firm Maxwell Entertainment Group, Pepsi Cola Beverages and Goldman Sachs & Co. Ms Harris is a non-executive director at J. Sainsbury plc, a member of the supervisory board of Unibail-Rodamco SE and a member of the advisory board of Irdeto B.V.

R. (Roger) King (1940, American)
Mr King was appointed as a member of the Supervisory Board on 20 April 2006. His current term expires in 2014. Mr King is non-executive director of Arrow Electronics, Inc. (USA), Orient Overseas International Limited (Hong Kong) and Sincere Watch (Hong Kong) Limited. He is Honorary Consul for the Republic of Latvia in Hong Kong SAR, and serves on various business and community committees. Mr King is Adjunct Professor of Finance and Director of the Center for Asian Family Business and Entrepreneurship Studies at Hong Kong University of Science and Technology and Director of Center for Business Case Studies School of Business & Management. He is former president and chief executive officer of Sa Sa International Holdings Limited, former chairman and chief executive officer of ODS System-Pro Holdings Limited (Hong Kong), part of the CY Tung Group of Companies, and was managing director and chief operating officer of Orient Overseas International Limited.

W. (Wim) Kok (1938, Dutch)
Mr Kok was appointed as a member of the Supervisory Board on 1 April 2003. His current term expires in 2011. Mr Kok is a non-executive director of Royal Dutch Shell plc and member of the supervisory board of KLM Royal Dutch Airlines N.V. Furthermore, Mr Kok is the chairman of

the board of trustees of the National Ballet and the Antoni van Leeuwenhoek Hospital 'Netherlands Cancer Institute'. He is a member of the board of trustees of Het Muziektheater and chairman of the Anne Frank Foundation. Mr Kok was formerly Prime Minister of the Netherlands, Minister of Finance, Member of Parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation, member of the supervisory board of ING Group N.V., and vice-chairman of the board of trustees of the Rijksmuseum.

J. (Jacques) Wallage (1946, Dutch)
Mr Wallage was appointed as a member of the Supervisory Board on 8 April 2010. His current term expires in 2014. For a number of years Mr Wallage was a member of the Dutch Parliament (Lower House) and served as a junior minister of the Ministry of Education and Sciences and as a junior minister of the Ministry of Social Affairs. He was mayor of the city of Groningen from 1998 until 2009. Mr Wallage is chairman of the boards of the Nationale Reisopera, the Council for Public Administration, the board of HEC/ROI (Het Expertise Centrum/ Rijksopleidingsinstituut) and vice-chairman of the Oranjefonds. He is a professor at the University of Groningen (integration and public administration).

G.J. (Gerard) Ruizendaal (1958 - 2010, Dutch)
Mr Ruizendaal was appointed as a member of the Supervisory Board on 11 April 2008. His current term ended upon his death on 30 November 2010. Mr Ruizendaal was a member of the group management committee of Royal Philips Electronics N.V. He held various positions at Philips, among other things as group controller, and was vice-chairman of the supervisory board and member of the audit committee of Atos Origin SA.

V. (Victor) Halberstadt (1939, Dutch)
Mr Halberstadt was appointed as a member of the Supervisory Board on 28 June 1998. His current term expired in 2010. Mr Halberstadt is professor of public finance at Leiden University, international advisor of The Goldman Sachs Group Inc., and non-executive director of PA Consulting Group Ltd. Furthermore, he is a member of the supervisory board of Het Concertgebouw N.V. Mr Halberstadt previously served among other things as president of the International Institute of Public Finance, crown-member of the Social and Economic Council, chairman of the Daimler Chrysler international advisory board and member of the supervisory board of Royal KPN N.V.

Functioning of the Supervisory Board

The Supervisory Board is charged with supervising the Board of Management and the general course of action of TNT, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. Members of the Supervisory Board may take positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of TNT. It takes into account the relevant interests of the company's stakeholders, and, to that end, consider all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. The Supervisory Board is responsible for the quality of its own performance and for this purpose it annually reviews its performance. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole.

TNT's articles of association and the by-laws of the Supervisory Board can be viewed on TNT's corporate website, group.tnt.com.

Compliance

In 2010, the Supervisory Board confirms that no decisions were taken by the Supervisory Board that did not comply with its by-laws.

Functioning of meetings of shareholders, powers and rights of shareholders and how these can be exercised.

General meetings of shareholders

Frequency and venue

TNT is required to hold an Annual General Meeting of Shareholders within six months after the end of the financial year in order to adopt the financial statements and to decide on any proposal concerning dividends, among other things. In accordance with Dutch law, the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year are also agenda items for this meeting. However, this release only covers liability for matters reflected in the financial statements or otherwise disclosed to the general meeting of shareholders prior to the adoption of the financial statements.

Other general meetings of shareholders are held as often as the Board of Management or the Supervisory Board deem necessary, and shall in principle be convened if the Board of Management proposes to take a decision that will result in a significant change in the identity or character of TNT or its business.

Furthermore, in the event shareholders jointly representing at least 10% of the outstanding share capital, make a written request to convene a general meeting of shareholders to the Supervisory Board and the Board of Management, stating their proposed agenda in detail, a general meeting of shareholders shall in principle be convened.

General meetings of shareholders may only be held in Amsterdam, the Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

Agenda

One or more shareholders holding shares representing at least 1% of TNT's issued share capital or representing a value of €50 million according to the Official Price List of Euronext Amsterdam (Official Price List) has the right to request that the Board of Management or the Supervisory Board place items on the agenda of the general meeting of shareholders. Such a request has to be honoured by the Board of Management or the Supervisory Board provided that the request is received by the Board of Management or the Supervisory Board in writing at least 60 days before the date of the general meeting of shareholders.

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

Notice to convene
General meetings of shareholders are convened by at least 42 days prior notice published on TNT's website.

Admission to and voting rights at the meeting
Each shareholder has the right to attend general meetings of shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of TNT's articles of association. An eligible shareholder has the aforementioned rights if registered as a shareholder on the applicable record date as set by the Board of Management.

Each of the shares in TNT's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or TNT's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

Under TNT's articles of association there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of TNT's securities, and TNT is not aware of any such restrictions under Dutch corporate law.

Liquidation rights
In the event of TNT's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: firstly, to the holders of all outstanding preference shares B (if any), the nominal amount paid up on these shares plus accumulated dividends for preceding years that have not yet been paid, and secondly, to holders of the ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders
Rights of shareholders may change pursuant to an amendment of the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code or dissolution of the company. A resolution of the general meeting of shareholders is required to effect these changes. Under TNT's articles of association, such a resolution may only be adopted upon a proposal by the Board of Management that has been approved by the Supervisory Board.

Major shareholders
To TNT's knowledge, TNT is not directly or indirectly owned or controlled by another corporation or by any government. TNT does not know of any arrangements of which the operation might, at a subsequent date, result in a change of control, except as described under 'Foundation Protection TNT and preference shares B' below.

The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

Annual general meeting of shareholders held on 8 April 2010
On 8 April 2010, TNT held its Annual General Meeting of Shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 53% of the total outstanding share capital, compared to 42% in 2009.

During the Annual General Meeting of Shareholders all proposed resolutions except one were adopted, including the extension of authority to issue shares. The shareholders voted against maintaining the large company regime at the level of TNT N.V. The Annual General Meeting of Shareholders extended the then current authority of the Board of Management to issue ordinary shares for another period of 18 months, ending on 8 October 2011. Ordinary shares up to a maximum of 10% of the issued share capital may be issued by resolution of the Board of Management. An additional 10% of the issued share capital may be issued in a similar manner when a share issue takes place in relation to a merger or acquisition.

The resolutions of the meeting, the agenda and the voting results for each resolution, as well as the presentations given during the meeting can be found on TNT's corporate website group.tnt.com. Minutes of the meeting are available in Dutch and English on TNT's corporate website.

In 2011, the Annual General Meeting of Shareholders will be held on 25 May 2011. The agenda of the Annual General Meeting will be published on or around 11 April 2011 on TNT's corporate website.

Amendments to the articles of association

Amendments to TNT's articles of association can take place upon a proposal by the Board of Management, approved by the Supervisory Board and adopted by the general meeting of shareholders. A proposal to amend the articles of association must be stated in a notice convening a general meeting of shareholders and announced by publication in a nationally distributed daily newspaper and in the Official Price List, or in such manner as shall be permitted by law at any time. The proposal shall be passed upon an absolute majority of the votes cast in the general meeting of shareholders.

Ability of the company to acquire its own shares

In order to execute share buy-back programmes, TNT must be allowed to acquire its own shares. Under its articles of association, TNT may acquire its own shares, provided that they are fully paid up. If such shares are acquired for consideration, the following conditions apply:

- TNT's shareholders equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association, and
- following the share acquisition, TNT may not hold shares with an aggregate nominal value exceeding one-tenth of its issued share capital.

The acquisition of shares in its capital may be effected by a resolution of the Board of Management, subject to the approval of the Supervisory Board.

In addition to the above, the Board of Management requires prior authorisation by the general meeting of shareholders to acquire shares in the company for consideration. This authorisation may be valid for a period not exceeding 18 months from the date of the meeting and must specify:

- the number of shares that may be acquired,
- the manner in which shares may be acquired, and
- the price limits within which shares may be acquired.

Authorisation by the general meeting of shareholders is not required if TNT's own shares are acquired for the purpose of transferring those shares to TNT employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general

Issued share capital can be reduced by the cancellation of shares following a repurchase. TNT's issued share capital may also be reduced if the nominal value of its shares is lowered by amendment of TNT's articles of association. The resolution to reduce TNT's issued share capital has to be agreed by the general meeting of shareholders. Pursuant to TNT's articles of association, such resolution may be taken, by a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than is required by Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights

TNT's Board of Management has been designated as the body competent to resolve to issue shares in TNT and to grant rights to subscribe for ordinary shares, including options and warrants. Pursuant to TNT's current articles of association, such resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management is determined by the general meeting of shareholders. Under TNT's articles of association the scope relates at most to all shares in its authorised share capital that have not been issued. The duration of the authority shall be for a period of five years at most.

Extension of the term of designation of the Board of Management as the body competent to issue shares may also be effected by amending TNT's articles of association. If no extension is given, the issue of shares or granting of rights to subscribe for ordinary shares requires a resolution of the general meeting of shareholders. Such resolution may only be taken upon a proposal by the Board of Management that has been approved by the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right to any issue of ordinary shares or the granting of rights to subscribe for these shares. Registered holders of American Depositary Shares (ADS) and holders holding their ADS through a broker or a nominee evidenced by American Depositary Receipts do not qualify as holders of ordinary shares in this respect.

Pursuant to TNT's articles of association, shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body competent to resolve to issue shares. Such resolution is subject to the approval of the Supervisory Board. Pursuant to TNT's articles of association, the provisions with respect to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Holdings in TNT

The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

12.11.1

Overview of notifications in 2010

Date of notification	Company	(Indirect) holding	Holding of (indirect) voting rights
13 January	BlackRock Inc.	0.00%	4.98%
9 April	Barclays Plc.	5.99%	5.99%
15 April	Barclays Plc.	0.40%	
23 September	Massachusetts Financial Services Company	1.70%	4.63%

Risks

TNT's risk management process is described in chapter 10 and the principle key risks facing TNT's strategic, operational, legal and regulatory compliance and financial objectives going forward are outlined in chapter 18. The outcome of the risk management process, the principle key risks identified and the mitigation plans in place to manage these risks in the short to mid term are shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board.

Hoofddorp, the Netherlands, 21 February 2011

TNT N.V.

DIRECTORS' RESPONSIBILITY STATEMENT
UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

In conjunction with the EU Transparency Directive as incorporated in chapter 5.1a of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) the Board of Management of TNT N.V. ("TNT") confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2010 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT and its consolidated companies,
- the additional management information disclosed in the 2010 annual report and in its supplement on Express gives a true and fair view of TNT and its related companies as at 31 December 2010 and the state of affairs during the financial year to which the report relates, and
- the 2010 annual report describes the principal risks facing TNT. These are described in detail in chapter 22 of the 2010 annual report.

Hoofddorp, 21 February 2011

M.P. Bakker
Chief Executive Officer

H.M. Koorstra
Group Managing Director Mail

M-C. Lombard
Group Managing Director Express

B.L. Bot (acting) Chief Financial Officer is not required to sign the Board of Management compliance statement under chapter 5.1a of the Dutch Financial Supervision Act as Mr Bot is not formally a member of the Board of Management of TNT N.V.