2007 – growth through networks

ANNUAL REPORT 2007

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.

Introduction and financial highlights

This is TNT's annual report for the financial year ended 31 December 2007, prepared in accordance with Dutch regulations. Since 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 90 days later on 16 September 2007, TNT is no longer required to file its annual report on Form 20-F. This annual report reflects that, as, for example, there are no references to Form 20-F and information that only needed to be provided on the basis of US law, and not required by Dutch law, has not been inserted. TNT will continue to publish its annual report and communications in accordance with the US Securities Exchange Act on its corporate website, group.tnt.com. Also, 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 2007.

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 has its seat 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 TNT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Selected financial data

The selected financial data below have been derived from TNT's audited consolidated financial statements and the related notes included in chapter 8 of this report.

TNT has acquired a number of companies and businesses during the years, which limit the comparability of its year-on-year figures.

Year ended and position at 31 December

Selected financial data	2007	2006	2005	2004
Statements of income				
Total revenues	**11,017**	**10,060**	**9,329**	**8,827**
Other income	**75**	**65**	**38**	**8**
Salaries and social security contributions	(3,608)	(3,384)	(3,318)	(3,216)
Depreciation, amortisation and impairments	(349)	(318)	(303)	(296)
Other expenses	(5,943)	(5,147)	(4,598)	(4,213)
Total operating expenses	**(9,900)**	**(8,849)**	**(8,219)**	**(7,725)**
Total operating income	**1,192**	**1,276**	**1,148**	**1,110**
Profit before income taxes	1,099	1,223	1,146	1,092
Profit for the period from continuing operations	**783**	**828**	**770**	**720**
Profit/(loss) from discontinued operations	206	(157)	(109)	32
Profit attributable to the shareholders	**986**	**670**	**659**	**752**
Ratios				
Operating margin (%) [1]	10.8	12.7	12.3	12.6
Average number of outstanding shares (in millions)	383.0	420.7	454.4	473.4
Earnings per ordinary share (in cents) [2]	257.4	159.3	145.0	158.9
Earnings from continuing operations per ordinary share (in cents)	203.6	196.6	169.0	152.1
Earnings from discontinued operations per ordinary share (in cents)	53.8	(37.3)	(24.0)	6.8
Average number of outstanding shares on diluted basis (in millions)	385.1	423.9	456.4	474.0
Earnings per diluted share (in cents) [2]	256.1	158.1	144.4	158.7
Earnings from continuing operations per diluted share (in cents)	202.6	195.1	168.3	151.9
Earnings from discontinued operations per diluted share (in cents)	53.5	(37.0)	(23.9)	6.8
Dividend per share (in cents) [3]	85.0	73.0	63.0	57.0
Dividend pay-out ratio (%) [4]	33.0	45.8	43.4	35.9
Balance sheets				
Non-current assets	4,823	4,277	3,663	5,070
Current assets	2,252	2,122	2,355	3,159
Assets held for sale	10	409	2,378	0
Total assets	**7,085**	**6,808**	**8,396**	**8,229**
Equity	1,951	2,008	3,279	3,344
as % of total liabilities and equity	27.5	29.5	39.1	40.6
Non-current liabilities	2,232	2,112	1,608	2,221
Current liabilities	2,902	2,542	2,279	2,664
Liabilities related to assets classified as held for sale	0	146	1,230	
Total liabilities and equity	**7,085**	**6,808**	**8,396**	**8,229**
Cash flow statements continuing operations				
Net cash from operating activities	643	857	969	690
Net cash used in investing activities	(8)	1,068	(262)	(266)
Net cash used in financing activities	(635)	(2,152)	(768)	(298)
Changes in cash and cash equivalents	**0**	**(227)**	**(61)**	**126**
Cash flow statements discontinued operations				
Net cash from operating activities	(19)	(63)	43	268
Net cash used in investing activities	4	(30)	(22)	(24)
Net cash used in financing activities	16	36	8	(202)
Changes in cash and cash equivalents	**1**	**(57)**	**29**	**42**

(in millions, unless otherwise stated)
1 — Operating income as percentage of total revenues.
2 — Profit attributable to shareholders divided by the average number of (diluted) ordinary shares.
3 — For 2007 the final dividend is based on the estimated outstanding number of ordinary shares per mid April 2008.
4 — Dividend as percentage of earnings per share (EPS).

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The information in this annual report, and in particular in chapters 2, 3, 4 and 6, should be read in conjunction with the consolidated financial statements that can be found in chapter 8.

The report of the Board of Management is included in chapters 2, 3, 4 and 6.

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 key risks set out in chapter 11 of this annual report.

chapter 1 – from the CEO

2007 —
Annual report

Dear colleagues, shareholders, customers and other readers,

2008 – the tenth year of TNT's existence – will see us enter the second phase of our "Focus on Networks" strategy in excellent shape: strengthening the core of our portfolio and further growing profitable activities in our emerging platforms. Profitable growth will continue to be an important theme for TNT in the years to come, which is why together with this annual report you will find a brochure called *New Growth* with the testimonies of some of our colleagues in two exciting growth markets: China and Brazil. They tell us what growth means to them, to their work, their careers and their personal lives.

Growing our networks means we can extend the spread of our services for existing and new customers. And, of course, a growing business means more chances for our employees to develop their careers and grow as well. Share buy-backs have allowed us to deliver extra growth in earnings per share and return on equity for our shareholders. Finally, last year saw the start of our Planet Me CO_2 reduction programme, which will allow us to mitigate the impact of our growth on our planet in the short term, with a vision to becoming a carbon neutral company in the longer term.

Shareholder value growth

As a company we aim to grow shareholder value by using our financial resources to invest in our business.

Looking at our performance, we can conclude that 2007 was a good year, with favourable developments in most of our activities and overall a realisation of our result expectations. Profit from continuing operations came in at €783 million after taking a €110 million provision for part of the restructuring in Mail Netherlands in the coming years. Corrected for the impact of these future costs the underlying profit from continuing operations grew by a healthy 4.5%. Profit attributable to the shareholders came in at a record level, aided by a book gain on the sale of our Freight Management business.

Our Express division produced good results in 2007. Operating revenue growth was especially strong outside Europe (43.0%), partly as a result of the inclusion of revenue figures from the acquired companies in China, India and Brazil. Integrating Hoau, Speedage and Mercúrio into our company and aligning them with TNT standards is progressing well, but will continue to demand a lot of management attention in 2008. In Europe, TNT Express continued to grow faster than the market and its competitors, thereby further strengthening our leading position. The profit margin in Express was 9.1% in 2007, which was, of course, negatively impacted by investments in our new acquisitions in lower margin areas.

Our Mail division's results were good as well. Mail managed to grow revenues overall by 4.2% despite a 1.7% decline in revenues in the Netherlands. This was possible because revenues in European Mail Networks grew by a healthy 33.8%. In 2007, the profit margin in Mail came in at 14.8% or 17.4% if corrected for the €110 million restructuring provision mentioned earlier.

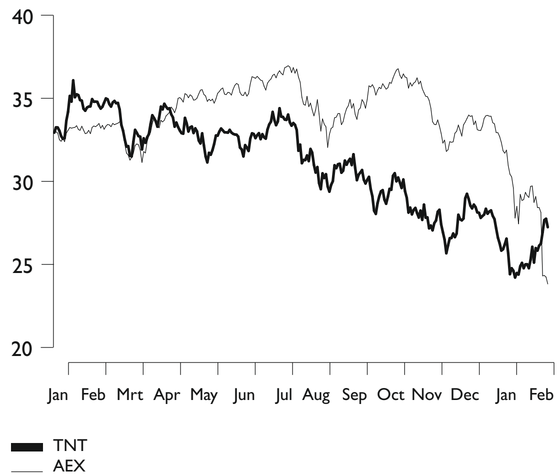
In the United Kingdom, Mail grew its addressed mail services delivered through downstream access, but we also started deliveries on our own in Manchester, Glasgow and Bristol. And we addressed the unsatisfactory development of a UK parcel business by disposing of the company.

Rebuffing strong competition, TNT Post Germany nearly doubled its revenues and extended its own network to almost 25% of German households. The German government's adoption of a €9.80 minimum wage in December 2007 is unexpected and provides a severe handicap for the further development of our business. We are contesting this minimum wage in the German courts. Such a high wage level severely hinders competitors to Deutsche Post to start competition, but more importantly, it provides a serious test for Europe's will to fully liberalise its postal markets, not only legally but also by not allowing practical hurdles.

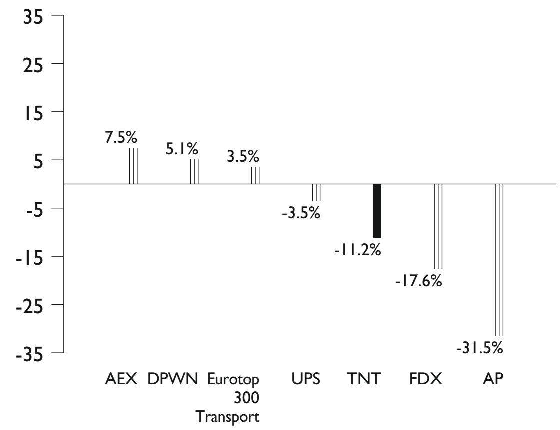
TNT's 2007 share price performance followed the trend of its peers and sector. The impact of the credit crisis and resulting fear of a recession caused our share price to lose 14% during 2007. Since the start of our Focus on Networks strategy in December 2005, our total shareholder return until the end of 2007 was 18.5%, compared with an average of 13.5% for our peers.

TNT and AEX – share price comparison 2007

Annual relative performance to Euronext Amsterdam (AEX)



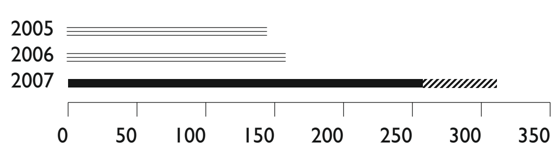
Total shareholder return 2007 versus peers



Source — Bloomberg Professional (own currency based)

Since December 2005, we have been repurchasing shares, contributing to increased earnings per share. In 2007, we repurchased almost 23 million of our own shares. It is our policy to cancel all repurchased shares.

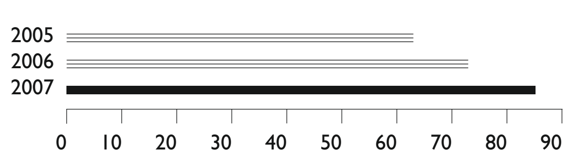
Earnings per diluted ordinary share
In € cents



The extended section of the 2007 bar relates to discontinued operations.

Finally, we have announced our intention to increase the dividend pay-out from around 35% of normalised net income to around 40% by 2010. This move fits with the strength of our cash flow and continues the pattern of our dividend payments over the past years. In 2007, our dividend per share proposal delivers an increase of 16.4%. It will be clear our share buy-back programmes directly benefit our long-term shareholders with increased dividend payments.

Dividend per share
In € cents



Together these developments have led to a total shareholder return performance in 2007 that is in the middle of our sector.

Customer value growth

TNT aims to exceed its customers' expectations by providing distinctive levels of service quality and customer care. Our aim is to deliver our customers' consignments on time at the right address in perfect condition every time. We encourage all of our people to go the extra mile in their dealings with customers, knowing that providing exceptional service will allow TNT to become distinctive in the market and further improve customer satisfaction and loyalty.

As our networks grow, we are able to offer our customers more and better services. This was the case in Europe where we added airport connections to Bordeaux and Larnaca (Cyprus) to our air network and continued to increase our market share. It applies even more to the emerging markets where our expanding networks are actually an important factor in the economic development of the countries where we operate.

The extension of our Asian road network is another example. With the expansion into Vietnam and China, this network now offers customers a new Economy Express product: faster than sea, cheaper than air. As a result, volumes are growing fast.

Growth for our employees

A growing company offers new opportunities to its employees. Through organic growth and acquisitions, the number of our employees grew from 139,000 to 161,000 in 2007. It's good to see that our strategy has now resulted in some 17,000 employees in China, 6,000 in Brazil and 2,000 in India.

Instilling pride in our people is at the very base of our success. We are a people company. People are key to our success: it is their enthusiasm, their passion, their willingness to go the extra mile that determines how well we are able to serve our customers and to exceed their expectations.

One of the challenges for TNT is the fact that we are experiencing a lot of growth outside the Netherlands, while in our home market the main part of our business in Mail is declining. TNT Post has devised a series of Master Plans to counter volume declines in addressed mail that result from competition and substitution of physical mail by forms of electronic communication in the Netherlands. Depending on the success of the negotiations for a new collective labour agreement for TNT Post, between 6,500 and 11,000 people will leave the company over time. Given our strong commitment to social responsibility, we intend to do everything possible to ensure these redundancies will be dealt with in a responsible manner, assisting people from work to work. For this reason we have taken a provision of €110 million and will continue to take significant provisions to make this possible.

We know we ask our employees within TNT Post Netherlands to make great sacrifices to adapt to the realities of the market. To underline our understanding, the Board of Management agreed with the Supervisory Board to again limit the 2008 remuneration package. From 2008, the base salaries of the members of the Board of Management will increase in line with the collective labour agreements in the key European countries where TNT operates. For 2008, after four consecutive years of frozen base salaries, a 2% increase will be applied. The 2008 short-term and long-term incentives will again be capped at 2006 levels, which means a freeze for the second consecutive year.

The subject of road safety in the emerging markets will be addressed with the highest priority. Primarily driven by recent acquisitions, the number of road traffic fatalities in our own activities and those of our subcontractors jumped to an unacceptable 42. Of those fatalities, 21 took place in India, where the infrastructure and standards and legislation governing road safety are still developing. We are doing our utmost to ensure that our entire fleet of vehicles is safe and well maintained and that all our drivers and subcontracted drivers are fit and qualified to operate their vehicles.

Growth for our planet

When it comes to our planet, growth is not always positive. Often economic growth means increasing pollution and depletion of natural resources. While the global economy is growing fast, issues such as poverty and hunger continue to affect many hundreds of millions of people. As a company, we do not close our eyes to these facts and we have developed two initiatives to help combat these negative effects of growth.

Since 2002, we have been partners of the United Nations' World Food Programme (WFP) in its fight against world hunger. In 2007, we evaluated the first five years of our partnership. In this period we accomplished much. In view of these successes and the enthusiastic participation of our employees, we decided to continue the partnership with WFP. We will sign a new contract at the beginning of 2008.

As a transportation company we have always been aware of the environmental impact of our activities. In 2005, we started a programme called Driving Clean, aimed at reducing the pollution caused by our fleet. Driving Clean set us thinking about the broader issue of CO_2 emissions and global warming. This is one of the major issues the world is dealing with today, and one in which the transportation industry must seize its responsibility. That is why we started a new initiative: Planet Me, which includes a large number of innovative projects aimed at reducing the carbon footprint of our company.

We have set up and will further refine a comprehensive system to measure, manage and report our CO_2 emissions. Through a series of binding policies we are working hard to reduce these emissions across our global operations. And, as in our partnership with WFP, we will involve our employees as well, supplying them with information and fostering ideas for energy savings in their own lives.

The coming year

In 2008 the capital markets are likely to remain volatile. The crisis in the financial sector and the rising costs of oil and fuel support the global sentiment that fears recession in the United States and a slow-down in other parts of the world's economy.

With our clear strategy aimed at capturing growth and creating value through the expansion of our delivery networks, TNT is strongly positioned. Express should produce high single-digit revenue growth, while Mail should be growing at low single-digit levels. We expect the group's overall results to grow further.

2007 was a good year for TNT, one that put the company in a stronger position for the years to come. We have the dedication and loyalty of our people, the support of our shareholders, the trust of our customers and the wisdom of our Supervisory Board to thank for all of this.

Kind regards,

Peter Bakker
CEO

chapter 2 – general review of the company in 2007

2007 —
Annual report

General

TNT N.V., through its two divisions, Express and Mail, is in the business of transferring goods and documents around the world. With its activities, TNT is part of the global transportation and distribution industry; a vast industry whose market size is estimated to be over US dollars (US$) 3,500 billion (as at 31 December 2007 approximately €2,400 billion). TNT serves more than 200 countries and employs around 161,000 people. Over 2007, TNT reported €11 billion in revenues and an operating income of €1,192 million. TNT N.V. is listed and traded on Euronext Amsterdam by NYSE Euronext (ticker "TNT").

TNT is strongly committed to responsible global corporate citizenship. TNT implements various international standards in order to retain its licence to operate. TNT measures, benchmarks and reports its performance. TNT ranked first in the Dow Jones Sustainability Index (DJSI) 2007. Simultaneously with this annual report, TNT is publishing its social responsibility report.

Mission and strategy

Mission statement

TNT's mission is to exceed its customers' expectations in the transfer of their goods and documents around the world. TNT delivers value to its clients by providing the most reliable and efficient solutions through delivery networks.

TNT aims to lead the industry by:
- instilling pride in its people,
- creating value for its shareholders, and
- sharing responsibility for the world in which it operates.

Business description

TNT is in the business of transferring goods and documents around the world tailored to its customers' requirements with a focus on time and/or day certain pick up and delivery. It is TNT's business to deliver the "business" of its customers at the right time and at the right place.

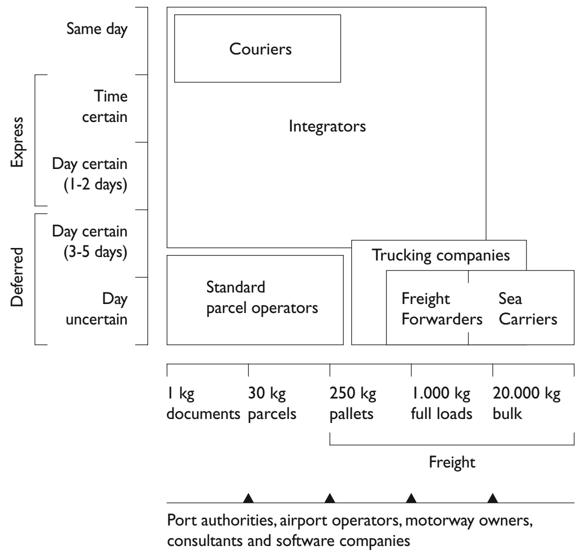
TNT picks up, transports, sorts, handles, stores and delivers documents, packets, parcels, and freight by combining physical infrastructures such as depots and trucks, electronic infrastructures such as billing and track-and-trace systems, and commercial infrastructures to attract and retain customers.

Goods and documents have different weights, shapes and sizes. They can be as light and small as a postcard or they can be as heavy and as big as the engine of a jumbo jet. They can also change shape, such as when several parcels are combined into a single pallet, and they can have different requirements in terms of speed of delivery, security and point of delivery. Goods and documents can have very different distance characteristics, ranging from domestic to cross-border/regional to intra-continental to intercontinental.

In general, weight and speed are most commonly used to characterise different kinds of customer requirements. This is illustrated in two-dimensional charts such as the one shown below, where the weight categories are below one kilogramme (documents), between one and 30 kilogrammes (parcels) and above 30 kilogrammes (pallets, full loads and bulk) and the speed categories are same day, time (and day) certain (e.g. 10:00 next day), day certain/1-2 days, day certain/3-5 days and day uncertain.

All these different types of requirements need different delivery networks and are served by different operators (see the chart below). These range from very efficient and time-sensitive (air and road) express networks operated by *integrators* to less expedited *sea carriers*. *Freight forwarders* operate virtual networks, using block space on other operators' planes, ships and (to a lesser extent) trucks, and their own (small) depots and sites in harbours and at airports. *Couriers* focus on same day delivery. Finally, in the widest sense, peripheral operators such as infrastructure providers (*port authorities*, *airport operators*, *motorway owners*), *consultants* and *software companies* can also be considered as actors in this sector.

Global transportation industry — segmentation



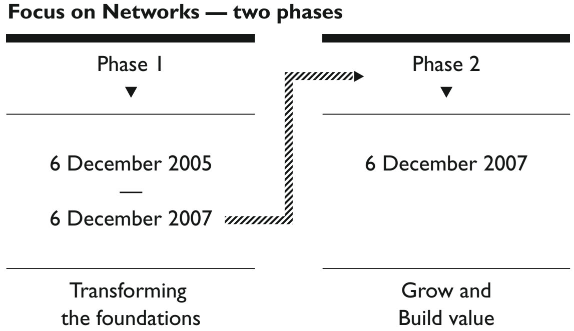
Global revenues US$ 3,500 billion
(Source: R.W. Baird, report "Global Integrators", January 2007)

Focus on Networks strategy

TNT's strategy is to focus on providing delivery services by expertly managing delivery networks. Thus, TNT calls its strategy Focus on Networks. This strategy was first presented in December 2005, contains manageable execution risks, and is based on TNT's core strengths, with the objective of achieving profitable growth. For more information on key risks, see chapter 11.

In the first phase of its Focus on Networks strategy, TNT concentrated on transforming its foundations by exiting its logistics and freight management activities, concentrating on (Mail and Express) networks and optimising its capital structure. With the start of the second phase ("Grow and Build Value") in December 2007, the emphasis is now on further strengthening both the core of the portfolio (Mail Netherlands and Express Europe) and the emerging platforms such as European Mail Networks, parcels and Express emerging businesses.

Focus on Networks — two phases

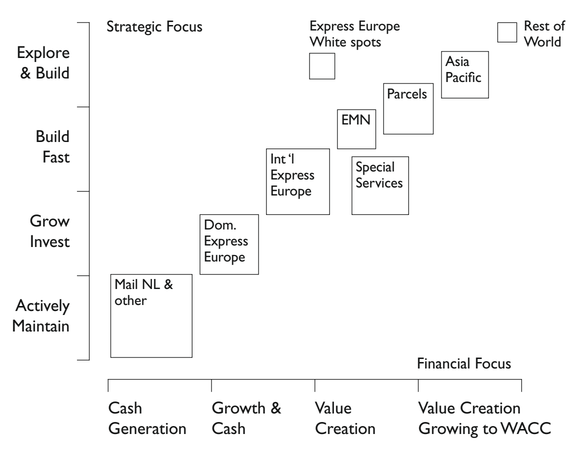


TNT manages a portfolio of networks with different speed characteristics, ranging from same-day to some day, and different weight characteristics, ranging from letters to heavy parcels and pallets. TNT's Express business focuses on transferring documents, parcels and pallets that require time or day certain delivery, whilst TNT's Mail business focuses on transferring documents with day uncertain delivery (however, in practice, in the Netherlands almost 100% of deliveries is next day). Due to the further optimisation of its network strategy, TNT introduced in 2007 the segment "Other networks" in which TNT reports its Innight business. Formerly, this business was reported as part of the Express division and prior to the sale of the Logistics division as part of Logistics. Consequently, TNT reports its Express business as of 2007 without the Innight business and has adjusted the 2006 comparatives accordingly.

TNT's networks are in different development phases and offer a plethora of growth opportunities. TNT's most mature business is its Mail network in the Netherlands, where TNT actively seeks to maintain its market leadership in a declining market with increasing competition. TNT's Express networks in Asia, in particular in India, China and South-east Asia, and in selective other emerging markets, such as Brazil, are at the other end of the spectrum and are among the least mature networks in its portfolio. In these geographies TNT can shape the market, strongly grow its networks and attain market leadership. In Europe, TNT continues to grow its Express and Mail networks by building on its existing strong position. TNT aims to accelerate growth in its networks organically, as well as through selected acquisitions.

The chart below reflects an analytical and conceptual view on the relation between strategic focus and financial focus. It does not represent a management segmentation. From this chart TNT has derived 10 strategic priorities which it manages.

TNT's portfolio of networks



The combination of Express and Mail networks in TNT's current portfolio has several strategic advantages. TNT believes the combination of business-to-business and business-to-consumer deliveries, for which it has unique expertise in its Express and Mail divisions respectively, becomes increasingly relevant in an era where e-related deliveries are growing exponentially and megacities, which require complex high density citizen services, will emerge. TNT also believes that over time, certain operational and strategic synergies can be achieved across its portfolio, for example in linehaul activities. Having both Express and Mail in its portfolio gives TNT unique cross-selling opportunities. And finally, the fact that Express and Mail require comparable management capabilities, such as network design, execution and planning, customer focus, market segmentation and brand awareness, allows TNT to optimise management and competence development across the company.

In Express, TNT's strategic intent in phase 1 was fourfold: to strengthen the number one position in Europe in national and intra-European flows, to build uplift capacity from China to fuel its European network and establish an intra-China network, to build the number one position in rest-of-the-world selected emerging markets, and to expand its position in the broader market through offering special services. Underpinning TNT's Express networks is a strong focus on key customer interfacing processes, by understanding customer needs, winning and keeping profitable customers, delivering excellent customer service and delivering on time and in perfect condition. In all four strategic intent areas TNT has made excellent progress in 2007. TNT has continued to strengthen its position in Europe by, amongst others, finalising the integration of Trespertrans S.L. (TG+), a Spanish company acquired in 2006, and capturing high growth in Eastern Europe. In China, TNT is integrating Hoau Group of China (Hoau) to build the leading domestic network in that country, and it has implemented its own Boeing 747 freighter service between China and Europe to capture the strong growth on this intercontinental flow. TNT has acquired domestic networks in India and Brazil and extended the reach of its South-east Asian road network. Lastly, TNT has expanded its position in special services by further growth in its same-day business and continued fast growth in time-critical freight. TNT's Express division thus created a strong platform by delivering on all four strategic intents mentioned above.

In the second phase, the emphasis will be on network optimisation to further strengthen the leading positions of the Express division, to strengthen the Europe-Asia connectivity, and to transform the newly acquired domestic platforms in China, India and Brazil into integral international Express operations.

More details on Express can be found in chapter 3.

In Mail, TNT's strategic intent in phase 1 was twofold: to actively maintain its market share in its home market of the Netherlands and to capture growth opportunities outside its home market. In the Netherlands, TNT is faced with continuing competitive pressure and substitution. TNT believes that without new commercial and cost initiatives a volume decline of up to 40% by 2015 compared to 2006 would be inevitable.

In the first phase of the Focus on Networks strategy, successfully completed at the end of 2007, TNT's Mail division thus prepared itself for full liberalisation of the Dutch mail market, whilst outside the Netherlands, platforms were established to become the number one challenger to incumbent European mail operators.

In the second phase Mail Netherlands will further detail and execute the cost and commercial initiatives and continue to monitor, evaluate and respond to regulatory developments, whereas outside the Netherlands, it will focus on optimising and growing market positions and realising growth in profitability.

At the end of 2006, TNT launched a number of initiatives along two tracks: commercial initiatives to limit volume decline to 30% by 2015 compared to 2006 and cost initiatives to save €300 million of annual costs. In 2007, TNT took restructuring costs of €110 million for the efficiency projects that its Mail division will start in 2008 to standardise the collection, preparation, and delivery of mail as much as possible. TNT is now in the process of negotiating with trade unions to enable expeditious implementation of the latter. At the same time, TNT has made substantial progress in growing its Mail activities outside the Netherlands. TNT has continued to significantly expand its regional networks in Germany and the United Kingdom. TNT believes the combination of cost and commercial initiatives in the Netherlands and growth initiatives outside the Netherlands will contribute to Mail being able to continue to deliver a strong cash flow going forward. However, barriers to competition (such as value added tax (VAT) exemption, hidden state subsidies, and, as recently adopted in Germany, a generally binding minimum wage) may hamper TNT's ambition to grow its Mail activities outside the Netherlands.

More details on Mail can be found in chapter 4.

Financial strategy

TNT's financial strategy is based on three pillars:

- driving business performance by using value-based performance measures and standardisation of business processes,
- maintaining the right financial flexibility to support growth platforms via capital expenditure and mergers and acquisitions, and
- keeping the capital structure efficient, at an investment grade long term credit rating of "around BBB+".

These three key components of the financial strategy directly relate to:

- effective risk management, internal control and compliance,
- financial risk management and risk insurance structures,
- aligned legal and funding structures, and
- a balance in short and medium term shareholder returns through profitable growth, dividends and incidental share repurchases or other shareholder returns from medium term excess cash.

TNT's current capital structure is based on and managed along the following components:

- maintaining a credit rating at investment grade "around BBB+",
- 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 at optimising the cost of capital for the group, within long term sustainable boundaries.

TNT's current long term credit ratings are BBB+ (stable outlook) for Standard & Poor's Ratings Services (S&P) and A3 (stable outlook) for Moody's Investors Services (Moody's). These credit ratings result from an evaluation and analysis of many different factors. As mentioned, TNT focuses on maintaining an investment grade credit rating of "around BBB+".

For this purpose it monitors the development of the key credit ratios which are used by the rating agents and which may vary from time to time:

- FFO / Debt, whereby Funds From Operations (FFO) is based on operating profits from continuing operations, after tax, corrected for, amongst others, depreciation and amortisation and other major non-cash items, and Debt is defined as total interest-bearing borrowings of the company, adjusted for on and off-balance sheet debt-like components and surplus cash.
- Debt / EBITDA, whereby EBITDA is defined as operating profits before interest and taxes, corrected for, amongst others, depreciation and amortisation as well as operating leases.
- FFO / Interest, whereby Interest is corrected for, amongst others, pensions and leases.
- RCF / Debt, whereby Retained Cash Flow (RCF) is defined as FFO less dividend.

The weighted mix of the four ratios above forms an important building block in TNT's financial parameter framework, whereby the current credit ratings are roughly based on the following ranges: an FFO / Debt between 30%-35%, a Debt / EBITDA of 2.0x-2.5x, an FFO / Interest around 5%, and an RCF / Debt around 17%. These ranges per ratio may change over time, depending on market conditions and analytical considerations.

For its financial requirements in the context of its capital structure components, TNT works with approximately ten relationship banks. This number is influenced by financial service requirements of TNT related to its global spread in activities, businesses and legal entities.

TNT aims to grow its free cash flow in the medium term. TNT defines its free cash flow as the net cash from operating activities minus net capital expenditure on property, plant, equipment and intangible assets, and proceeds from sale of smaller assets.

Part of free cash flow is used for dividends after the appropriation to reserves of (part of) the profit. TNT tries to meet shareholders' return requirements through growth in value of the company's shares, dividends, and incidental share repurchases. As part of its dividend guidelines, TNT intends to pay interim and final dividends in cash annually. The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website, group.tnt.com. During 2007, TNT announced its intention to increase the dividend pay-out from around 35% of normalised net income currently to around 40% by 2010. Normalised net income is defined as "profit attributable to the equity holders of the parent" adjusted for significant one time and special items. Remaining free cash flow will be allocated to strategic profitable growth of the group.

In case of medium term excess cash other forms of value creation for its shareholders will be evaluated, including tax exempt share buy-backs.

As with any global organisation, operating cash flows are affected by economic and business trends. A significant portion of TNT's operating cash flows is derived from TNT's Mail division, particularly from operations in the Netherlands. Amongst other factors, the impact of electronic substitution on mail volumes, postal regulations in the Netherlands, and the pace of postal liberalisation in Europe continue to affect those cash flows, although it is not possible to predict what the long term cash flow effects will be.

Cash requirements for capital expenditure fluctuate from year to year, depending on the extent of strategic capital projects, but have been well covered by operating cash flows. The ratio of cash from operating activities to net capital expenditure was 2.3 in 2007, 2.7 in 2006 and 3.7 in 2005. This ratio is calculated as follows: net cash provided by operating activities divided by the sum of capital expenditure on other intangible assets, disposals of other intangible assets, capital expenditure on property, plant and equipment and disposals of property, plant and equipment, all as stated in TNT's consolidated cash flow statements. TNT expects these operating cash flows to continue to cover its capital expenditure requirements in the foreseeable future. TNT believes its working capital generates sufficient liquidity to cover its requirements.

For any acquisitions or buy-back of shares that exceed the company's immediate cash resources, the company would seek to raise capital in the financial markets by means of bank borrowings and private or publicly traded debt. For very substantial transactions, if required TNT would also consider issuing hybrid debt or equity in order to maintain an investment grade "around BBB+". Given the strength of TNT's financial position, credit ratings, and bank relationships, TNT currently does not foresee an inability to access a wide range of capital markets including equity, public debt, private debt and bank borrowing. TNT monitors and manages key financial ratios that are consistent with a strong credit rating. There are no aspects of TNT's current capital structure that TNT believes would trigger a material increase in the cost of its debt or the inability to access to capital markets.

For details on the interest rates charged on TNT's more significant long term loans as well as the maturity of TNT's long term loans and commitments, see notes 13 and 30 to TNT's consolidated financial statements.

TNT does not hold or issue financial instruments for trading purposes, nor does TNT allow its subsidiaries to do so. For details on TNT's use of financial derivatives for hedging purposes, see notes 3, 6, 13, 30 and 31 to TNT's consolidated financial statements.

TNT implements a comprehensive insurance policy covering its operational risk profile as appropriate, using a mix of self insurance, re-insurance, and direct external insurance. 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. Improved risk management then has an immediate positive financial effect. TNT's total self insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via re-insurance. During 2007, TNT's total annual retention cap on these losses was €6 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 adjust TNT's insurance protection to the ever changing legal and regulatory environment in which it operates, and all insurance policies are therefore tailor-made to TNT's unique requirements. In addition, current insurance arrangements also need to support strategic developments and the changing risk profile of the company.

All of TNT's financial strategies and actions will take into account the key components of its financial solidity requirements as mentioned.

Industry context

TNT believes the following four trends will be increasingly relevant to its business over the next five to 10 years:

Environment

There is growing consensus amongst the general public, politicians and others that climate change is threatening the environment. Increasing levels of carbon dioxide (CO_2) in the atmosphere are trapping more heat, thus increasing global temperatures. This phenomenon, referred to as global warming, will give rise to all sorts of measures and regulations that try to abate the CO_2 emissions around the globe. Since transport and distribution contribute nearly one-fifth to these emissions, the transport and distribution industries will be affected significantly by any measures or regulations. TNT has responded pro-actively to this challenge by launching its Planet Me initiative. More details on Planet Me can be found in this chapter under Differentiating ourselves as well as in TNT's 2007 social responsibility report.

Demographic trends

Demographic trends are changing the composition of the population across the globe. For example, in the largest Western European countries it is estimated that between 20% and 25% of the population will be above the age of 65 by 2020. Also, people will live increasingly in cities with more than five million inhabitants (so-called megacities), posing significant distribution challenges.

As a result of the ageing population, spending on healthcare will increase significantly. In addition, there is a trend towards more biopharma products and an increased need for special handling services in healthcare. These trends have several implications for the transport and distribution industries, such as accelerated growth of healthcare product flows, an increasing demand for to-consumer distribution networks, and possibly more challenges in attracting and retaining staff.

Restructuring of global supply chains

Driven by globalisation, intercontinental trade is growing continuously. Multinationals continue to move their manufacturing to countries with low-cost labour such as China. With an increasing middle class in the emerging countries, spending in those markets will rise, driving regional transportation and global flows as well. In contrast, environmental concerns may eventually lead to a renewed regionalisation of manufacturing and regional "self sufficiency" models.

Digitisation

Digitisation is a trend that TNT has faced for quite some time. As a result of continuously improving technologies, documents can be digitised, transmitted and reproduced without requiring delivery of the printed material. Digitised design of goods and services as well as globalisation of product development and promotion will also influence delivery requirements.

Markets and economic environment

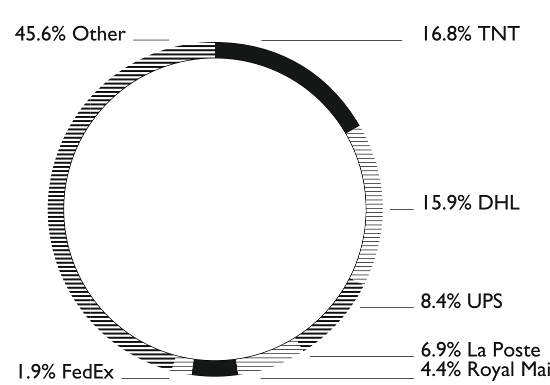
Express markets

The express sector is very competitive. Competition centres on network coverage, speed and other service elements as well as price. Larger players, such as the global integrators, can achieve attractive margins through economies of scale and (to a lesser extent) scope. Local and regional players focus on high local network density. The industry historically has shown growth rates double those of Gross Domestic Product (GDP) and is expected to continue to do so given increasing demand for express-like products. The US market has over the last 30 years moved from being fragmented to very concentrated, Asia is fragmented and developing, and Europe is in between.

The express sector has significant barriers to entry, mainly the required scale and network reach, ICT capabilities, investments in fixed assets, and brand name and reputation. New entrants may come from the parcel and freight sectors where companies might improve their offerings to day-definite products. This could increase price competition.

TNT Express uses a clear market definition to clarify its position within the sector. This express market definition encompasses time certain, next day, and fastest by air or road day certain delivery for business-to-business consignments transported through a scheduled network with door-to-door track-and-trace of individual items/consignments. For 2006 TNT estimated the size of this market in Europe to be approximately €21 billion, based on analysis of available detailed data. TNT has the highest market share in Europe (17%), followed by DHL (16%), UPS (8%) and La Poste (7%).

European Express market
Excluding intercontinental



Key value drivers for the express market can be broken down into three categories: growth, pricing, and cost. The main growth drivers for the express market are GDP growth (+), increasing globalisation of supply chains (+) and a shift to deferred services (-). Important pricing drivers are consolidation (+) and intensifying competition (-). Key cost drivers are increasing scale economies through consolidation and organic growth (+) and a potential for network optimisation (+).

There are essentially two types of express players: the four global integrators UPS, FedEx, DHL and TNT Express, and local/regional players, with standard parcel operators (often related to postal incumbents) and Less-Than-Truckload (LTL) operators as potential new sub-regional entrants.

Express economic environment in 2007

Whilst the year 2007 showed strong economic growth at the beginning of the year, it ended with increasing uncertainties as a result of the turbulence in the financial markets and with an estimated global GDP growth just under 5%. For the transportation and express industry 2007 was a good year despite the year-end slow down and the US economy weakening. Volumes remained strong with double digit growth rates fuelled by growth from the emerging markets.

Europe

It is estimated that Europe GDP growth in 2007 was in line with or just below 2006 at around 3%. The European express market is estimated to have grown faster than economic growth, yet modestly in comparison to the fast growing express markets in emerging markets like Asia. As a result of globalisation and export expansion the international express services are growing stronger than domestic services at double digit growth rates. Competition in the fragmented European express market intensified further in 2007, and there were signs of further market consolidation in the UK and Eastern European markets. In the mature Western European markets, the focus has been on improving efficiency, improving customer service, and expanding coverage as well as service levels. Parcel operators have continued to edge into the express market, and initiatives such as expansion of parcel shops, drop-off points and parcel stations have illustrated the perceived increased importance of the to-consumer markets.

Asia

Economic conditions continued to be favourable in 2007 thanks to strong Chinese and Indian economic growth, which helped to boost export expansion. There was continued strong investment in the region, through acquisitions, expanded infrastructure, connectivity and enhanced services. China and India are driving growth in the regions, whilst the large Japanese market showed more moderate growth. Other markets such as South Korea, Vietnam and the rest of South-east Asia continued to attract investment and are estimated to accelerate growth and demand for express transportation.

China

TNT's major competitors have continued to execute their long term investment strategies and expanded their product offerings by upgrading international connectivity, network expansion, and investments in new hub facilities. They are also beginning to focus on the domestic market, although TNT with its dense network and over 1,100 depots in China continues to be far ahead of its international competitors in this area.

India

The express sector benefited from India's further integration into the global economy and development of the domestic market. It also emerged as a competitive express market with a trend of market consolidation through strategic acquisitions. For instance, FedEx acquired Pafex, while UPS formed an alliance with AFL. Again, as in China, TNT offers a more comprehensive network for domestic services.

Americas

As a result of the slowing US economy and uncertainties in the financial markets, the industry experienced moderate growth for domestic services. Double digit growth was however achieved by most operators from premium and international services into Europe and Asia.

South America

In South America, there was good growth in Brazil due to the appreciation of the currency and the strong car market. However, the overall GDP growth, whilst still around 5%, was lower than in 2006, due to the other currencies' depreciation and the slowdown in the US economy, which is the main trading partner.

Mail markets

The mail sector in Europe, in which TNT Post operates, has a market size of approximately €60 billion and is still a highly regulated domestic sector, with incumbent operators that are protected from competition in many countries through their monopolies, especially in Southern and Eastern Europe. The size of the market will continue to decline as a result of substitution of mail products by electronic products; this volume decline is most pronounced in countries where internet penetration is highest, i.e. in Northern and Western Europe. In the Netherlands, TNT estimates its market share to be approximately 88%. In other European countries its market share ranges between 1% (small countries) and 9% (United Kingdom) for addressed mail and between 7% (Germany) and 48% (small countries) for unaddressed mail.

Going forward, the attractiveness of the mail sector will depend on the level of liberalisation, which drives competitive intensity. Once liberalised, the mail business has some barriers to entry, notably economies of scale (network density) and scope, and in some cases, technology. These barriers protect incumbents to some extent, but are in principle not insurmountable, and can be mitigated by selective market approaches, gaining access to the incumbent's delivery network, and using other challenger tactics.

Once new players have entered the market, the market structure tends to be one of a universal service provider maintaining the largest share and one or more focused challengers. The increasing number of competitors, competing mainly on price and to a lesser extent on service, is likely to lead to increasingly intense competition and declining margins for the incumbent.

In Europe, three types of mail companies can be identified:
- the incumbents: in most smaller countries they are exclusively focused on domestic activities in mail and parcels, whereas the largest ones have extended into international mail and parcel activities. Oesterreichische Post AG is the only listed company in this group. De Post (Belgium) and Post Danmark are now partly owned by private equity firm CVC. Some incumbents, such as France's Groupe La Poste and Italy's Poste Italiane, also offer financial services and own a bank.
- challengers: they tend to focus on the "easier" market segments and less complex activities of (unaddressed) bulk mail, allowing them to deliver fewer times a week, collect electronically or in high volumes at large corporate clients, and benefit from pre-sorted volumes. From this position, they increase their service quality and frequency of pick-up, sorting and delivery step by step.
- integrators: only TNT and Deutsche Post have extended their home mail base into global express and/or freight and contract logistics activities, as well as selected European mail markets.

Most European postal operators were converted into government owned corporations starting in 1989. Many governments are now considering privatisation of their national postal operator. In the process of privatisation there is an active interest by private equity as well as several industry players. This may result in a fundamental change in the European postal landscape and might trigger a consolidation process that will limit the number of independent postal players.

European liberalisation of the postal market is slowly taking shape. The final step of the process of gradual liberalisation in the EU will take place in 2011. A derogation is granted to 11 Member States to open their markets as of 2013. However, a level playing field is not to be expected to be established immediately after liberalisation. Barriers to competition, such as the VAT exemption many incumbents enjoy and other market distortions, like (hidden) state subsidies, licensing conditions and a generally binding high-level minimum wage (such as the one recently adopted in Germany, which is significantly higher than the general minimum wage the trade unions in Germany were demanding), continue to exist. These barriers will make it difficult for new entrants to gradually grow into a mature and profitable business model.

Closely related to this liberalisation process will be the definition of the Universal Service Obligation (USO) and its funding. A further discussion both at national and European levels on how the content of universal service is to be shaped in the future is to be expected. The VAT exemption for universal services granted to the universal service provider, which now leads to substantial market distortion in most Member States, needs close attention. Other forms of non-regulation based market distortion of full competition are closely monitored by TNT as well.

Mail economic environment in 2007

Mail Netherlands

TNT's Mail business in the Netherlands is highly regulated, the most important details of which are presented in chapter 10. The current Dutch Postal Act requires TNT to provide the mandatory postal services in the Netherlands at regulated prices and grants TNT the exclusive right to provide some of these services (referred to as reserved postal services). Dutch and EU regulations prohibit TNT from using the revenues from reserved postal services to cross-subsidise non-reserved activities.

Over 50% of the Dutch mail market is accessible to competition. This is *de facto* well ahead of most other European mail markets, even of some that have already legally fully liberalised. In the liberalised part of the Dutch mail market, TNT believes there is no market distortion. This can be illustrated by two main competitors, each of which has full nationwide coverage for end-to-end mail delivery with a growing market share. TNT believes this to be unique in Europe.

In the Netherlands, TNT's two main competitors in the addressed mail market, Sandd B.V. and Selekt Mail (the latter is owned by Deutsche Post World Net and Dutch publisher Koninklijke Wegener N.V.), have both built their own nationwide delivery capability based on a delivery frequency of twice a week. TNT estimates that its competitors have delivered a total of around 800 million addressed postal items in 2007 and that their joint market share was around 12% of the total volume of the Dutch addressed mail market. TNT expects that these competitors will continue to grow.

TNT's domestic Mail business is seasonal in the sense that it is affected by public and local holiday patterns. The third quarter is traditionally TNT's weakest quarter due to the summer holiday season in the Netherlands, and the revenue in the month of December is positively impacted by the distribution of Christmas greeting cards and presents.

Due to the efficiency of TNT's operations and its customer orientation, TNT believes that in spite of liberalisation, it has and will continue to retain its leadership position in its home market the Netherlands. Adjusting to reduced mail volumes and facilitating initiatives to limit volume decline, however, will require a continuous and increased effort to realise cost flexibility in order to remain competitive and sustain TNT's stable source of revenue and income.

A notable event has been the passing of the new postal law in the Dutch Second Chamber of Parliament. The main objective was full liberalisation of the Dutch postal market in January 2008, but the final decision has been postponed given uncertainty around the true opening of the German market (i.e. level playing field). Before the new act can be implemented, the Dutch First Chamber of Parliament will have to approve it. This is now scheduled for the first quarter of 2008. The enactment date is dependent on the condition of a level playing field in real terms on the postal markets of Germany and the United Kingdom and the outcome of the negotiations with regard to the labour conditions for new entrants in the mail market. In the Dutch postal deregulation some important issues will have to be settled in lower regulation, such as tariffs for the USO, and potential network access.

Cross-border Mail

The Universal Postal Union (UPU) is a specialised agency within the United Nations framework, responsible for the regulation of cross-border postal services. The common rules applicable to cross-border postal services are laid down in the UPU Convention and its regulations. In this 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. However, a significant majority of the European postal operators are party to the separate, multilateral REIMS II agreement where terminal dues are related to a higher percentage of domestic tariffs and to a certain extent to service quality as well. TNT has not entered into the REIMS II agreement but has concluded commercially oriented bilateral agreements with most of the European postal operators. The REIMS II parties plus TNT and Royal Mail have entered into negotiations with a view to concluding a market oriented "REIMS III" agreement. The negotiations have been lengthy and complicated, due to the differences in the domestic market circumstances throughout Europe. The resulting agreement, of which only minor details remain to be solved, has not been signed by TNT, Royal Mail or Correos of Spain. TNT has not signed the agreement because of the negative effects it will have on its competitive position on the Dutch cross-border mail market (export and import).

In international postal services, other than reserved postal services, TNT faces competition from other public postal operators and from a wide variety of private, internationally operating companies. Competition for these services is based primarily on price and quality of service.

European Mail Networks (EMN)

TNT wants to be a pan-European mail distribution provider with focus on key markets in Germany and the United Kingdom and profitable niches in selected other countries. The key products will be business-to-consumer and business-to-business transactional mail, direct mail, correspondence and publications. The expansion strategy is based on capitalising on the gradual liberalisation of the European addressed mail market and takes into account the regulatory reality and competitive situations in each of the EMN countries.

Key to further expansion of EMN is the ability to attract the optimal mix of addressed and unaddressed volumes to be able to gradually grow into a mature and profitable business model, unhindered by regulatory and other market distortions such as the ones mentioned before. In this respect certain events in 2007 such as the minimum wage developments in Germany give cause for concern. For other recent developments in Germany and the United Kingdom, see chapter 4.

Parcels

The European parcels market consists of two sub-segments with different characteristics: to-consumers (B2C) and to-business (B2B). Both segments are still mostly domestic: cross-border flows are less than 10% of total volume, but this percentage is steadily increasing. The business context for these activities is very different: the market has been fully liberalised for a number of years, competition is therefore not a new phenomenon, and volumes, especially in the B2C segment, are increasing as a result of home shopping and e-commerce.

The parcel activities of TNT Post are fully separated operationally. In the B2B segment some operators are starting to offer 2-3 day certain deliveries which approaches some economy offerings of TNT Express. TNT believes parcels to be an attractive growth opportunity, which, as a result of TNT's core understanding of the network nature of this business and the current fragmented market, offers opportunities for value creation.

Customers

TNT strives to be a company that knows its customers extremely well – what they value, their needs and preferences– and that responds to them with tailored products and services. TNT believes that this approach delivers a sustainable competitive advantage, as no competitor can replicate the insight and knowledge that TNT has of its customers.

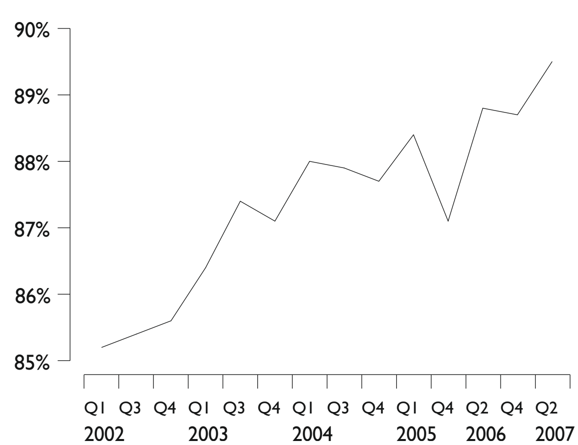
TNT aims to exceed the expectations of its customers by providing distinctive levels of customer care. TNT strives to treat its customers in a friendly and professional manner at all points of contact and is focused on improvement wherever possible. Customer needs and levels of satisfaction are therefore identified through regular contact and structured surveys and TNT takes action on their feedback. TNT encourages all of its people to go the extra mile in their dealings with customers, knowing that providing exceptional service will allow TNT to become distinctive in the market and further improve customer satisfaction and loyalty.

TNT Express measures customer satisfaction and loyalty twice a year, reaching at least 60% of the trading account base, covering all customer sizes from global to small and ad hoc customers, and covering all lines of business. The measurement relates to the key customer satisfaction drivers as stated by customers in customer forums. Satisfaction is measured for each key transaction component from the booking through to the invoicing process and is analysed independently with an external specialist provider.

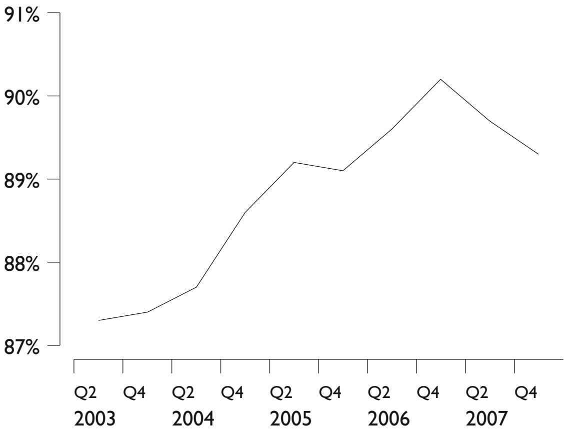
Once every quarter TNT Post conducts a customer satisfaction survey among consumers and small and medium sized enterprises served by the call centre (telephone sales). An annual survey is conducted among the larger business customers. In addition, Intomart GfK annually collects information from 13,000 customers on four customer values. The final score is calculated by taking the weight customers give to these customer values and multiplying this by the score for each value. The graph below shows the SME final score. From a management point of view this score is more relevant and reliable than the consumer score, and in addition the other scores give virtually the same picture.

The following two charts show the evolution of customer satisfaction as described above over the last few years for Express and Mail, respectively.

Customer satisfaction Express increasing



Customer satisfaction Mail increasing and stabilising around 90%



Key enablers

Human resources (HR)

TNT aims to make "instilling pride in our people" a living reality. This means that every employee perceives that he or she is recognised as a valued individual and that TNT consistently supports development of his or her capabilities, skills and competencies to deliver performance and enable career development and personal growth. TNT engages employees to go the extra mile for its customers, enforcing its company values. As a company TNT will ensure that it rewards performance according to market practice. TNT strives for a best-in-class HR community and processes, giving the business the opportunity to attract, motivate and retain the people who deliver TNT's current and future results.

Inspiring and leading people to a desired level of performance gives excellent customer experience. The managers of TNT are expected to treat all of TNT's people with integrity and respect. They feel responsible for creating the safest possible work environment, stimulate the development of all, both professionally as well as personally, and care for their team creating a performance culture which is fun to work in. TNT will increasingly apply the same thinking to its subcontractors.

The TNT HR strategy is derived from the business strategy and includes specified areas for action based on business needs.

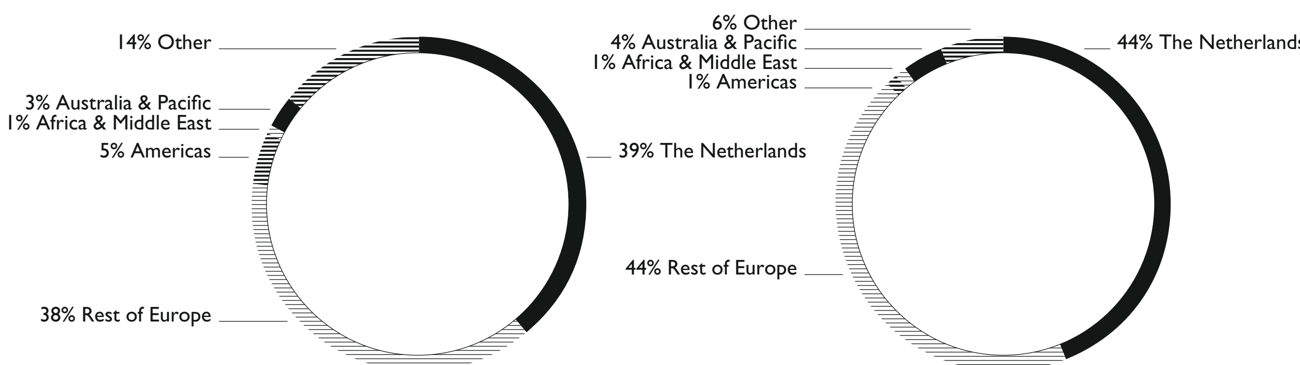
Management development

Both TNT's customer experience and employee engagement are strongly dependent on the quality of TNT's leadership. Identifying and developing leadership potential is therefore a key building block for TNT's success. TNT uses global instruments on coaching, career development discussions, and talent reviews to ensure a vibrant pipeline of top professionals and inspiring leaders.

TNT employees divided over countries

2007 total

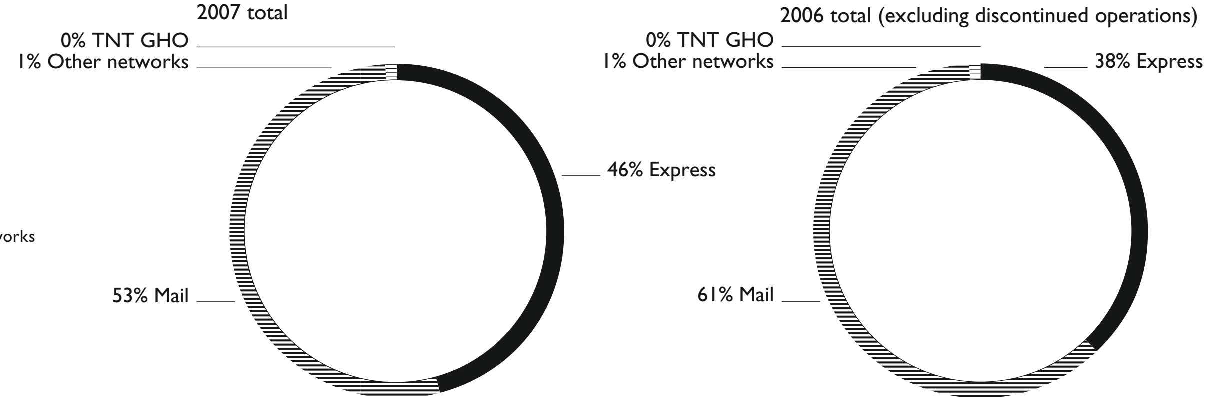
2006 total (excluding discontinued operations)



TNT employees division Express / Mail

2007 total

2006 total (excluding discontinued operations)



TNT wants the profile of its leadership to be as diverse as its workforce, bearing in mind basics such as high integrity, business and delivery orientation. For this reason TNT has established graduate recruitment centres and developed impactful leadership development practices and programmes at every management level. Also, in close cooperation with business schools, TNT will continue to invest in keeping its management up-to-date in business know-how and leadership capabilities.

Compensation and benefits

TNT aims to offer an attractive market conform remuneration package, enabling TNT to attract, retain and motivate key personnel. As the challenges of the company differ, TNT's compensation and benefits approach has a global standard recognising specific circumstances where necessary.

Alignment people decisions with planned growth

A structured approach to employee planning is an essential part of the TNT Strategic Planning Process. In this way, TNT aims to align its people decisions with the business strategy. To be able to translate the future organisational profile into the necessary people numbers and characteristics of the future TNT workforce, an employee planning template is one of the global focus areas.

Mobility

As mentioned, TNT Mail Netherlands has designed a large-scale efficiency project driven by decreasing mail volumes. To realise this programme, TNT Mail Netherlands aims to establish a salary package which is more in line with market practice, combined with a reduction of 6,500 employees.

The aim is to realise this reduction through regular employee turnover and voluntary mobility. TNT has put in place a series of initiatives to support employees in their search for a job outside of TNT. TNT Mobility is the organisation to which employees can turn for individual coaching, training and vacancies inside and outside the company. During 2007 more than 2,500 employees voluntarily left the company, over 50% of whom were assisted by TNT Mobility.

Labour relations

TNT believes in employee dialogue. Trade unions and works councils therefore continue to be valuable partners. TNT's labour relations inside and outside Europe have always been strong, and as in 2006 TNT has had very few material work stoppages.

Wages and general working conditions in the Netherlands and the United Kingdom are the subject of centrally negotiated collective agreements. Within the limits established by these agreements, TNT's business units negotiate directly with unions and other labour organisations representing its employees. Collective labour agreements relating to remuneration typically have a term of one or two years. This year, TNT has an exception to this main rule as TNT extended the term of the present TNT collective labour agreement in the Netherlands to 1 April 2008.

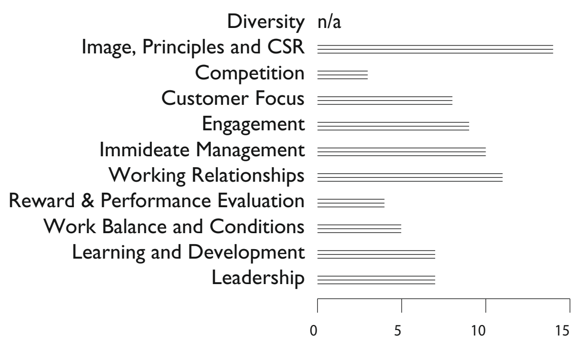
Employee engagement

The global engagement survey measures whether TNT is successful in increasing employment pride and motivation. In 2007, a large part of Mail Netherlands did not participate in this survey. The reorganisations under discussion within Mail Netherlands lead to uncertainty amongst employees as to what to expect in the coming period. Clarity on this situation going forward has to be the result of the consultations with the social partners in the first months of 2008. Mail Netherlands has therefore decided to postpone the engagement survey until such clarity is achieved. However, the Mail division still considers the engagement survey to be an important tool in the social policy and will continue to take full interest in the views of all employees, even if these reveal a negative trend. It is to be expected that the survey 2008 will again include the Mail Netherlands population. The 2006 results have been recalculated to ensure like-for-like comparison.

The company-wide engagement survey undertaken in 2007 shows again that TNT's engagement scores are clearly higher than the industry benchmark and that engagement within TNT is driven by Image, Principles and CSR, Leadership, and Working Relationships (see table below). The 2007 Global Engagement Survey results show an overall increase of engagement to a level of 76%.

Most important findings include:
- TNT's engagement scores are higher than in 2006,
- TNT's people experience TNT as a special place to work as it visibly and authentically engages with the world around, and
- people development and encouraging teamwork by the direct supervisor remain powerful drivers for engagement. Therefore, recruitment and promotion of the most competent people remain key.

Benchmark TNT — TP ISR Global
Logistics Companies Norm



Health and safety

As a global transport operator, TNT is faced with a myriad of health and safety regulations in the countries in which it operates. TNT management is committed to improving safety by making it management's top priority and implementing best practices in safety management, processes, systems, tools and training.

TNT's guiding principles are to:
- provide injury-free, incident-free workplaces,
- foster a culture of prevention where TNT seeks to prevent all work-related disabilities and health problems,
- control and minimise risks associated with TNT's facilities, vehicles and aircraft as well as risks associated with its products and packaging,
- continuously evaluate and improve TNT's practices, processes and service offerings to make them safe and acceptable to employees, customers, and the public,
- report health and safety incidents resulting in fatalities and serious injuries to the Board of Management within defined time limits, and
- achieve certification with Occupational Health and Safety Standard (OHSAS 18001) in all operating units.

TNT's Board of Management is committed to meeting and, where possible, exceeding the minimum standards of health and safety and is also committed to maintaining a safe working environment. The Board of Management has provided adequate resources and has established measurable objectives and targets to maintain and continually improve TNT's health and safety performance.

Road safety is a crucial part of TNT's health and safety management systems, and the Board of Management is committed to minimising road related accidents and risks by implementing best practice tools and techniques into all TNT's activities and setting high but attainable standards for all TNT countries worldwide. The framework for achieving and maintaining these objectives is through the management approach of certifying all TNT's entities to the OHSAS 18001. However, during 2007 the sharp increase in reported fatalities as a result of road traffic accidents, particularly evident in the emerging markets in which TNT has newly acquired business, has raised serious concerns with the Board of Management.

The number of workplace and road traffic related fatalities is shown in the table below.

Year ended at 31 December

Health & Safety	2007	2006	2005
Workplace fatalities	1	1	1
Blameworthy road traffic fatalities with a TNT employee involved	5	1	5
Non-Blameworthy road traffic fatalities with a TNT employee involved	2	2	2
Road traffic fatalities with a subcontractor involved	34	11	14

32 of the 42 reported fatalities in 2007 occurred in the newly acquired companies in China, India, and Brazil, where standards and legislation governing road safety are lower than those of TNT's established entities and locations. The Board of Management finds this unacceptable and is committed to ensuring that all efforts are made to minimise the risks to TNT's employees and subcontractors (and other road users) by ensuring that the fleet of vehicles is safe and well maintained and that TNT's drivers and subcontracted drivers are fit and qualified to operate the vehicles. The Board of Management also acknowledges that accidents do happen and ensures that when they do, they are fully investigated and any lessons learned are implemented immediately.

Brand

TNT believes it is now a highly relevant, high esteem brand for its customers in the Netherlands. Outside the Netherlands and especially outside Europe, TNT, as many other brands in delivery services often regarded as low-end still faces insufficient differentiation. Therefore from 2008 onwards, TNT will better articulate what makes TNT unique, both internally as well as externally.

TNT has a strong corporate culture to leverage from, with employees proud to be part of TNT and strongly believing in the goals and objectives of the company. After the rebranding in 2006, the entire organisation has become remarkably orange both on the inside and the outside.

TNT positions its brand in a way that best describes its 'heart and soul': TNT is a global express and mail company that approaches its work with one simple attitude, an attitude of 'can-do'. This attitude makes TNT the partner of choice for customers who want items, be it a few or a million, moving from A to B reliably, rapidly and without concern. This attitude is however bigger than A to B. It matches TNT's customer experience focus and makes TNT a valuable partner for the world, for which it feels responsibility. This positioning will support TNT in entering new markets and attracting the customers and employees it wants.

Consistent application of TNT's brand architecture or hierarchy, consisting of a master brand supported by divisional, business or legal descriptors, enables TNT to deal successfully with divisions and business units operating in very different but still related markets.

For all of TNT's recent acquisitions, a clear transition programme is in place. Dependent on the specific situation, TNT will either leave in place the existing local brand for the near future, co-brand or quickly fully rebrand to TNT.

Social Responsibility (SR)

TNT's mission states among other things that TNT seeks to share responsibility for the world in which it operates. TNT benefits from globalisation and the increase in international flows of goods that is a result. As distances between the continents shrink, all inhabitants of this planet are becoming neighbours. This means the problems of the developing nations are also the problems of the industrialised part of the world, which creates a responsibility TNT feels as a company.

The Board of Management is actively involved in developing SR policies across the company, including setting SR targets for management and linking them to their incentive schemes.

TNT is convinced that any actions a company undertakes to help address a major problem in the world can be a source of pride for its employees, as well as having a positive influence on a company's reputation. These are vital factors for a company in a services industry, where success is a direct result of employees' engagement and customers' trust.

TNT is in ongoing dialogue with all stakeholders. Their views and demands influence the way TNT develops its business. In recent dialogues TNT has seen a shift in emphasis towards health and safety, the environment, responsible corporate citizenship and sustainability.

In 2007 TNT was externally recognised for its efforts in sustainability and SR: TNT achieved the leadership position in its super sector in the DJSI, with the highest score of any company in this Index.

Implementing international standards

Implementing international standards is the basis of TNT's SR strategy and its activities in this field. Its strategy is clear: TNT improves its performance as a responsible employer through the implementation of a set of five standards and management systems: ISO 9001 (quality), ISO 14001 (environment), OHSAS 18001 (health & safety), SA 8000 (labour standards and personnel rights, only in non-OECD countries) and Investors in People (training and employee development).

Year ended at 31 December

Certificates (% based on FTEs)	2007	2006	2005
OHSAS 18001	87%	82%	23%
Investor in People (based on headcount)	83%	79%	82%
SA 8000	98%	48%	5%
ISO 9001	91%	80%	77%
ISO 14001	88%	65%	52%

Newly acquired companies are excluded from the challenge of full certification for a three year period. For 2007, Hoau, Speedage and Mercúrio are excluded.

Implementing these systems allows TNT to work in a structured manner on continuously improving its performance in these areas: it provides TNT with good quality data and clear key performance indicators (KPIs), as well as evaluation and benchmarking processes. TNT nearly completed the implementation in 2007. In 2008 TNT will continue to integrate these KPIs into its management's incentive schemes.

There are still challenges: the companies TNT acquired in China, India and Brazil will have to work hard to be able to meet TNT's standards within three years after the acquisition date. Another challenge is TNT's subcontractors. They are involved in a substantial part of TNT's revenues, yet for many of them implementation of TNT's standards could be a burden because of the limited size of their operations or cost issues. However, TNT will stimulate them to start reporting on TNT's key KPIs in SR.

Improving the industry

TNT sees a clear interest in improving the sustainability performance of the transportation industry as a whole. To contribute to this, TNT actively participates in the Logistics & Transport Sustainability Group (LTSG) of the World Economic Forum. TNT uses the results of its stakeholder dialogues as input for its discussions with its competitors. TNT attempts to reach agreement on sustainability KPIs that all members of the LTSG will report on and on one approach towards subcontractors, so customers will be able to benchmark TNT's industry's sustainability performance.

Differentiating ourselves

TNT's SR strategy also aims to differentiate TNT through inspiring initiatives on responsible corporate citizenship.

The first of these initiatives is TNT's partnership with the United Nations' World Food Programme (WFP). TNT has been an active partner of WFP, the world's largest humanitarian aid agency, for five years now. During this time TNT has committed its knowledge, skills and resources to helping WFP. Over this period, TNT has invested €38 million in the partnership. In addition, fundraising by TNT's employees added €9 million to the partnership. An evaluation shows that the partnership has fulfilled its objectives to different degrees:

- improving logistics efficiency: results are mixed, but the implementation rigidity is improving and the recipe for achieving more impact is now better understood,
- saving and improving lives: flagship initiatives such as the volunteer programmes 'School Feeding' and 'Emergency Operations' have helped thousands and resulted in more than the symbolic target of one beneficiary per TNT employee,
- funding: the performance on raising cash funds is solid; joint results in terms of raising WFP's private sector fundraising capabilities are impressive, and
- reputation building: TNT's external reputation score and internal employee satisfaction levels were boosted as a result of the partnership.

More broadly stated, the partnership positively influenced management rigour at WFP and provided an additional sense of purpose to TNT. Based on the evaluation and constructive discussions with WFP, TNT has recently re-stated its commitment to WFP, thereby confirming TNT's decision to continue the partnership.

Planet Me, the second initiative and launched in January 2007, is a CO_2 reduction programme. Climate change may be the biggest challenge the world is facing today. Most scientists agree climate change is caused by the increased emission of greenhouse gases, mostly CO_2. As transportation is responsible for 18% of total CO_2 emissions in the world, TNT feels that it has a special responsibility in this regard to pro-actively minimise the impact of its operations.

TNT's stakeholders are involved as well. TNT anticipates legislation that will enforce greener transportation.
TNT also increasingly sees restrictions being created to stimulate clean inner city distribution, for instance in London, but also in Rotterdam and in other cities. Since TNT's services are part of their supply chain, customers demand that TNT increases the transparency of its CO_2 footprint (per customer, per parcel, per route) and again, that TNT improves its relative and absolute performance. This will over time become a qualifier for the licence to operate for both TNT and the industry.

Planet Me consists of three projects: Count Carbon, Code Orange and Choose Orange.

Within Count Carbon, TNT will install a consistent model and process to manage, measure, and report on CO_2 throughout TNT. TNT's operational commitment is called Code Orange. TNT is working hard to reduce CO_2 emissions in every segment of its operations. To achieve this TNT is in the process of formulating a set of practices. The third and most innovative part of TNT's initiative is the way in which it wants to involve its employees in TNT's CO_2 reduction efforts. TNT wants to strike a deal with its people: TNT will show them what TNT as a company is doing and then TNT wants to challenge them to take this approach at home as well. This approach TNT calls Choose Orange.

In 2007, TNT total CO_2 footprint including acquisitions and subcontractors is almost 2,500 kilotonnes. In the table hereafter we excluded the acquisitions and subcontractors emissions for comparibility reasons.

Year ended at 31 December

Environment	2007	2006	2005
CO_2 emission / revenue (tonnes CO_2 / € 1,000)	0.17	0.14	0.12
CO_2 emission absolute (ktonnes)	1,019.2 [1]	825.6	715.2
Sustainable electricity (% of total electricity)	11.0%	9.8%	3.5%

1 — Excluding Expresso Mercúrio S.A., Huayu Hengye Logistics Company Limited, ARC India Private Ltd. and excluding subcotractors

Integrity

In January 2006, TNT's Board of Management launched the TNT Integrity Programme and senior management took on the responsibility for the roll-out of the Programme.

TNT's Integrity Programme consists of four parts: guidance, awareness and compliance, embedding, and monitoring.

Guidance is set out in the TNT Business Principles which have been formally adopted and approved by the Board of Management and Supervisory Board. The TNT Business Principles, 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, transparency, equal opportunities, fair treatment, conflict of interest, corruption, fair competition, and social responsibility. Among TNT's integrity-related group policies and procedures are the TNT Group Policy on Whistleblowing and the TNT Group Policy on Disciplinary Actions. The latter policy makes clear that non-compliance with TNT's group policies will not be tolerated.

Awareness and compliance are enhanced by communication and web-based and interactive training. Interactive integrity workshops have been held for senior and higher management in all parts of the world. Senior managers, on the basis of the "train the trainer" principle, thereafter cascade this training and communication down into their organisations, thus fulfilling their responsibility for the roll-out of the Integrity Programme.

The TNT Business Principles and related group policies are being embedded in TNT's strategic and operational decision processes. See for more details chapter 6 under Controls and procedures.

The TNT Integrity Programme is monitored in several ways. See for more details chapter 6 under Controls and procedures.

TNT's score for its approach to Codes of Conduct and Compliance in the Dow Jones Sustainability Index was 100%. TNT is, of course, proud of this recognition, and will continue to devote its energies to the roll-out of its Integrity Programme in order to further enhance its strong ethical culture.

Revenues and earnings group

Group consolidated results

Year ended at 31 December

Consolidated group results	2007	variance %	2006
Total operating revenues	11,017	9.5	10,060
Other income	75	15.4	65
Total operating expenses	(9,900)	(11.9)	(8,849)
Total operating income	**1,192**	(6.6)	**1,276**
as % of total operating revenues	10.8		12.7
Net financial expense	(94)	100.0	(47)
Income taxes	(316)	20.0	(395)
Results from investments in associates	1	116.7	(6)
Profit for the period from continuing operations	**783**	(5.4)	**828**
Profit/(loss) from discontinued operations	206	231.2	(157)
Profit for the period	**989**	47.4	**671**
Attributable to:			
Minority interests	3	200.0	1
Equity holders of the parent	**986**	47.2	**670**
Earnings per ordinary share (in cents) [1]	257.4	61.6	159.3
Earnings per diluted ordinary share (in cents) [2]	256.1	62.0	158.1

(in millions, except percentages and per share data)
1 — In 2007 based on an average of 383,028,938 of outstanding ordinary shares (2006: 420,701,641). See note 32.
2 — In 2007 based on an average of 385,071,986 of outstanding ordinary shares (2006: 423,859,222). See note 32.

In 2007, TNT had total operating revenues of €11,017 million (2006: 10,060). TNT's Express division accounted for 59.5% (2006: 57.2%) of TNT's group operating revenues and 50.3% (2006: 43.9%) of TNT's group operating income. TNT's Mail division accounted for 38.4% (2006: 40.4%) of TNT's group operating revenues and 52.5% (2006: 59.6%) of TNT's group operating income.

Total operating revenues increased by 9.5% in 2007 compared to 2006. Operating income decreased by 6.6%, mainly due to restructuring costs of €110 million for the efficiency projects that TNT's Mail division intends to start in 2008 to standardise the collection, preparation, and delivery of mail as much as possible.

On 30 October 2006, TNT announced the decision to divest its freight management business. TNT's freight management business is therefore reported as discontinued operations/assets held for sale. On 16 November 2006, TNT signed a Sale and Purchase Agreement to sell its freight management business unit to the French logistics service provider Geodis SA. On 5 February 2007 the sale was completed. In the statement of income for 2007 a profit on discontinued operations of €206 million is reported which represents the book gain on the transaction. The result for the period for the discontinued freight management business from 1 January 2007 up to 5 February 2007 amounted to zero.

In 2006 the loss from discontinued operations was €157 million and related to the discontinued logistics and freight management businesses. The loss from discontinued operations relates to both the result for the period and the post-tax result on the actual disposal of the asset held for sale.

Key factors

Key factors that affect TNT's financial results include:
- the volumes of mail TNT delivers,
- the number of shipments transported through TNT's networks,
- the mix of services TNT provides to its customers,
- the prices TNT obtains for its services,
- the average number of working and delivery days in a year,
- the speed of TNT's network expansion,
- TNT's ability to manage TNT's capital expenditures,
- operating expenses,
- TNT's ability to match its operating expenses to shifting volume levels, and
- TNT's ability to integrate acquisitions.

TNT's Express and Mail businesses provide services to customers and account for revenues for those services on a daily basis. Results of operations are therefore influenced by the average number of working and delivery days in a year.

TNT uses total revenues, i.e. net sales plus other operating revenues, to assess the performance of its business.
TNT believes that other operating revenues, which consist primarily of rental income from temporarily leased-out property and passenger/charter revenues, are a recurring element and TNT allocates them to its businesses when reviewing their performance.

TNT attributes revenues and expenses to its businesses based on the underlying nature of the transaction that gave rise to the revenue or expense and the business involved. TNT calls revenues and expenses that it does not allocate to businesses "non-allocated". These revenues or expenses occur at the group level, and TNT does not consider them part of the businesses operations. This method of allocating revenues and expenses is consistent with how TNT internally manages its businesses.

Year ended at 31 December

Operating revenues by segment	2007	variance %	2006
Express [1]	6,551	13.8	5,758
Mail	4,234	4.2	4,065
Other networks [1]	256	0.0	256
Non-allocated and inter-company	(24)	(26.3)	(19)
Total operating revenues	**11,017**	9.5	**10,060**

(in millions, except percentages)
1 – Comparative figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

Year ended at 31 December

Other income by segment	2007	variance %	2006
Express [1]	9	125.0	4
Mail	64	10.3	58
Other networks [1]	2	0.0	2
Non-allocated	0	0.0	1
Total other income	**75**	15.4	**65**

(in millions, except percentages)
1 — Comparative figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

Year ended at 31 December

Operating income by segment	2007	variance %	2006 [1]
Express	599	7.0	560
Mail	626	(17.7)	761
Other networks	11	57.1	7
Non-allocated	(44)	15.4	(52)
Total operating income	**1,192**	(6.6)	**1,276**

(in millions, except percentages)
1 — Figures have been adjusted to reflect both the revised allocation of the non-allocated costs using actual incurred costs in 2007 as well as the transfer of Innight from Express to Other networks in 2007.

Group operating revenues

Total operating revenues increased by €957 million (9.5%) to €11,017 million in 2007 compared to 2006. TNT's Express business contributed €793 million and TNT's Mail business contributed €169 million to this growth.

Organic growth, defined as the growth calculated against 2006 foreign exchange rates and excluding the effect from the first time consolidation of acquisitions and the deconsolidation of disposals, was responsible for 6.0% of total group operating revenues growth. The consolidation effect from acquisitions and deconsolidation effect from disposals accounted for 3.9%. Unfavourable changes in foreign exchange rates negatively impacted the revenue growth by 0.4%.

TNT's Express business achieved 13.8% higher operating revenues compared to 2006. The improved performance is broadly based across the continents, but mainly due to continued growth in TNT's international businesses as well as special services and further supported by acquisitions. Express operating income increased by 7.0%, primarily due to substantial volume growth, particularly in the international business across all customer segments, and effective cost control, including further network optimalisation and continued yield improvements. The operating income growth included significant integration and start up costs for recent acquisitions in line with expectations.

In TNT's Mail business, operating revenues increased by 4.2% in 2007, mainly due to substantial volume growth in addressed European Mail Networks and partly offset by the continued volume decline in addressed Mail Netherlands. The latter volumes continued to decline due to competition and substitution. The volume decline impact on revenue and operating income in Mail Netherlands was mitigated by price effects due to the tariff increase as of 1 January 2007.

Group operating expenses

Year ended at 31 December

Operating expenses	2007	variance %	2006
Cost of materials	423	3.4	409
Work contracted out and other external expenses	4,806	15.5	4,160
Salaries and social security contributions	3,608	6.6	3,384
Depreciation, amortisation and impairments	349	9.7	318
Other operating expenses	714	23.5	578
Total operating expenses	**9,900**	11.9	**8,849**

(in millions, except percentages)

Total operating expenses increased by €1,051 million (11.9%) to €9,900 million in 2007 compared to 2006. Overall, the organic growth in operating expenses was 7.5%. Included in the total operating expenses is an amount of €110 million which has been provided for the restructuring cost of the efficiency projects that TNT's Mail divison intends to start in 2008 in order to standardise the collection, preparation and delivery of mail as much as possible. After coordinating with the trade unions and works councils, TNT has decided that the employees who are subject to these efficiency measures can make use of the provision of the collective mobility agreement. This social plan comprises a wide range of measures making it possible to carry out the planned reduction in the number of employees in a socially responsible manner.

In addition, included in the total operating expenses is an amount of €28 million, including an amount of €5 million for impairment of various assets, relating to the cost of downsizing and transferring the onerous UK Parcel contract underlying related operations of TNT's Mail division to Parcelnet Ltd.

The net increase due to acquisitions realised during 2006 (including JD Williams & Company Ltd, Trespertrans S.L. (TG+), Speedage Express Cargo Services) and realised in 2007 (including Expresso Mercúrio SA (Mercúrio) and Hoau Group of China (Hoau)) was 4.8%. Changes in foreign exchange rates had a positive (lowering) effect of 0.4%.

Total cost of materials increased by €14 million (3.4%) in 2007 compared to 2006. Organically, cost of materials increased by €7 million (1.7%) in 2007, mainly due to higher fuel costs in TNT's Express division. The net effect of acquisitions and disposals realised during 2006 and in 2007 was an increase of €9 million (2.2%).

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 €646 million (15.5%) in 2007 compared to 2006.

The net effect of acquisitions and disposals realised during 2006 and in 2007 contributed €226 million (5.4%) in 2007 to the increase. The organic increase of €444 million (10.7%) was mainly related to higher linehaul, pick-up, and delivery costs in TNT's Express business to service the higher volumes and improve the quality of service, inclusive of the higher fuel costs from commercial linehaul and subcontractors. It is, furthermore, primarily related to the volume growth of European Mail Networks in TNT's Mail business. The increase was partly offset by adverse changes in foreign exchange rates of €25 million (0.6%).

Salaries, pensions and social security contributions increased by €224 million (6.6%) in 2007 compared to 2006. Acquisitions realised during 2006 and in 2007 contributed €101 million (3.0%) to the increase. Salaries, pensions and social security contributions increased organically by €131 million (3.9%) mainly as a result of restructuring costs of €110 million for the efficiency projects that TNT's Mail division intends to start in 2008 to standardise the collection, preparation, and delivery of mail as much as possible and acquisitions realised during 2006 and in 2007. The increase in salary costs due to wage increases in accordance with collective labour agreements are offset by lower pension expenses in 2007 and by a reduction of average full-time employee equivalents (FTEs) in the Mail division in connection with TNT's continuous actions to offset lower volumes with efficiency measures. The trend of replacing more expensive labour with less expensive labour to reduce operating costs in TNT's Mail division also continued in 2007. The increase was partly offset by adverse changes in foreign exchange rates of €8 million (0.2%).

Depreciation, amortisation and impairments increased by €31 million (9.7%) compared to 2006. The organic increase as a result of capital investments amounted to €10 million (3.1%), and include a €5 million impairment in TNT's UK Parcel operations. The net effect of acquisitions and disposals realised during 2007 and 2006 increased these costs by €22 million (6.9%), of which €9 million relates to amortisation on intangible assets of acquisitions done in 2007.

Other operating expenses included items such as marketing expenses, other restructuring costs, insurance costs and various other operating costs. Other operating expenses increased by €136 million (23.5%) in 2007 compared to 2006, mainly due to the acquisitions in TNT's Express division as well as the growth in TNT's European Mail Network business. Other operating expenses increased organically by €77 million (13.3%) in 2007, mainly due to the €23 million cost of downsizing and transferring the onerous UK Parcel contract underlying related operations of TNT's Mail division to Parcelnet Ltd. The net effect of acquisitions and disposals realised during 2007 and 2006 increased these costs by €63 million (10.9%).

Group operating income

Total operating income for the group was €1,192 million in 2007, a decrease of 6.6% compared to 2006. TNT's Express business contributed €599 million to the total operating income, which is an increase of 7.0% compared to 2006. TNT's Express business is further described in chapter 3. TNT's Mail business operating income decreased by 17.7% to €626 million, on balance largely due to €110 million restructuring costs for Master Plans and is further described in chapter 4.

Operating revenues in TNT's business entity Other networks remained stable compared to 2006 and amounted to €256 million. Operating income increased with 57.1% from €7 million in 2006 to €11 million in 2007. This increase was mainly caused by various cost reduction programmes.

In 2007, non-allocated operating costs amounted to €44 million (2006: 52). Included in these costs is €13 million (2006: 14) for business initiatives, which mainly relates to investigations to optimise TNT's network strategy introduced in 2005 and costs relating to an initiative to further drive value "below the line". Cost made to support the World Food Programme (WFP) and Planet Me amounted to €10 million (2006: 8). Included in the cost for WFP are costs for knowledge transfer, hands on support, raising awareness and funds for the World Food Programme including cash donations. Planet Me is a TNT initiative to have an active contribution to reduce CO_2 emission to avoid further global warming. The other cost were €21 million (2006: 30), which represent a decrease of €9 million which mainly relates to lower costs for tax investigations.

Acquisitions to expand TNT's Express and European Mail Networks realised during 2006 and in 2007 had an adverse effect of €22 million (1.7%) on TNT's operating income in 2007. Foreign currency movements during the year had in total no effect on TNT's operating income.

Group financial income and expenses

Year ended at 31 December

Net financial (expense)/income	2007	variance %	2006
Interest and similar income	97	(51.3)	199
Interest and similar expenses	(191)	22.4	(246)
Net financial expense	**(94)**	(100.0)	**(47)**

(in millions, except percentages)

Interest and similar income of €97 million (2006: 199) mainly relates to interest income on bank accounts, loans and deposits of €69 (2006: 109) million, of which €58 million (2006: 93) relates to a gross up of interest on cash pools (fully offset by an equal amount in interest expenses), interest income on funding TNT's discontinued business of €1 million (2006: 73), and interest income of €8 million (2006: 15) relating to outstanding hedges or fair value adjustments.

Interest and similar expense of €191 million (2006: 246) mainly relates to interest expenses on short term debt of €79 million (2006: 117), of which €58 million (2006: 93) relates to a gross up of interest on cash pools (fully offset by an equal amount in interest income), interest expense on long term debt of €75 million (2006: 52), interest on funding TNT's discontinued business of €0 million (2006: 21) and hedge income of €21 million (2006: 31) relating to outstanding hedges or fair value adjustments.

Group income taxes

Year ended at 31 December

Income taxes	2007	variance %	2006
Current tax expense	269		396
Changes in deferred taxes	47		(1)
Total income taxes	**316**	(20.0)	**395**

(in millions, except percentages)

Group income taxes amounted to €316 million (2006: 395), a decrease of 20.0% compared to 2006.
Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the in come before income taxes. In 2007, the effective income tax rate was 28.8% (2006: 32.3%), which is higher than the statutory corporate income tax rate of 25.5% in the Netherlands (2006: 29.6%). This difference is caused by several opposite effects. For further details, see note 23 of TNT's consolidated financial statements.

Discontinued operations

In 2007, the gain from discontinued operations was €206 million and related to the discontinued freight management businesses. The gain from discontinued operations relates to both the result for the period and the post-tax result on the actual disposal of the asset held for sale.

Group net income

In 2007, profit for the period attributable to the equity holders of the parent was €986 million, an increase of €296 million (47.2%) compared to 2006. This increase was mainly the result of an increase in the result from discontinued operations of €363 million offset by a decrease in operating income of €84 million mainly due to restructuring costs in the Netherlands in TNT's Mail division.

Net assets and financial position group

	2007	variance %	2006
BALANCE SHEETS			
Non-current assets	4,823	12.8	4,277
Current assets	2,252	6.1	2,122
Assets held for sale	10	(97.6)	409
Total assets	**7,085**	4.1	**6,808**
Equity	1,951	(2.8)	2,008
Non-current liabilities	2,232	5.7	2,112
Current liabilities	2,902	14.2	2,542
Liabilities related to assets classified as held for sale			146
Total liabilities and equity	**7,085**	4.1	**6,808**
Net return on equity [1] (%)	50.5		33.4
Equity as % of total liabilities and equity	27.5		29.5
CASH FLOW STATEMENTS CONTINUING OPERATIONS			
Net cash from operating activities	643	(25.0)	857
Net cash used in investing activities	(8)	(100.7)	1,068
Net cash used in financing activities	(635)	70.5	(2,152)
Changes in cash and cash equivalents	**0**	100.0	**(227)**
CASH FLOW STATEMENTS DISCONTINUED OPERATIONS			
Net cash from operating activities	(19)	69.8	(63)
Net cash used in investing activities	4	113.3	(30)
Net cash used in financing activities	16	(55.6)	36
Changes in cash and cash equivalents	**1**	101.8	**(57)**

(in millions, except percentages)
1 — The profit attributable to the shareholders as a percentage of the total equity.

Off-balance sheet items

TNT has no off-balance arrangements other than disclosed in note 29 to its consolidated financial statements.
Cash and cash equivalents (excluding discontinued operations) totalled €295 million at 31 December 2007 (€297 million 31 December 2006).

Cash flow data

Liquidity and capital resources

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

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

Year ended at 31 December	2007	variance %	2006
Cash generated from operations	1,313	(1.9)	1,338
Interest paid	(178)	10.6	(199)
Income taxes paid	(492)	(74.5)	(282)
Net cash from operating activities	643	(25.0)	857
Net cash used for acquisitions and disposals	177	(85.9)	1,256
Net cash used for capital investments and disposals	(284)	9.3	(313)
Net cash used for other investing activities	99	(20.8)	125
Net cash used in investing activities	(8)	(100.7)	1,068
Net cash used for dividends and other changes in equity	(979)	50.5	(1,977)
Net cash from debt financing activities	344	296.6	(175)
Net cash used in financing activities	(635)	70.5	(2,152)
Changes in cash and cash equivalents	**0**		**(227)**

(in millions, except percentages)

Net cash from operating activities

The net cash from operating activities decreased by €214 million from €857 million in 2006 to €643 million in 2007, which is mainly due to significantly higher tax payments in 2007.

Cash generated from operations decreased with €25 million due to a lower profit before tax adjusted for non-cash movements of €38 million partly offset by a decrease in working capital of €13 million. In 2007, the net working capital increased by €77 million (2006: 90) The increase in 2007 is mainly a result of organic growth and acquisitions within the Express and EMN business.

The total cash out flow for interest paid in 2007 is €178 million. In 2007 interest paid mainly includes interest on TNT's long term borrowings of €67 million, interest payments of €76 million relating to short term debt, interest paid on foreign currency hedges of €17 million and interest paid on taxes of €11 million.

The cash outflow of the total tax payments amount to €492 million (2006: 282), of which €166 million related to prior years.

Net cash used in investing activities

The total net cash used in investing activities amounts to -€8 million (2006: 1,068).

The net cash used for acquisitions and disposals of €177 million mainly relates to the received cash proceeds of €486 million following the sale of the freight management business and payments for acquisitions of group companies of €287 million for the most significant acquisitions of Mercúrio (€147) and Hoau (€114) in 2007. In 2006, the net cash used for acquisitions and disposal was largely impacted by the proceeds obtained from the logistics business of €1,335 million.

Net cash used for capital investments and disposals relates to net capital expenditures on property, plant and equipment of €272 million (2006: 277) and intangible assets of €97 million (2006: 103) and proceeds obtained from the sale of buildings and equipment in 2007 of €85 million (2006: 65). The net expenditures on property, plant and equipment relate mainly to investments in depots, fleet replacements and investments in TNT's network and exclude the purchase of a Boeing 747 of €110 million which is funded by means of a finance lease.

The net cash used for other investment activities mainly relates to interest (€85 million) and dividends received (€13 million).

Net cash used in financing activities

In 2007, dividends of €298 million (2006: 282) were paid, being the final cash dividend over 2006 of €183 million and cash interim dividend for 2007 of €115 million. Together with the cash paid relating to share buy-back programmes of €710 million (2006: 1,747) and received cash payments for the exercise of employee stock options of €29 million (2006: 52), the total net cash used for dividends and other changes in equity amounted to €979 million (2006: 1,977).

The net cash from debt financing activities amounted to €344 million and mainly relates to the proceeds on long term borrowings following the newly issued 5.375% Bond 2017 of €645 million and newly acquired short term bank debt of €99 million off set by repayments on TNT's commercial paper programme of €287 million and short term bank debt of €45 million.

Detailed information on capital expenditures and proceeds

Year ended at 31 December	2007	variance %	2006
Property, plant and equipment	272	(1.8)	277
Other intangible assets	97	(5.8)	103
cash out	**369**	(2.9)	**380**
Proceeds from sale of property, plant and equipment	85	30.8	65
Disposals of other intangible assets	0		2
cash in	**85**	26.9	**67**
Netted total	**284**	(9.3)	**313**

(in millions)

Capital expenditures projection for 2008

The total projected 2008 capital expenditures on property, plant and equipment and other intangible assets for TNT's divisions is estimated to be €450 million, which is expected to be spent on similar types of property, plant and equipment and other intangible assets as in 2007. TNT believes that the net cash provided by its operating activities will be sufficient to fund the other capital expenditures.

Performance evaluation and outlook 2007

Business and financial performance over the year 2007 has been in line with the outlook as provided for the group. Taking into account the impact of the special item of €110 million provision for Master Plans in Mail, TNT shows an underlying performance on record levels in its operation, with profit from continuing operations increasing to €865 million.

The proposal to increase dividend per share over 2007 with 16.4% reflects the confidence of the Board of Management in the strengths of TNT's performance. The increase results from an increased pay-out to 36.7% (2006: 35.1%) of normalised net income and a lower amount of eligible shares due to share buy-back programmes realised. The total proposed dividend over 2007 of €316 million is an increase of 8.2% compared to 2006.

Outlook 2008

The outlook for 2008 is structured to enable specific insight in the development of TNT's established businesses and emerging platforms.

Express is expected to show a high single digit organic revenue growth in International and Domestic, with a low double digit operating margin. The Express Emerging Platforms are expected to deliver organic revenue growth in the high teens, with a low single digit operating margin.

Mail is expected to show a low single digit organic revenue increase overall, with an operating margin around 16.5%. Emerging Mail and Parcels (excluding EMN Germany), as part of Mail, is expected to achieve a low double digit organic revenue increase, with a high mid single digit operating margin.

So far, TNT sees no evidence of a major slowdown in its business, which primarily is focused on European markets. TNT is, however, aware of the risks arising from a possible recession in the United States. TNT is strongly positioned to respond as appropriate and is confident about its performance for the year 2008.

The overall Mail outlook includes expectations and assumptions on revenue development and operating margins for EMN Germany on an ongoing basis, which, due to the current legal and business environment, are more uncertain than usual.

The overall Mail margin outlook excludes possible further restructuring charges in the context of Master Plans in the Netherlands and decisions on the future of EMN Germany.

TNT expects non-allocated costs to stay at around €35 million for the year.

TNT's outlook is based on constant 2007 exchange rates.

chapter 3 — the Express division

2007 —
Annual report

General

TNT's Express division provides on-demand door-to-door express delivery services for customers sending documents, parcels and freight. TNT offers regional, national and worldwide express delivery services, mainly for business-to-business customers. The Express services TNT provides and the prices TNT charges to customers are primarily classified by transit times, distances to be covered and sizes and weights of consignments. TNT offers a comprehensive range of products to its customers, which can be divided into small and medium enterprises, major account and global customers. Each category of customers is managed by dedicated teams and processes. TNT builds strong relationships with its customers through regular personal calls and visits, as well as a wide range of communications media.

The principal Express facilities are as follows:

Location	Owned / Financial Lease	Principal Use	Site Area
Liège, Belgium	Owned [1]	International air hub	99,685 sq. metres
Wiesbaden, Germany	Owned	Sorting centre and road hub	65,500 sq. metres
Arnhem, the Netherlands	Owned	International road hub	146,722 sq. metres
Brussels, Belgium	Lease	Sorting centre and road hub	67,150 sq. metres

1 — The land is on a long term operating lease.

The following aircraft are in use:

Type	Total number	Total capacity (kilos)
Owned	27	431,100
Leased	18	484,000
Chartered	2	27,700
Total	**47**	**942,800**

Strategy and actions

The ambition of TNT's Express division is to be the leader in day certain and time certain door-to-door transport for its business-to-business clients with the widest geographical coverage.

TNT is a global express player, whose strategic intent is to:

- strengthen its number one position in Europe in national and intra-European flows,
- build volumes from China to fuel its European network and establish an intra-China network,
- build the number one position in selected emerging markets like India, Brazil and China, and
- expand its position in special services: a range of flexible and value added solutions that are complimentary to its network services. These services are tailored to the customers' requirements and range from time critical and freight transportation to special handling and distribution services.

To achieve these goals, the objectives of TNT's Express division are to:

- achieve profitable revenue growth through volume acquisitions at the optimal price,
- maintain a balanced customer portfolio (large, medium, small and ad hoc customers),
- focus on product performance,
- improve cost effectiveness,
- ensure quality in all key areas,
- provide high-quality and cost-effective intra-European services through connecting its strong domestic businesses,
- secure outstanding levels of customer satisfaction,
- develop leading-edge support technologies that provide added value for customers,
- strengthen the TNT brand and increase top-of-mind awareness of the comprehensive range of reliable on-demand Express delivery services provided by the company, and
- recruit, develop and manage its employees towards the highest standard of customer care.

TNT's strategy Focus on Networks consists of two phases. In the first phase, completed end of 2007, TNT's Express division created a strong platform by delivering on all four strategic intents mentioned above. In the second phase the emphasis will be on network optimisation to further strengthen the leading positions of the Express division, to strengthen the Europe-Asia connectivity and to integrate the newly acquired domestic platforms in China, India and Brazil.

Business performance

In 2007, TNT's Express business produced a strong performance driven by TNT's international businesses and supported by a balanced customer portfolio, growth in TNT's global accounts, improved network optimisation and careful cost management. Recent acquisitions performed in line with TNT's expectations. The strong results (excluding the planned start-up costs of TNT's recent acquisitions) show a continuation of previous years' results which have seen continuous improvement in operating margin.

Technology and business system solutions remain to be critical elements and enablers in achieving the business strategy. The global SAP back office roll-out was recognised with SAP presenting TNT with the prestigious quality award for best global roll-out in 2007.

Standardisation throughout TNT's global organisation continues with the development of common systems. Implementation of these systems commenced in 2007 with the first modules being delivered and implemented in several European countries. Further modules have been developed and implementation will begin in 2008.

In September 2007, TNT launched a new service portfolio to offer customers an extended range of standardised international and domestic services across the globe. Two new time-guaranteed services, "10:00 Express" and "12:00 Economy Express", were added. TNT now offers more morning deliveries than any of its competitors and has the opportunity to become known as the company to use for all morning deliveries. The "12:00 Economy Express" in particular is an industry first, providing customers with a service that is both economical and time guaranteed.

The new unified product portfolio gives customers the widest range of morning delivery services in the world and gives TNT significant competitive advantage. Together with its Express and Economy Express day-definite services and Special Services TNT can meet and exceed all of its customers' needs worldwide.

The focus on customer experience was launched at the beginning of 2007, and technology and business system solutions have been exploited to enhance the customers' experience and to capture customer intelligence data to establish further customer experience improvement initiatives. Technologies like Speech Self Service allow customers to make bookings at any time without the need to speak to a customer services agent. Post-call satisfaction can systematically gather data relating to the customers' satisfaction during their exchanges with TNT. Web-based self service products for tracking and service information continue to be a strong channel of self service, with TNT's web tracker exceeding one million hits for the first time in a single week during 2007.

With the roll-out of the latest technology in video conferencing, TNT has not only reduced air travel costs but has also made a positive contribution to reducing the environmental impact.

Express Europe

The Express Europe business provides regional, national and pan-European express services that deliver consignments from Europe to the rest of the world as well as time-sensitive door-to-door products. TNT's extensive integrated road and air networks have given TNT a leading position in the European market and are an important strategic asset with dense coverage in 34 European countries. TNT expanded its European network in 2007 and continued to introduce uniform best practice approaches throughout the organisation.

In Europe, TNT provides on-demand expedited door-to-door delivery services that involve carrying documents, parcels and freight for its European customers. The shipments are collected by a fleet of vehicles that make either scheduled stops or on-demand collections upon receipt of customer telephone or internet requests. Shipment and consignment details are sent to the nearest depot in TNT's network. Details of each shipment are entered into TNT's track-and-trace systems either through scanning, data entry or electronic data interchange methods. The customer can access the information through internet or proprietary customer interface technology. Each shipment is then sorted by destination and consolidated with other customers' consignments. Depending on its destination, each shipment is transported on a linehaul (i.e. air or road transport between TNT depots/hubs) to a domestic road hub, an international road hub or one of the airports from which TNT operates, generally within two hours of arrival at the depot.

TNT transports intra-European shipments from the collecting depot by road or on one of the aircraft owned or leased by TNT from an origin airport to TNT's main air Express sorting hub in Liège, Belgium. If transit times so permit, shipments that do not travel by air are carried by truck to one of TNT's 10 main European road hubs. TNT unloads and sorts the shipments and consolidates them with other consignments for each destination and then puts them on outbound linehauls for movement to the delivery depot. TNT moves domestic consignments within major European countries from the collection to the delivery depot, either directly or via a domestic hub.

At the delivery depot TNT sorts the shipments and loads them on the appropriate delivery vehicle. Proof of delivery is entered into the Global Link system or other computer system that is updated at every point in the process. This enables TNT to notify the customer when the consignee has received the shipment. TNT's track-and-trace systems, including the Global Link system, enable TNT to offer an automated proof-of-delivery service and customers can access the information through internet or proprietary customer interface technology.

TNT's sales channels consist of field sales, major accounts, global accounts and postal alliances. Major accounts focus on national major accounts and TNT's global account managers maintain a portfolio of TNT's largest multinational accounts. TNT also enters into alliances with major postal operators which offer TNT's services to their customers.

TNT has a more extensive Express delivery road network in Europe than any of its competitors. Through its integrated road and air networks, TNT is able to offer a range of fast and reliable Express delivery services in most European countries. With respect to TNT's European network, TNT added its own airport connections to Bordeaux (France) and Larnaca (Cyprus) in January and March 2007 respectively. In October, TNT upgraded Gdansk (Poland) and Sofia (Bulgaria) from co-load operations to TNT own aircraft and moved from Nantes (France) to Rennes (France).

In 2004, TNT announced a €36 million investment plan for its Liège air hub, which is intended to improve transit times and increase the percentage of consignments delivered on time and in perfect condition. The project is progressing well with the new hub building being completed in November 2007. The total expenditure as at 31 December 2007 is €33 million. In 2007, TNT completed the extension at Duiven, the Netherlands, of the Integrated Direct Express Centre. This 5,000 square metre extension costing €7.9 million is to deal primarily with increased volumes from the increased China to Europe express flows.

In 2007, in Europe TNT continued to leverage off its fully integrated domestic and international networks including its best in class European road network and its highly dense European air network. This has enabled good volume growth particularly in the international businesses with higher growth in Northern and Eastern Europe than in Central/Southern Europe. Detailed internal analysis indicates that TNT has continued to gain market share in Europe.

In France, the partnership between TNT Express and Geopost, the holding company for the parcel and express subsidiaries of France's national service Groupe La Poste, was launched as planned in January 2007 following completion of key systems integration activities.

Express Rest of the World

The Express Rest of the World business provides door-to-door express delivery of documents, parcels and freight worldwide in all areas outside Europe and from these areas to Europe. TNT's worldwide coverage extends to more than 200 countries. TNT is also building its position in Asia and has further improved service levels between Asia and Europe.

Express Rest of the World operates in a way similar to that of TNT's Express Europe business line, but relies primarily on airlift by commercial passenger airlines for linehaul transportation links. However, in many of the countries TNT's global Express services are augmented by domestic and regional express delivery services.

In China, 2007 has been a landmark year with several notable initiatives. In February, TNT started to fly its own 747 Extended Range Freighter between Shanghai and its European air hub in Liège. This now gives TNT a market leading value proposition for its customers in both China and Europe. In March, TNT completed the acquisition of Hoau, one of the country's largest and leading domestic road freight companies. TNT now boasts a solid market position in both the international and domestic markets and will build further on this platform to create market winning services for its customers. TNT now operates the largest network of any of its competitors in China with over 1250 depots in the country. These are served by three international gateways and 56 domestic hubs.

TNT China was awarded the coveted Investor in People Award, which demonstrates the effort and focus TNT puts into the development of its staff to ensure TNT's customers receive the high level of service they demand. Focus on people is key in the China market place, and TNT is proud of what it is achieving in this area as it will be the basis of its future performance.

In South-east Asia, double digit revenue growth has once again been achieved. In May 2007, the road network in South-east Asia was extended into Vietnam, and in December 2007 it was announced that it is planned to extend further into China in early 2008. The growth in Economy products as a result of the service offered through the network has been strong.

In North-east Asia, TNT continues to invest in service and coverage. In Japan, TNT has centralised its customer service centre in the new Tokyo head office. The service coverage in Japan was also extended during 2007, and TNT now directly serves 14 of the 23 wards of metropolitan Tokyo.

In India, the integration of the acquired Speedage business has progressed steadily. However, as expected significant investment in the service and infrastructure has been necessary in order to bring the operational performance closer to the expected levels. As a result, service performance of Speedage has steadily improved. When fully integrated, the combined TNT businesses in India will offer a market leading integrated domestic and international coverage of the country.

Australia performed well across all key areas of operations in 2007, with particularly strong revenue growth in international Express products. Revenue increases across the portfolio were driven by a combination of targeted new account acquisition, optimisation of pricing structures, and the successful renegotiation and retention of most expiring major customer contracts. Stable industrial relations and higher staff engagements and retention served as a platform, along with improved revenues and tight cost control, for achieving stronger profitability. Infrastructure improvements continued with commencement of the first of several capital city depot re-developments which will continue over the next three years.

In North America, TNT provides international Express services in 15 of the top metropolitan areas. Building on its own delivery network in the North-east business corridor, TNT continues to improve next-day delivery services to major business centres, including New York, Washington D.C., Chicago and Toronto.

In South America, TNT established a market leadership position through the acquisition of Expresso Mercúrio S.A. (Mercúrio) on 10 January 2007. The company has performed beyond expectations in its first year. The transformation process has been very successful with no loss of major customers, high revenue growth, and financial results ahead of plan. TNT is now the largest privately held domestic Express provider in Brazil, the continent's largest market. The acquisition is in line with TNT's strategic objective to become number one in selected emerging markets and provides the platform to develop an integrated South American road and air Express network. Mercúrio employs 6,500 people across 104 locations and offers a comprehensive nationwide Express service in Brazil. This complements TNT's well-established international Express business in the country.

In the express industry TNT sees that the majority of flows of documents and parcels remain within continental boundaries. Thus, TNT's strategy is to build operational excellence within regions, particularly within Europe and Asia. As TNT expands its position in Asia, TNT intends to also build leading connectivity between Europe and Asia.

Financial results

In 2007, TNT's Express division earned revenues of €6,551 million. The Express division accounted for 59.5% of TNT's group operating revenues and 50.3% of TNT's group operating income.

The following tables set out the financial performance of TNT's Express division for the past two years:

Year ended at 31 December

Express financial overview	2007	variance %	2006 [1]
Total operating revenues	6,551	13.8	5,758
as % of total operating revenues TNT	59.5		57.2
Other income	9	125.0	4
Total operating expenses	(5,961)	(14.6)	(5,202)
Total operating income	**599**	7.0	**560**
as % of express operating revenues	9.1		9.7

(in millions, except percentages)
1 — Figures have been adjusted to reflect both the revised allocation of the non-allocated costs using actual incurred costs in 2007 as well as the transfer of Innight from Express to Other networks in 2007.

Year ended at 31 December

Express operating revenues	2007	variance %	2006
Express Europe [1]	4,969	6.8	4,652
Express Rest of the World	1,582	43.0	1,106
Total operating revenues	**6,551**	13.8	**5,758**
as % of total operating revenues TNT	59.5		57.2

(in millions, except percentages)
1 — Comparative figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

Year ended at 31 December

Express operating expenses	2007	variance %	2006 [1]
Cost of materials	267	11.3	240
Work contracted out and other external expenses	3,252	16.4	2,794
Salaries and social security contributions	1,913	11.3	1,719
Depreciation, amortisation and impairments	209	19.4	175
Other operating expenses	320	16.8	274
Total operating expenses	**5,961**	14.6	**5,202**

(in millions, except percentages)
1 — Figures have been adjusted to reflect both the revised allocation of the non-allocated costs using actual incurred costs in 2007 as well as the transfer of Innight from Express to Other networks in 2007.

Year ended at 31 December

Express operating statistics	2007	2006	2005
Number of consignments (in thousands)	228,199	198,171	179,275
Number of tons carried	7,390,779	4,500,683	3,520,109
Average of number of working days	252	251	253
Number of depots/hubs	2,331	1,195	882
Number of vehicles [1]	26,760	22,001	19,747
Number of aircraft [1]	47	44	43

1 — A substantial number of the vehicles and aircraft are not owned by us but leased or subcontracted.

During 2007, TNT's Express division realised higher operating revenues and improved earnings due to a strong performance in TNT's international business attributable to TNT's attractive product offering, disciplined pricing and an efficient sales process. The company continued to invest and integrate its newly acquired domestic platforms which resulted in a lower operating margin in 2007.

TNT continued to grow its profit, which was achieved through the implementation of standard commercial policies, cost control, including further optimisation of its networks, while maintaining service levels and the ongoing review of TNT's revenue quality yield against cost inflation.

Express operating revenues

Total operating revenues of TNT's Express business for 2007 increased by €793 million (13.8%) compared to 2006. The organic growth in operating revenues of TNT's business was €451 million (7.9%). The acquisitions of Mercúrio and Hoau in 2007 and Speedage in India during 2006 had a positive effect of €376 million (6.5%) on operating revenues. Foreign exchange effects had a negative effect of €34 million (-0.6%), mainly due to the strengthening of the euro against many currencies and in particular the Chinese Renminbi, the British Pound and most of the Asian currencies.

The increase in operating revenues was primarily due to strong growth in European air and road volumes. The growth in these international (i.e. cross-border) flows continued to exceed the growth in domestic flows. Within the international flows, the Economy products grew faster than the Express ones encouraged by better service and transit times. All customer segments saw revenue increases.

Express Europe operating revenues for 2007 increased by €317 million (6.8%) compared to 2006. The organic growth in operating revenues was €325 million (7.0%). Most business units contributed to the increase in operating revenues. In particular, the Western European countries contributed to the majority of the growth in operating revenues.
Foreign exchange fluctuations had a negative effect of €7 million (-0.2%).

Express Rest of the World operating revenues for 2007 increased by €476 million (43.0%) compared to 2006.
This was achieved through the €126 million (11.4%) organic growth in operating revenues from operations, with fastest growth in Greater China and Middle East and from acquisition effects of €376 million (34.0%) from the purchase of Mercúrio in Brazil, Speedage in India and Hoau in China. Foreign exchange fluctuations had a negative effect of €24 million (-2.5%).

Express operating expenses

Operating expenses of TNT's Express business for 2007 increased by €759 million (14.6%) compared to 2006. The organic increase in operating expenses was €409 million (7.9%), while the effect of acquisitions increased operating expenses by €384 million (7.4%). Foreign exchange fluctuations decreased operating expenses by €34 million (-0.7%). The organic increase was driven mainly by the strong international volume growth, the expansion of TNT's business in China, Eastern Europe, and India, and the high costs of fuel for TNT's aircraft, linehaul and pick-up and delivery vehicles. Cost of materials increased by €27 million (11.3%) primarily due to the higher fuel costs incurred in all business units. Work contracted out and other external expenses increased by €408 million (16.4%). This included the costs of linehaul and pick-up and delivery, which have increased to service the higher volumes and to improve the service quality and also included the higher fuel costs from commercial linehaul and subcontractors. Salaries and social security contributions increased by €194 million (11.3%) due to the additional number of FTE's, including the acquisitions of Mercúrio and Hoau in 2007 and Speedage during 2006 as well as salary increases for existing employees. Depreciation, amortisation and impairments increased by €34 million (19.4%) due to the amortisation of intangibles for the acquisitions, the depreciation of the new Boeing 747's, as well as the expansions of TNT's European air and road network hubs and the development of the SAP back office system. Other operating expenses increased by €46 million (16.8%) due mainly to increased travel, consulting and advertising costs.

Express operating income

The Express business operating income for 2007 increased by €39 million (7.0%) compared to 2006. The improvement in operating income was primarily due to good volume growth, particularly in the international business across all customer segments and in Special services, and good cost control despite the increase in fuel price. The highest income growth was seen in the International based countries while the Domestic based business units, which are generally more developed markets, increased at a lower pace. The emerging platform income was below last year's, impacted by TNT's investments in acquisitions. The organic growth in operating income for 2007 was €47 million (8.4%) compared to 2006. The acquisition effects amounted to an €8 million (1.4%) investment and the foreign exchange impacts had a neutral effect on the income.

Overall operating income as a percentage of Express business operating revenues was 9.1% in 2007 compared to 9.7% in 2006 mainly due to the investments in TNT's acquisitions. Excluding these recent acquisitions the return on sales over 2007 was 9.8%.

Express capital expenditures and proceeds

Year ended at 31 December

Capital expenditures	2007	variance %	2006 [1]
Property, plant and equipment	197	(0.5)	198
Other intangible assets	69	9.5	63
cash out	**266**	1.9	**261**
Proceeds from sale of property, plant and equipment	19	375.0	4
Disposals of other intangible assets			2
cash in	**19**	216.7	**6**
Netted total	**247**		**255**

(in millions, except percentages)
1 — Comparative figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

The capital expenditures shown in the above table are excluding the new finance leases, as they do not lead to cash flows. The finance leases mainly consisted of the acquisition of the second Boeing 747-400 ERF (€110 million).

Capital expenditure on property, plant and equipment and other intangible assets by TNT's Express business totaled €266 million in 2007, which was an increase of 1.9% compared to 2006.

Some of the larger Express capital expenditures in 2007 included replacement of assets at the Hamburg depot (€13.8 million), the Australia fleet replacement (€6.6 million) and several investments in TNT's network (Liège hub expansion - €16.5 million, new TNT airways building - €6.5 million, one Boeing 747 engine - €7.1 million and an integrated direct Express centre - €6.4 million).

During 2007, capital expenditures on other intangible assets totaled €69 million and related primarily to the enhancements to TNT's international shared systems and development of the financial systems (back office) software (€46 million).

chapter 4 – the Mail division

2007 —
Annual report

General

TNT's Mail division provides both postal services and mail related data and document management services.

The division is organised around four business lines: Mail Netherlands, Cross-border Mail, European Mail Networks and Data and Document Management, the latter operating under the brand name Cendris.

Part of the services provided by Mail Netherlands and Cross-border Mail are of a mandatory nature. As a consequence, regulatory developments have an influence on TNT's business. For a more detailed description of the regulatory environment, see chapter 10.

Strategy and actions

TNT's strategy Focus on Networks consists of two phases. In the first phase, completed end of 2007, TNT's Mail division prepared itself for full liberalisation of the Dutch mail market through price differentiation, the roll-out of an alternative economy network and the launch of new Master Plans. Outside the Netherlands, platforms were established to become the number one challenger to incumbent European mail operators. In the second phase of the Focus on Networks strategy, Mail Netherlands will further focus on a detailed plan and execution of Master Plans, alternative value drivers by strategic product development and the implementation and evaluation of the new postal act. Outside the Netherlands, the focus will be on optimising and growth of market positions, growth in profitability and look for expansion beyond the present scope. In Parcels TNT will focus on broadening its product portfolio, further developing the broker role, and looking for domestic opportunities on a per country basis.

Both in the Netherlands, where the challenge is to maintain the leading position, and in other countries, where TNT uses the opportunities to become the main challenger of the incumbent postal operators, the digitisation and stepwise liberalisation of the mail markets are important drivers for TNT's Mail strategy. TNT's data and document management services are intrinsically designed to anticipate these changes in the mail industry. Over the years TNT has gained a leading market position in these services, primarily in the Netherlands.

In the mail industry it is TNT's ambition to be the leading provider of business and consumer related services for communication, transactions and delivery. TNT wants its Mail operations to be recognised as the industry benchmark for quality of service, efficiency and customer service, for producing the best returns in the industry, and for making optimal use of both new technologies and European postal market liberalisation.

TNT's Mail strategy is targeted at maintaining and taking the leading position in changing markets. This is driven by two key elements:

- In the Netherlands, TNT focuses on anticipating the volume decline due to substitution by new media and the development of competition. With its customer focus programmes, TNT will strengthen its customer centric approach through its sales channels. TNT meets changing customer demand through product development and price and service differentiation. This price/value strategy, together with the implementation of TNT's new cost flexibility measures targeted to save up to €300 million on an annual basis as of 2015, are designed to enable TNT to retain its margins within an acceptable range.
- Outside the Netherlands, TNT will continue to invest and expand in attractive markets along two tracks:
  - through an offensive approach, TNT continues to build an alternative postal company to the incumbent operator in worldwide selected countries and markets. TNT already offers addressed and unaddressed mail services in main European countries and is recognised as the challenger to the incumbent. TNT will continue to build its position in the most attractive countries to ensure future growth of its Mail business.
  - through postal alliances, TNT strives to strengthen its position by way of cooperation with other organisations and postal operators.

Business performance

TNT's profitability in Mail was sustained in 2007 through its customer focus, its market segmentation and a set of cost restructuring measures that are being implemented with great rigour in its home market, the Netherlands.

The cost saving programme includes a restructuring of the marketing and sales channels and organisation, a restructuring of TNT's overhead, and a restructuring of its operations. Up until 2006, TNT achieved aggregate cost savings under the Master Plans announced in 2001 of €298 million.

In December 2006, TNT announced new cost saving initiatives to save €300 million on an annual basis. Together with the remaining savings out of the Master Plans 2001, TNT targets to save €370 million between 2007 and 2015. In 2007, TNT achieved €38 million in savings. At the end of 2007, a start of efficiency projects was announced for which a €110 million provision was established. All savings initiated together with new commercial initiatives will prepare the Dutch Mail activities further for the changing market dynamics. TNT aims at limiting the volume decrease in its position to 3% to 4% per annum.

Business performance outside the Netherlands in 2007 was significantly influenced by successful strong revenue growth of an emerging nature, particularly in European Mail Networks. However this growth, focused at building new positions, also requires significant start up costs particularly in Germany and the United Kingdom. A disappointment in this respect was the failed build-up of a parcel network in the United Kingdom, for which TNT took a €28 million charge for an onerous contract, including an amount of €5 million for impairment of various assets. This came on top of the €20 million operating losses that negatively influenced 2007 operating result of the Mail activities. The contract underlying the related UK parcel operations of TNT's Mail division has been transferred to Parcelnet Ltd.

Mail Netherlands

TNT's Mail Netherlands business line collects, sorts, transports and delivers postal items, including letters, addressed advertising mail and magazines ('direct mail'), printed matter, newspapers and parcels within the Netherlands.

The main focus of Mail Netherlands is on maintaining the position of market leader in a shrinking market that will possibly be fully liberalised in 2008. TNT's goal is to offer the best price/value proposition in the Dutch mail market, and as such to optimise its long term EBIT and stabilise its cash flow.

TNT's commercial initiatives are connected to the change of the communications patterns of its customers. Internet and new media are increasingly used, thus changing the character of mail. However, the strength of direct mail as a communications medium remains unchanged, in particular when sent to the right target group at the right moment. Technological developments enable TNT to develop products that help its customers to use the advantages of direct mail. Further, TNT has developed a budget alternative for addressed delivery through its subsidiary 'Netwerk VSP', that is offering a lower service level (once a week delivery) for lower prices.

Outside the direct mail environment, TNT also turns the threat of technological developments into an opportunity through the development of innovative services. Together with Microsoft, TNT brings electronic invoicing to a higher level. With TNT Billing Solutions TNT facilitates the billing processes between companies. TNT works together with internet shops like Marktplaats.nl, has launched a gift shop through its website, is part of the initiative Nationale Apotheek.nl and frequently updates its photo, postcard, personalised stamps and other services that are available through the TNT website. TNT believes that it has to respond to these developments in order to maintain its leading position to serve changing customer needs.

Despite these initiatives, competitive pressure will persist in the coming period and substitution of mail will continue. However, if no new commercial initiatives had been developed, this could have resulted in volume declines of up to 40% by 2015 compared to 2006.

It is TNT's ambition to limit volume decline over the period 2006-2015 to an average of between 3% and 4% per annum, although in the first one or two years after full liberalisation TNT expects slightly higher declines.

The earlier mentioned cost saving plans target the operational chain of collection, transport, sorting, preparation and delivery. The plans also include steps towards a more market conform wage structure and a renewed effort to optimise marketing and sales and overhead processes. In 2007, TNT discussed and refined these plans with employees, trade unions and works councils, a process that is still continuing into 2008. TNT expects the first savings from these new initiatives to materialise in 2008. In 2007, Master Plan savings were €38 million.

Included in Mail Netherlands are the pro rata consolidated revenues and results of TNT's 50% interest in Postkantoren B.V., a joint venture with Postbank N.V., a subsidiary of ING Group N.V. The core business of Postkantoren B.V. is the distribution of financial and communication services and products (including postal services) to consumers and small businesses throughout the Netherlands.

Cross-border Mail / Spring Global Mail

TNT's Cross-border Mail business line offers a range of services to individual and business customers. These services include handling exported postal items in the Dutch market and all postal items imported to or passing through the Netherlands from foreign public and private postal operators.

Cross-border Mail services also include handling bulk mailings for a range of international customers, including publishers, mail-order companies, and financial services and direct mail companies. TNT conducts these activities through its 51% owned subsidiary G3 Worldwide Mail N.V. (Spring Global Mail), co-owned with Royal Mail Investments Limited and Singapore Post Limited. This company operates in three geographic regions: Europe, the Americas, and Asia Pacific and is based, amongst others, in Amsterdam, Toronto and Singapore. In addition to using its three shareholders' delivery networks, systems, expertise and products, Spring Global Mail uses delivery agreements with national and private postal operators.

Spring Global Mail's name and credibility in the marketplace are achieved by delivering service and local expertise through a global network. In addition to its cross-border business mail services, Spring Global Mail also provides a number of value added services with the objective of retaining and growing its customer base. The trading environment for Spring Global Mail continues to be a significant challenge and is heavily influenced by the slow pace of liberalisation in the marketplace and, in some countries, a trend towards re-monopolisation. Cross-border Mail saw its revenue declined by 1.3% in 2007.

European Mail Networks

Through its European Mail Networks business line, TNT is building a position to offer its customers a full service concept for mail, based upon high quality of service and wide coverage in addressed and unaddressed delivery. In addition, TNT offers a portfolio of mail-related services to reinforce its distribution activities. TNT now has a presence in Austria, Belgium, the Czech Republic, Germany, Italy, the Netherlands, Slovakia and the United Kingdom.

In addressed delivery the main focus in 2007 continued to be on strengthening TNT's position in the key markets of Germany and the United Kingdom.

In Germany, TNT strengthened its position with the further expansion of the regional distribution networks to 24.4% coverage. The aim is to be active in all high density areas in Germany and thus secure a nationwide product offering by TNT's 71% subsidiary TNT Post AG & Co. KG. This subsidiary successfully gained new customers in 2007. Through partnerships with regional distribution companies of which TNT Post Regioservice is one, TNT furthermore achieved a national coverage for the distribution of letter mail of more than 90% of all households in Germany. TNT's PostCon Deutschland AG, the market leader in consolidation in Germany, was able to grow its customer base further.

On 21 January 2008, two subsidiaries of TNT Post Germany instituted preliminary legal proceedings with the Administrative Court (*Verwaltungsgericht*) in Berlin to obtain an injunctive relief (*einstweiligen Anordnung*) to suspend the generally binding minimum wage in the postal services sector as adopted by the Federal Ministry of Labour and Social Affairs on 28 December 2007. TNT has taken the position that this minimum wage is unconstitutional.

TNT Post is supporting trade union efforts towards achieving a minimum wage that reflects the cost of living and the competitive position of companies in the national and international markets. Since 1 January 2008, TNT Post has been subject to the collective labour agreement of the employers' association for new postal and delivery services (*Arbeitgeberverband Neue Brief- und Zustelldienste*).

The contended regulation passed by the German Federal Ministry of Labour and Social Affairs has set the minimum wage negotiated between the trade union ver.di and the employers' association for postal services. The measure, which has made the minimum wage generally binding for all companies in the postal and delivery services sector, has produced a conflict between two collective labour agreements. In view of fair competition in the postal market, the generally binding validity of the minimum wage agreement of the employers' association for postal services is unacceptable to TNT Post since it would seriously jeopardise the liberalisation of the German mail market and TNT's ability to build a sustainable profitable business.

By instituting legal proceedings TNT aims to secure legal certainty for its EMN German operations which employ in total around 14,000 employees and earned €233 million of revenue at an operating loss of €31 million in 2007. So far in total TNT has invested around €80 million in Germany as part of its strategy to become the number one challenger to incumbent European mail operators in selected countries.

In the United Kingdom, TNT has contracted with Royal Mail for downstream access which allows TNT to offer customers an alternative in the postal market. In 2007, TNT again gained many important contracts and strengthened its position further. At the same time TNT opened four regional offices with sorting facilities targeting the small and medium enterprises market that will allow TNT to offer customers a broader portfolio of services and, ultimately, an end-to-end solution. A significant business has been built up and market leadership in the access market is realised.

Last year, TNT launched the build-up of a parcels network in the United Kingdom. During 2007, it appeared that the business was performing considerably less promising than expected. As a result and as previously mentioned, TNT decided to transfer and exit the current parcel business in the United Kingdom.

In unaddressed delivery TNT strengthened its position in 2007 in all markets where TNT is present, mainly through organic growth. In the Netherlands, Belgium, Italy, and Central and Eastern Europe, TNT is a significant player. In almost all countries, however, TNT is experiencing intense price competition (mostly by companies owned by other postal operators who use their dominant position and wish to enter this market). In all countries TNT has been successful in retaining its market share by retaining customers and volumes. TNT continuously invests in quality of services to differentiate itself from those competing on price. In 2007, EMN saw its revenue grow with 33.8% to €1,002 million and performed at ROS of low single digit (excluding UK parcels).

Data and document management / Cendris

After the disposal of the mailroom, repro and capture activities in November 2006, Cendris acquired the remaining 49% of Cendris Customer Contact in March 2007. This enables Cendris to focus on a complete portfolio of direct communication, data and document management services. Cendris provides services on finding, retaining and developing customers and offers services for call centre activities, printing of statements and direct mail. Cendris' revenue in 2007 organically decreased by 0.5% to €154 million.

Financial results

In 2007, TNT's Mail business earned revenues of €4,234 million, a 4.2% increase compared to 2006. Mail accounted for 38.4% of TNT's group operating revenues and 52.5% of TNT's group operating income.

In 2007, approximately 23.5% of TNT's Mail operating revenues and approximately 9.0% of the group's operating revenues (2006: 24.6% and 9.9%) were derived from reserved postal services in which TNT generally was not subject to competition.

In 2007, TNT experienced a volume decline of 4.4% compared to 2006. The underlying decline of volumes adjusted for a comparable number of working days per year was 4.1%. The total TNT Mail Netherlands addressed mail volumes have decreased an average 2.4% per annum since 2000. This is within the guidance TNT gave in 2001 and the indicated average decline between 2% and 3% up to 2010. In 2004, TNT updated this guidance with an average volume decline between 3% and 4% annually from 2004 up to 2012 onwards. The average decline since 2004 was around 3.9% per annum. The decline was due in part to substitution by electronic media and accelerated by competition.

The following tables set out the financial performance of TNT's Mail division for the past two years:

Year ended at 31 December

Mail financial overview	2007	variance %	2006
Total operating revenues	4,234	4.2	4,065
as % of total operating revenues TNT	38.4		40.4
Other income	64	10.3	58
Total operating expenses	(3,672)	(9.2)	(3,362)
Total operating income	**626**	(17.7)	**761**
as % of mail operating revenues	14.8		18.7%

(in millions, except percentages)

Year ended at 31 December

Mail operating revenues	2007	variance %	2006
Mail Netherlands	2,551	(1.7)	2,596
European Mail Networks	1,002	33.8	749
Cross-border Mail	527	(1.3)	534
Data and Document Management	154	(17.2)	186
Total operating revenues	**4,234**	4.2	**4,065**
as % of total operating revenues TNT	38.4		40.4

(in millions, except percentages)

Year ended at 31 December

Mail operating expenses	2007	variance %	2006
Cost of materials	156	(4.9)	164
Work contracted out and other external expenses	1,394	15.9	1,203
Salaries and social security contributions	1,614	2.9	1,569
Depreciation, amortisation and impairments	135		135
Other operating expenses	373	28.2	291
Total operating expenses	**3,672**	9.2	**3,362**

(in millions, except percentages)

Year ended at 31 December

Mail operating statistics	2007	2006	2005
Addressed postal items delivered by Mail Netherlands [1] (millions)	4,701	4,918	5,139
per Netherlands delivery address (items)	608	644	679
per Mail Netherlands FTE [2] (thousands of items)	153	155	152
per Netherlands inhabitant (items)	287	301	315
per delivery day (millions)	15	16	17
total operating revenues per FTE [2] (thousands of €)	99	95	94
average percentage of national mail sorted automatically (%)	84	83	84
Postal volumes by Cross-border (thousands of kilogrammes)	88,782	88,237	81,334
Addressed postal items delivered by EMN (millions)	1,621	894	490

1 — Excluding international mail items per delivery day (millions).
2 — The FTE (full-time employee equivalent) definition is based on a 37-hour work week.

The operating revenues of the Mail business increased by 4.2% in 2007 (2006: 2.8%). In Mail Netherlands revenues declined by 1.7% (2006: 1.9%). On a comparable number of working days' basis, the addressed Mail Netherlands volume decline was 4.1% (2006: 4.0%). Revenues in European Mail Networks showed a 33.8% growth. Revenues in TNT's cross-border line of business declined by 1.3%. Data and Document Management revenues decreased by 17.2% of which 16.7% as result of net divesting.

Operating expenses were growing by 9.2% to €3,672 million. The growth was due to EMN growth and a charge of €110 million for restructuring costs.

Mainly due to the above mentioned increase in operating expenses, the operating income decreased by 17.7% in 2007.

Mail operating revenues

In 2007, operating revenues from TNT's Mail business increased by €169 million (4.2%) compared to 2006. Organic operating revenues increased by €156 million (3.8%). Compared to last year, 2007 showed a €19 million (0.5%) positive acquisition effect, due to a number of acquisitions realised in 2006 (including PostCon Deutschland AG, CBS City Briefservice GmbH , MailXpress GmbH, Ridas Sicherheits- und Handelsgesellschaft m.b.H, Germany, TWM Italia Srl. and Turbopost GmbH, Giebiesse Italia Srl. and JD Williams) and disposals in 2006 (including Cendris Document Management B.V., ID Company Fashion B.V., and TNT's share in Mailprofs Employment B.V.) and a number of acquisitions realised during 2007 (including Regio ES, Blitzkurier Wesel, City Mail, Mailexpress Oldenburg, RSM Srl and remaining shares Cendris BSC Customer Contact B.V.) and disposals in 2007 (including Spring USA and Cendris Customer Contact Deutschland GmbH). Foreign exchange effects accounted for a decrease of €6 million (0.1%).

Mail Netherlands operating revenues in 2007 decreased by €45 million (1.7%) compared to 2006. The organic volume decline in addressed mail items was partly offset by a positive price-mix effect and other effects. The continued underlying decline in addressed postal item volumes in 2007 was primarily due to competition in the non-mandatory area, accompanied by reduced demand for direct mail as a result of cost saving programmes initiated by some of TNT's key customers due to the continued substitution by electronic media.

European Mail Networks operating revenues increased by 33.8% in 2007. The organic growth in operating revenues of TNT's EMN business was €189 million (25.2%). The acquisitions in 2007 and during 2006 had a positive effect of €67 million (8.9%) on operating revenues. Main contributors to this growth were the United Kingdom and Germany. The United Kingdom, Germany, Italy, and the Netherlands showed double digit growth. Foreign exchange effects had a negative effect of €3 million (-0.4%).

In Cross-border Mail competition remained fierce, with the key international postal operators continuing to compete on price. Cross-border Mail operating revenues in 2007 increased organically by €17 million (3.2%) compared to 2006. The main driving factors for this increase were growth in TNT's domestic export and parcels.

In a competitive market, Data and Document Management operating revenues decreased by €32 million (17.2%). This decrease was mainly attributable to the sale of Cendris Document Management B.V. in 2006.

Other income increased to €64 million (2006: €58 million), mainly as a result of higher sales of real estate (€20 million), partly offset by lower gains on disposed companies.

Mail operating expenses

TNT's Mail business operating expenses increased by €310 million (9.2%) in 2007 compared to 2006. The organic growth in operating expenses of TNT's Mail division was €280 million (8.3%). The acquisitions in 2007 and during 2006 had a positive effect of €36 million (1.1%) on operating revenues. Foreign exchange effects counted for a decline of €6 million (-0.2%).

Costs for work contracted out increased by €191 million, which is mainly attributable to the organic growth and acquisitions realised in European Mail Networks. In 2007, costs of salaries increased by €45 million, mainly as a result of €110 million restructuring charges in Mail Netherlands for efficiency projects to standardise the collection, preparation and delivery of mail. Higher costs of salaries due to organic growth and acquisitions by European Mail Networks were partly offset by a reduction of FTEs in Mail Netherlands in connection with the cost flexibility programme and lower pension costs compared to 2006.

Other operating expenses increased by €82 million compared to 2006, mainly due to the cost for downsizing and transferring the onerous contract and related UK Parcel operations of Mail to Parcelnet Ltd. for a total amount of €23 million, This also caused the deprecation to increase with €5 million.

Mail operating income

In 2007 the Mail business operating income decreased by €135 million (17.7%) compared to 2006, on balance due to restructuring charges in Mail Netherlands and expansions in European Mail Networks.

In 2007, overall operating income of TNT's Mail division as a percentage of its operating revenues decreased to 14.8% or 17.4% if adjusted for €110 million restructuring provision compared to 18.7% in 2006.

Mail capital expenditures and proceeds

Year ended at 31 December

Capital expenditures	2007	variance %	2006
Property, plant and equipment	73	(1.4)	74
Other intangible assets	26	(27.8)	36
cash out	**99**	(10.0)	**110**
Proceeds from sale of property, plant and equipment	64	8.5	59
Disposals of other intangible assets	0		0
cash in	**64**	8.5	**59**
Netted total	**35**		**51**

(in millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets by TNT's Mail division totalled €99 million in 2007, which was a decrease of 10% compared to 2006. The main capital expenditures in 2007 related to machinery and equipment (€14 million), IT (€29 million) and housing (€18 million). The remaining €38 million of capital expenditure is related to various smaller projects. For instance, significant investments were made in sorting machines and sorting software in Europe (€7 million).

chapter 5 – report of the Supervisory Board

2007 —
Annual report

Composition Supervisory Board

The composition of the Supervisory Board changed in 2007. At the annual general meeting of shareholders held on 20 April 2007, Mr. J.M.T. Cochrane announced his resignation as vice-chairman and member of the Supervisory Board effective 31 July 2007. He had been a member of the Supervisory Board since the demerger of TNT in 1998. The Supervisory Board is grateful for his advice, wisdom and dedication over those years. Ms. M. Harris, former partner of McKinsey & Company, was appointed as a new member of the Supervisory Board by the annual general meeting of shareholders held on 20 April 2007.

Messrs. R. Dahan and W. Kok were re-appointed by the annual general meeting of shareholders on 20 April 2007 for additional four year terms. Mr. V. Halberstadt was re-appointed for an additional three year term.

As of the close of the annual general meeting of shareholders to be held on 11 April 2008, the term of Mr. R.J.N. Abrahamsen will expire. Mr. Abrahamsen will be available for re-appointment. Mr. J.H.M. Hommen has announced that he will step down as chairman of the Supervisory Board as soon as a suitable replacement will be available. He will resign from the Supervisory Board at the annual general meeting of shareholders in 2009, when his third term will expire. Mr. Hommen's decision to step down as chairman is due to the fact that as of 1 January 2008 the number of supervisory board positions he holds with Dutch listed companies exceeds the number of five. Also Mr. R.W.H. Stomberg has announced he will step down as a member of the Supervisory Board and chairman of the remuneration committee at the annual general meeting of shareholders on 11 April 2008, two years before his third term will expire. Both Messrs. Hommen and Stomberg have been members of the Supervisory Board since 1998.

Mr. Stomberg will be succeeded by Mr. S. Levy as chairman of the remuneration committee. The Supervisory Board has started the search for two new members for appointment at the annual general meeting of shareholders on 11 April 2008. The changes in positions were discussed as part of the policy on succession of its members by the Supervisory Board.

Composition committees

The following changes to the composition of the committees took place in 2007: Ms. Harris and Ms. G. Kampouri Monnas were appointed to the audit committee whereas Messrs. Halberstadt and Levy resigned from this committee. Ms. Kampouri Monnas and Mr. Cochrane resigned from the remuneration committee, while Mr. Stomberg took over Mr. Cochrane's position as chairman of this committee and Messrs. Hommen and R. King were appointed to this committee. The composition of the public affairs committee remained unchanged. Mr. Cochrane's position as vice-chairman of the Supervisory Board was not filled. For an overview of the current composition of the committees, see chapter 6.

Induction

As a new member of the Supervisory Board, Ms. Harris attended a full-day induction programme in May 2007. Senior corporate directors went through the strategic, financial, legal and reporting affairs of TNT with Ms. Harris.

Meetings of the Supervisory Board

In 2007, the Supervisory Board held seven meetings, six of which with the Board of Management. The Supervisory Board also held five evening meetings, of which three were attended by the full Board of Management and two by the CEO only. Four of the evening meetings were concluded with private sessions of the Supervisory Board with no members of the Board of Management present. The chairman had frequent meetings with the CEO, and from time to time with other members of the Board of Management, in between the Supervisory Board meetings.

The Supervisory Board held no meetings by telephone. Most 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 amendment of TNT's articles of association involving the conversion of the special share held by TNT previously acquired from the State of the Netherlands. The Supervisory Board approved TNT's 2006 financial statements and 2006 full year dividend. The management letter by TNT's auditors, PricewaterhouseCoopers Accountants N.V., the TNT Reserves and Dividends Guidelines and the 2006 social responsibility report were discussed. The cancellation of shares purchased by TNT under the share buy-back programme announced on 26 February 2007 and the agenda for TNT's annual general meeting of shareholders of 20 April 2007 were approved. Finally, the terms of reference of the public affairs committee -of the Supervisory Board were amended.

In April, the remuneration of the Board of Management was discussed.

In May, the Supervisory Board discussed the 2007 first quarter results. The Supervisory Board discussed and approved the amended by-laws of the Supervisory Board and the Board of Management. The terms of reference of the audit committee of the Supervisory Board were revised. The Supervisory Board also reviewed and approved updated group policies on inside information and auditor independence & pre-approval and discussed and approved the proposed delisting from the New York Stock Exchange and the related deregistration with the United States Securities and Exchange Commission.

In June, the Supervisory Board jointly with the Board of Management visited TNT's newly acquired Chinese freight and parcels company Hoau.

In July, the Supervisory Board held the annual strategy meeting together with the Board of Management, reviewing both the business strategies of the Mail and Express divisions as well as the group strategies, including the financial strategies.

At its regular meeting held in July, the 2007 second quarter results and the half-year management letter by PricewaterhouseCoopers Accountants N.V. were discussed, and the Supervisory Board approved the 2007 interim dividend. The Supervisory Board also discussed the progress on the roll-out of the integrity programme. The Supervisory Board approved the financing strategy 2007/2008, including a share buy-back programme of up to €500 million. A first tranche of up to €200 million and a second tranche of up to €100 million have been completed to date is currently in progress. The acquisitions completed in 2006 and early 2007 were followed closely by the Supervisory Board in 2007. Attention was also devoted to the prevention of road and workplace accidents, especially in India and in Brazil.

In October, the 2007 third quarter results were discussed. The Supervisory Board discussed new commercial and cost-saving initiatives for the Dutch Mail operations in response to changing market dynamics from increased competition and substitution. Fatality reporting was discussed as well as developments with respect to the postal activities in Germany.

In December, the Supervisory Board discussed the 2008 preliminary budget plan with the Board of Management. The Supervisory Board also reviewed the company's talent management and succession planning. The Supervisory Board discussed the risk management process including the material risks per division and for TNT as a whole. The progress with respect to the negotiations with the trade unions regarding new initiatives of the Master Plans, European Mail Networks Germany, Parcels UK and fatality reporting were discussed.
In the December evening meeting, 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 and, based on an elaborate self-assessment, its own functioning, its profile, composition and competence and the functioning of its committees.

Strategy

In July, the Supervisory Board together with the Board of Management discussed the 2007- 2012 strategy. TNT's strategy is to focus on providing delivery services by expertly managing delivery networks. TNT calls its strategy Focus on Networks, which strategy was launched in December 2005. The first phase of this strategy was well underway mid 2007. An update was given on EMN and the integration of Express acquisitions. Various growth initiatives were discussed as well as finance strategy.

With the start of the second phase of Focus on Networks in December 2007, the Supervisory Board and the Board of Management discussed the emphasis for the coming period on further strengthening the Express emerging business and integrating the acquired businesses in TNT's Express networks. The Supervisory Board acknowledges this emphasis.
In Mail the focus was on maintaining market share in the Netherlands home market and capturing growth opportunities outside TNT's home market. In 2007, TNT launched cost saving initiatives that are currently under negotiation with the trade unions.

Meetings of the committees

Audit committee

In 2007, the audit committee met five times. All meetings were attended by the CEO (except in December), CFO, internal auditor and external auditor. On a quarterly basis, the audit committee held individual private conversations with the CEO, CFO, internal auditor and external auditor. The audit committee discussed the full year 2006 and half-yearly 2007 management letters as well as TNT's 2006 annual results and the 2007 first quarter, half year and third quarter results with TNT's external auditor PricewaterhouseCoopers Accountants N.V. It also reviewed press releases and analyst presentations related thereto and compliance with TNT's Group Policy on Auditor Independence & Pre-Approval. The reports of TNT's internal auditors were discussed on a regular basis. The audit committee further reviewed the TNT Reserves and Dividend Guidelines and proposals for the full year dividend 2006 and interim dividend 2007.

In February and July, the audit committee reviewed TNT's internal control mechanisms and risk management processes. Regular updates were given on integrity matters. The audit plan 2007 was discussed with PricewaterhouseCoopers Accountants N.V. and the audit fee proposal for 2007 approved. Starting in February the Board of Management and the audit committee conducted their three yearly assessment of the functioning of the external auditor PricewaterhouseCoopers Accountants N.V. In December the audit committee reviewed the preliminary budget plan 2008 and internal audit plan 2008.

Due to the termination of TNT's listing on the New York Stock Exchange on 18 June 2007 and the termination of its reporting obligations with the United States Securities and Exchange Commission as of 16 September 2007, the requirements of the Sarbanes-Oxley Act were no longer applicable as of that date. The effects on internal control testing due to the delisting and deregistration were discussed. It was agreed to maintain a high standard of corporate governance, information and disclosure after deregistration, in line with Dutch corporate governance code and regulatory requirements. The SUN project, which comprises key initiatives to optimise the fiscal, legal, accounting and treasury structure of the organisation and its subsidiaries, was discussed. The financing strategy 2007/2008, including a share buy-back programme of up to €500 million, was also reviewed.

During the year the audit committee discussed the progress of the negotiations on the UK tax matter and the effect on the estimated realistic range of contingent tax liabilities. On 6 December 2007, the finalisation of all investigations and the settlement of all UK tax matters was announced, with no additional liabilities beyond what was accrued for. The contingent tax liability of "between €100 million and €250 million", as disclosed in the annual report for 2006, is no longer required.

Remuneration committee

In 2007, the remuneration committee held seven meetings. The remuneration committee is responsible for assessing and preparing the remuneration policy applicable to the members of the Board of Management. Early in the year, the remuneration committee discussed the amendments to the remuneration policy for the Board of Management, which amendments were adopted by the general meeting of shareholders on 20 April 2007. In the second half of the year, some minor amendments to the remuneration for 2008 were discussed as well as the components of the remuneration of the Board of Management which were checked against market practice.

See chapter 7 for further details on remuneration for the Supervisory Board and the Board of Management, including a further explanation of the remuneration policy and actual remuneration and the relation between remuneration and performance of members of the Board of Management for 2007.

Nominations committee

The nominations committee held two meetings in 2007. In January, the composition of the Supervisory Board and committees was reviewed. In December, the vacancies in the Supervisory Board as of 11 April 2008 were discussed as well as the rotation plan of the Supervisory Board. The composition and succession planning of the Board of Management were also discussed.

Public affairs committee

The public affairs committee met five times in 2007. The committee discussed national postal regulatory developments, including the proposed new Dutch postal law and the status and various related subjects of the liberalisation of the European postal market. The public affairs committee reviewed TNT's 2006 social responsibility report and the work plan for the 2007 social responsibility report. Throughout 2007, the committee reviewed and discussed the new commercial and cost-saving initiatives for the Dutch mail operations, fatality reporting and the Planet Me initiatives. The negotiations with the labour unions on the new collective labour agreement and the new initiatives on the Master Plans were discussed as well as the mobility collective labour agreement.

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 over-night, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting.

Independence of members of the Supervisory Board

Each Supervisory Board member's year of birth, current and former positions, and other supervisory board memberships held are presented in chapter 6. Also listed are the date and term of first appointment, current term of office and memberships of the Supervisory Board committees.

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

In December 2007, the Dutch Corporate Governance Code Monitoring Committee (the Frijns Committee) issued its third advisory report with inter alia recommendations on diversity in the composition of supervisory boards of companies listed on Euronext Amsterdam. The Supervisory Board supports the recommendations made by the Frijns Committee and will apply them wherever possible and feasible.

TNT adheres to best practice 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. Further to the recent recommendations of the Frijns Committee, 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 ten members. Of these ten members, two are women (20%). With respect to nationality, half of the board members are non-Dutch. In this group five different nationalities are represented. The average age is 63, the difference in age ranges between 41 and 70.

All members have a university degree or the equivalent thereof. The field of expertise ranges from (public) finance (professor) to members who are experienced in consultancy and marketing to members who have operational experience, both in the United States, in the Far East as well as in Europe.

The profile of the Supervisory Board is such that each member shall be capable of assessing the broad outline of the overall policy and shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him or her within the framework of the profile. Each member shall have sufficient time available for the proper performance of his or her duties. Each member shall have an international background whereby various nationalities shall be represented. Re-appointment is not automatic, but depends on the performance in question. The Supervisory Board shall consist of a mix of persons with executive experience, preferably gained in the private sector, in the corporate governance of large listed companies and experience in the political and social environment in which such companies operate. The Supervisory Board has ensured the composition of its board to fit the profile and thus to be as independent and diverse as possible. The Supervisory Board feels the quality of its functioning has greatly benefitted from this approach.

Compliance

The Supervisory Board confirms that in 2007 no decisions were taken by the Supervisory Board that did not comply with its by-laws.

Financial statements

This annual report and the 2007 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PricewaterhouseCoopers Accountants N.V.'s report can be found on page 125.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2007 consolidated financial statements of TNT. The annual general meeting of shareholders will be asked to release the members of the Board of Management from liability for the exercise of the management of TNT's affairs and management. The appropriation of profit approved by the Supervisory Board can be found on page 126.

Subject to adoption of the financial statements, a final dividend of €0.55 per ordinary share of €0.48 nominal value will be paid in respect of the 2007 financial year. An interim dividend of €0.30 has already been paid in 2007, so the total dividend per ordinary share in respect of 2007 will be €0.85.

The Supervisory Board wishes to thank the Board of Management and all employees of TNT for their outstanding contributions in 2007.

Supervisory Board —
Amsterdam, 18 February 2008

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Annual report

General

Pursuant to the Enabling Act as currently in force, TNT is subject to the full Dutch large company regime. Under these rules, TNT is required to adopt a two-tier system of corporate governance, comprising a board of management and an independent supervisory board.

In the two-tier corporate structure, the executive management is entrusted to the board of management under the supervision of an independent 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.

Under the full large company regime, 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. Further, under these rules certain resolutions of the board of management require the prior approval of the supervisory board.

Board of Management

The Board of Management is responsible for TNT's mission, vision and strategy, its implementation as well as its over all results. At present, the Board of Management consists of four members: the CEO, the CFO and two group managing directors.

The group managing directors of each of TNT's divisions are responsible for the development and execution of the business strategy and operations of the division within the framework set by TNT's corporate strategy.

TNT's reporting structure is in line with the management structure of the two divisions, and its corporate legal structure has largely been brought in line with its reporting structure.

Duties Board of Management

In performing its duties, the Board of Management acts in accordance with the interests of TNT and the business connected with it 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 fashion. TNT's aim is to provide stakeholders with a clear view on corporate decisions and decision-making processes. TNT has a divisional structure across countries and regions. Value-based management provides TNT with an additional framework for forward-looking management of the company based on objective criteria. Day-to-day decisions in the divisions are decentralised within established standards, processes, requirements and guidelines, with management items at divisional, BU and unit level, securing optimal cross functionality.

TNT's Board of Management is responsible for complying with all relevant legislation and regulations, for managing the risks associated with TNT's activities, for its financing and for its external communication. TNT's Board of Management is required to report developments on the abovementioned 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 two committees to aid compliance with applicable corporate governance requirements: the disclosure committee and the ethics committee.

The disclosure committee advises and assists TNT's Board of Management to ensure 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 ethics committee is appointed by the Board of Management 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 thereof. The ethics committee oversees and coordinates investigations resulting from complaints via the Whistleblower Procedure and/or the Fraud Prevention Procedure, 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 on a half-yearly basis to the Supervisory Board.

The by-laws of the Board of Management and the terms of reference of both the disclosure committee and the ethics committee can be viewed on TNT's corporate website.

The Board of Management provides the Supervisory Board with the information necessary for the proper performance of its duties in a timely manner. In addition, the Board of Management is required to provide the necessary means, allowing the Supervisory Board and its individual members to obtain all information which is necessary for them to be able to function as a supervisory body of TNT. In its communication with the Supervisory Board the Board of Management seeks full transparency.

Members of the Board of Management

M.P. (Peter) Bakker (1961)

__ Chief Executive Officer

Peter Bakker has been CEO since 1 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 TPG) from Koninklijke PTT Nederland N.V. until his appointment as CEO, he was chief financial officer and a member of TNT's Board of Management. Before joining TNT Post, Mr. Bakker worked for TS Seeds Holdings.

His portfolio includes corporate strategy, communication, general counsel, corporate social responsibility, human resources and internal audit. Mr. Bakker is due for re-appointment as member of the Board of Management and chairman of the Board of Management by the Supervisory Board in 2008 for another four year term.

Mr. Bakker is a member of the advisory board of World Press Photo and a member of the board of Foundation Moving the World. Further, he is a member of the AFM Capital Markets Committee and the chairman of the Dutch Committee on Labour Market Participation. Mr. Bakker was a member of the recently discontinued advisory board of ABN AMRO Bank N.V.

C.H. (Henk) van Dalen (1952)

__ Chief Financial Officer

Henk van Dalen has been CFO since 1 April 2006 and a member of the Board of Management since 20 April 2006. He started his career at DSM N.V. in 1976 where he held various human resource and general management positions at DSM Agro, DSM Research and DSM Polyethylenes. From 2000 until March 2006 Mr. Van Dalen was a member of the board of management and CFO of DSM N.V.

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. Van Dalen is a member of the supervisory board of Macintosh Retail Group N.V. and NIBC Bank N.V. Furthermore, he is a board member of the "Nationaal Fonds 4 en 5 mei" and a member of the board of advisors of AIESEC Nederland, Arthur D. Little Netherlands and NEVIR (*Nederlandse Vereniging voor Investor Relations*). He also is treasurer of the Netherlands Olympic Committee (NOC*NSF).

H.M. (Harry) Koorstra (1951)

__ Group Managing Director Mail

Harry Koorstra has been Group Managing Director Mail and a member of the Board of Management since 1 July 2000. He joined 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 for 15 years at VNU N.V., most recently as general director of its Admedia/VNU Magazine Group.

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) and a member of the advisory board of Boer & Croon.

M.C. (Marie-Christine) Lombard (1958)

__ Group Managing Director Express

Marie-Christine Lombard has been Group Managing Director Express and a member of the Board of Management since 1 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 TPG) as the managing director of the domestic Express business and from March 2001 until 1 January 2004 she was managing director of TNT's international Express business in France. Ms. Lombard is due for re-appointment as member of the Board of Management by the Supervisory Board in 2008 for another four year term.

Ms. Lombard is a member of the supervisory board of Royal Wessanen N.V.

The members of the Board of Management have no relevant outside board positions other than those reflected above.

Supervisory Board

The Supervisory Board is charged with supervising the policies of the Board of Management and the general course of affairs of the company and the business connected with it, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established under the management of the Board of Management. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. 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 and its affiliated businesses. It shall take into account the relevant interest 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. TNT's Supervisory Board is responsible for the quality of its own performance and for this purpose annually reviews its performance.

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.

TNT's articles of association and the by-laws of the Supervisory Board can be viewed on TNT's corporate website.

Members of the Supervisory Board

J.H.M. (Jan) Hommen (1943)

Mr. Hommen has been chairman of the Supervisory Board since April 2005. He was appointed as a member of the Supervisory Board on 28 June 1998. His current term as member of the Supervisory Board expires in 2009. Mr. Hommen will not be available for re-appointment. He is chairman of the supervisory boards of ING Group N.V., Reed Elsevier N.V. and the Academic Hospital of Maastricht. He is a member of the supervisory board of Campina B.V. and chairman of the board of directors of TiasNimbas Business School of Tilburg University. Mr. Hommen was formerly vice-chairman of the board of management and chief financial officer of Royal Philips Electronics N.V. and executive vice-president and chief financial officer of the Aluminium Company of America (Alcoa). Until 3 May 2007 Mr. Hommen was a member of the supervisory board of Royal Ahold N.V. Mr. Hommen was appointed to act as chairman of the supervisory board of ING Group N.V. on 1 January 2008. As of 1 January 2008 Mr. Hommen has more than five board memberships. See also under Dutch corporate governance code in this chapter 6. This was approved by the Supervisory Board in view of the fact that Mr. Hommen is planning to step down as chairman of the Supervisory Board as soon as a suitable replacement for his position as chairman will be available. He will resign from the Supervisory Board at the annual general meeting of shareholders in 2009, when his third term will expire.

R.J.N. (Robert) Abrahamsen (1938)

Mr. Abrahamsen was appointed as a member of the Supervisory Board on 9 May 2000. His current term expires in 2008. Mr. Abrahamsen will be available for re-appointment. Mr. Abrahamsen is chairman of the supervisory boards of Optimix Vermogensbeheer N.V. and Trans Link Systems.
Mr. Abrahamsen is a member of the supervisory boards of Fluor Daniel B.V., PON Holdings B.V., Havenbedrijf Rotterdam B.V., ANP, Madurodam B.V., Royal BAM Group, Vitens N.V. and Bank Nederlandse Gemeenten. He is a former member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and senior executive vice-president of ABN AMRO Bank N.V.

R. (René) Dahan (1941)

Mr. Dahan was appointed as a member of the Supervisory Board on 1 April 2003. His current term expires in 2011.
Mr. Dahan is chairman of the supervisory board of Royal Ahold N.V., a member of the supervisory board of AEGON N.V., a member of the international advisory board of the Instituto de Empresa Business School in Madrid and a member of the advisory board of the Guggenheim Group in New York. He was formerly executive vice-president and director of Exxon Mobil Corporation and held various positions with its subsidiaries.

V. (Victor) Halberstadt (1939)

Mr. Halberstadt was appointed as a member of the Supervisory Board on 28 June 1998. His current term expires in 2010. Mr. Halberstadt is professor of public finance at Leiden University, international advisor of Goldman Sachs Group Inc., non-executive director of PA Holdings Ltd. and a non-executive director of RHJ International. Furthermore, he is a member of the supervisory board of Concertgebouw N.V. Mr. Halberstadt previously served amongst others 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.

M. (Mary) Harris (1966)

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. Perviously, 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.

G. (Giovanna) Kampouri Monnas (1955)

Ms. Kampouri Monnas was appointed as a member of the Supervisory Board on 7 April 2005. Her current term expires in 2009. Ms. Kampouri Monnas is a member of the supervisory board of Randstad Holding N.V. and member of the board of directors of Puig SL. Formerly, she was president of the international division and member of the executive committee of Johann Benckiser GmbH and held various positions at Procter & Gamble in Greece and the United States. Prior to this, Ms. Kampouri Monnas was urban development consultant for the Greek Ministry of Economic Affairs.

R. (Roger) King (1940)

Mr. King was appointed as a member of the Supervisory Board on 20 April 2006. His current term expires in 2010. Mr. King is non-executive director of Arrow Electronics, Inc. (USA) and Orient Overseas International Limited (Hong Kong). He is a standing committee member of the Chinese People's Consultative Conference of Zhijiang Provincial Committee and serves on various business and community committees. Mr. King is Adjunct Professor at Hong Kong University of Science and Technology. 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)

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 boards of ING Group N.V. and KLM Royal Dutch Airlines N.V. Mr. Kok was formerly Prime Minister of the Netherlands, Minister of Finance, member of parliament, and chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation.

S. (Shemaya) Levy (1947)

Mr. Levy was appointed as a member of the Supervisory Board on 7 April 2005. His current term expires in 2009. Mr. Levy is a member of the supervisory boards of Nissan, Renault Spain, Safran, Segula Technologies and AEGON N.V. Formerly, Mr. Levy was chief executive officer of Renault Trucks and, subsequently, executive vice-president and chief financial officer of Renault Group.

R.W.H. (Rolf) Stomberg (1940)

Mr. Stomberg was appointed as a member of the Supervisory Board on 28 June 1998. His current term expires in 2010.
Mr. Stomberg will step down in 2008 and will not be available for re-appointment. Mr. Stomberg is chairman of Management Consulting Group plc and a non-executive director of

Smith & Nephew plc, Reed Elsevier N.V., Reed Elsevier plc and Severstal. Mr. Stomberg is also chairman of the supervisory boards of Lanxess AG and Francotyp-Postalia AG, a member of the supervisory boards of Deutsche BP AG and Biesterfeld AG and chairman of the advisory board of Hoyer GmbH. Mr. Stomberg was formerly a managing director of British Petroleum Company plc, chairman of John Mowlem & Co. plc and chairman of Unipoly S.A, non-executive director of Cordiant Communications Group plc and member of the supervisory board of Scania AG.

Expertise and composition of the Supervisory Board

The Supervisory Board consists of a minimum of seven and a maximum of twelve members. The Supervisory Board determines the number of members. At present, TNT's Supervisory Board has ten members.

The Supervisory Board has prepared a profile of its size and composition, taking account of 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 with the general meeting of shareholders and TNT's central works council when any amendments to the profile are made.

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. TNT's articles of association also 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 re-appointments occur simultaneously. Both profile and rotation plan can be viewed on TNT's corporate website.

In accordance with the Dutch corporate governance code, it is the intention of the Supervisory Board that its members will not hold more than five memberships in supervisory boards of Dutch listed companies (including TNT). In this respect, a chairmanship counts twice.

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

For a description of TNT's Supervisory Board's activities in 2007, see the report of the Supervisory Board in chapter 5.

Chairman and corporate secretary

The chairman of TNT's Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of TNT's Supervisory Board and its committees. Furthermore, the chairman arranges for the induction and training programme for the members of TNT's Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management.

The chairman of TNT's Supervisory Board may not be a former member of TNT's Board of Management.

TNT's 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, after the approval of the Supervisory Board has been obtained. The corporate secretary is assisted by a deputy corporate secretary.

At TNT, the corporate secretary has been appointed as secretary to the Board of Management and the Supervisory Board and as compliance officer for the purpose of the TNT Group Policy on Inside Information.

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.

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 statements, system of internal business control and risk management, financing and finance related strategies and tax planning. The audit committee has the authority to retain independent advisors as it deems appropriate, and the company provides funding for advisors engaged by the audit committee.

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 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 accounting 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 on 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, both for adoption by the general meeting of shareholders. Furthermore, the remuneration committee discusses the allocation of rights to shares in the company's capital to other senior management of the company.

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 make 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 is assessed by the nominations committee.

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 formulating, developing, monitoring and reporting on (i) TNT's public affairs policy, governing the relationships between TNT and national and international (semi) public bodies, and (ii) TNT's social and environmental policies.

Supervisory Board committees

Name	Nationality	Appointed	Term expires	Committee membership
J.H.M. Hommen	Dutch	June 1998	2009	Remunerations, Nominations (chair), Public Affairs
R.J.N. Abrahamsen	Dutch	May 2000	2008	Audit (chair), Nominations
R. Dahan	Dutch	April 2003	2011	Audit
V. Halberstadt	Dutch	June 1998	2010	Nominations, Public Affairs (chair)
M. Harris	British	April 2007	2011	Audit
G. Kampouri Monnas	Greek	April 2005	2009	Audit, Public Affairs
R. King	American	April 2006	2010	Remunerations
W. Kok	Dutch	April 2003	2011	Nominations, Public Affairs
S. Levy	French	April 2005	2009	Remunerations
R.W.H. Stomberg	German	June 1998	2010	Remunerations (chair)

Conflicts of interest of Board members

The Supervisory Board is responsible for deciding how to resolve conflicts 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 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, including information concerning the relevant member's spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree. 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, including information concerning his 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 2007. Best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.3 inclusive of the Dutch corporate governance code have been complied with.

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 shall not take part 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.

Securities owned by Board members

The members of the Supervisory Board and Board of Management and TNT's other senior management are subject to the TNT Group Policy on Inside Information, which contains rules of conduct to prevent trading in TNT's financial instruments when holding 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 compliance 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 ordinary shares held by members of the Board of Management as of 18 February 2008 is 81,609, amounting to approximately 0.022% of the outstanding share capital.

Shareholders and their rights

General meetings of shareholders

Frequency and venue

TNT is required to hold a general meeting of shareholders within six months after the end of the financial year in order to, among other things, adopt the financial statements and to decide on any proposal concerning dividends. Further to 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 is also an item for the agenda of 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 in the following circumstances:

- if shareholders jointly representing at least 10% of the outstanding share capital make a written request to that effect to the Supervisory Board and the Board of Management, stating their proposed agenda in detail, or
- 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.

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 has/have the right to request the Board of Management or the Supervisory Board to 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 important company interests do not dictate otherwise and that the request is received by the Board of Management or the Supervisory Board in writing, at least sixty days before the date of the general meeting of shareholders.

Notice to convene

General meetings of shareholders are convened by at least 15 days' prior notice published in a nationally distributed daily newspaper and in the Official Price List of Euronext Amsterdam.

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 on the applicable record date 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.

Dividend rights

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 may not 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. Subject to certain exceptions, if a loss is sustained in any year, TNT may not pay dividends for that year and TNT may not pay dividends in subsequent years until the loss has been compensated for out of subsequent years' profits.

Under TNT's current 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 the approval of the Supervisory Board, of at least one percentage point and at most three percentage points.

The Board of Management then determines, subject to the approval of the Supervisory Board, which part of the remaining profits shall be appropriated to reserves. The profit that remains after appropriation is at the disposal of the general meeting of shareholders.

The Board of Management may pass a resolution that has been approved by the Supervisory Board that any dividend on ordinary shares be paid wholly or partly in TNT's ordinary shares rather than in cash.

The Board of Management may, with the prior approval of the Supervisory Board and subject 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, which resolution is subject to the approval of the Supervisory Board.

Any change to TNT's guidelines on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) shall be dealt with and explained as a separate agenda item at the annual general meeting of shareholders. The same rule applies to any resolution to determine and pay dividends. The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website.

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: first, 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 which have not yet been paid; and second, 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 resolution may only be adopted upon a proposal of 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. Except as described under "Foundation Protection TNT and preference shares B" below, TNT does not know of any arrangements the operation of which might, at a subsequent date, result in a change in its control.

On 26 July 2007, TNT received notification from the Netherlands Authority for the Financial Markets (AFM) that it had received disclosures of a substantial holding in the company by Morgan Stanley & Co International Plc. under the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*). This substantial holding in the company was subsequently step by step reduced to below 5% as of 9 August 2007. More information can be found on the website of the AFM under notifications substantial holdings.

The Financial Markets Supervision Act 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 AFM without delay which then notifies the company.

Special share

From 29 September 2004 to 20 November 2006, the State of the Netherlands reduced its holding in the outstanding share capital of the company step by step from 34.8% to nil.

Until 17 November 2006, the State of the Netherlands held the one special share in the company. It gave the State of the Netherlands the right to approve decisions that would lead to fundamental changes in TNT's group structure. On 17 November 2006, the special share was transferred for free to TNT. As per that date, the special control rights attached to this share reverted to the company. The company agreed not to exercise the rights attached to the special share or sell the special share pending conversion of the special share into an ordinary share. On 20 April 2007 the annual general meeting of shareholders resolved to convert the special share into an ordinary share as part of an amendment to the articles of association. As a result, the special share ceased to exist on 27 April 2007.

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 on a proposal of 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 or announced subsequently by publication in a nationally distributed daily newspaper and in the Official Price List of Euronext Amsterdam, 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 as described in chapter 9, TNT must be allowed to acquire its own shares. Under Dutch law and 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, which resolution is 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 of no more than 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.

On 20 April 2007, the annual general meeting of shareholders extended the then-current authority of the Board of Management for another period of eighteen months to end on 20 October 2008.

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

Cancellation of shares following a repurchase is one of the ways to reduce the issued share capital. TNT's issued share capital may also be reduced by way of a reduction of the nominal value of its shares by amendment of TNT's articles of association. The general meeting of shareholders is the body competent to resolve to reduce TNT's issued share capital. Pursuant to TNT's articles of association, such resolution may be taken only upon 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.

On 20 April 2007, the annual general meeting of shareholders extended the then-current authority of the Board of Management to issue ordinary shares for another period of eighteen months to end on 20 October 2008. 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 that way when a share issue takes place in relation to a merger or acquisition. The authority of the Board of Management to issue preference shares B was not extended and has meanwhile lapsed. See also below under "Foundation Protection TNT and preference shares B".

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 to that effect. 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 of the Board of Management, which proposal requires approval of 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. Holders of 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.

Auditor

TNT's external auditor, PricewaterhouseCoopers Accountants N.V., 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 the compensation and oversight of 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) for the purpose of preparing or issuing an audit report or related work. The audit committee is required to pre-approve all auditing and audit related services, and permitted non-audit services (including the fees and terms thereof) to be provided by the external auditor. The audit committee pre-approved all services performed in 2007, except for some services in the aggregate amount of around 1% of the total amount paid to the external auditor.

Conflicts of interest and 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 thereto: the "TNT Group Policy on Auditor Independence & Pre-Approval", which can be viewed on TNT's corporate website.

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 & Pre-Approval governs how and when TNT may engage its external auditor.

The audit committee grants year-long general pre-approval for certain routine services and specific pre-approval for additional services or budget allocations. 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 and whether the external auditor is best suited to perform the services effectively and efficiently. 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. The audit committee requires a formal written statement from the external auditor describing all relationships between the external auditor and TNT. In principle, the lead (signing) partner and the concurring (review) partner of the external auditor are rotated after a maximum period of five years.

The audit committee and the Board of Management are required once every three years 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 2007. The main conclusions of this assessment were communicated to the 2007 annual general meeting of shareholders.

TNT's internal auditor function, corporate audit services, 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 involved in drawing up the tasks of the internal audit function.

The independent external auditor is required to attend the meetings of the Supervisory Board at which the financial statements and the audit report of the external auditor with respect thereto are discussed.

See note 21 to the consolidated financial statements for the fees paid to PricewaterhouseCoopers Accountants N.V. and the distribution of the fees between audit related services and non-audit services.

Dutch corporate governance code

TNT applies the principles and best practice provisions of the Dutch corporate governance code, taking into account the recommendations of the Frijns Committee, except for the following best practice provisions and recommendations below that are not fully applied:

- provision II.2.7 Dutch corporate governance code and recommendation 23 of the Frijns Committee: maximum remuneration in the event of dismissal of members of the Board of Management. See chapter 7 under Remuneration in 2007.
  - For the contractual severance payments (other than related to a change in control) 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.
  - In case of a change in control, the members of the Board of Management are entitled to a severance payment consisting of the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years multiplied by two. 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 in control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.
- provision III.3.4 Dutch corporate governance code: maximum number of Supervisory Board positions held by members of the Supervisory Board with Dutch listed companies until 3 May 2007 and as of 1 January 2008. See this chapter under Members of the Supervisory Board.
- recommendations 25 and 26 of the Frijns Committee: the relation between performance targets and remuneration should be made visible ex ante and ex post. The performance targets should be definite, quantified and specific. TNT discloses the nature of the performance targets but not the actual targets. TNT has opted to use performance targets aligning the remuneration of the Board of Management with the business performance. As a result the targets are so specific that they contain competition-sensitive information. See chapter 7 under Remuneration in 2007.

In the chapter sections referred to above, TNT explains why it deviates from these best practice provisions and recommendations. Material future (corporate) developments might justify further deviances 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 Dutch corporate governance code can be viewed on TNT's corporate website, group.tnt.com. Since its delisting from the New York Stock Exchange on 18 June 2007 and its deregistration with the United States Securities and Exchange Commission effective 16 September 2007, TNT is no longer subject to the corporate governance rules of this exchange nor to the provisions of the Sarbanes-Oxley Act.

Foundation Protection TNT and preference shares B

Stichting Bescherming TNT (Foundation Protection TNT or the Foundation) was formed to care for TNT's interests, the enterprises connected with TNT and all interested parties, such as shareholders and employees, by, among other things, preventing as much as possible influences which would threaten TNT's continuity, independence and identity contrary to such interests. The Foundation 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 the Foundation 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 the Foundation 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 the Foundation.

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 resolution of its Board of Management, which resolution is subject to the approval of the Supervisory Board. The Foundation has a credit facility in place to enable it to pay the exercise price.

TNT and the Foundation 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 then-existing circumstances. The preference shares B will be outstanding no longer than strictly necessary. Once the reason for the placing of 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.

After six months have expired since the acquisition of preference shares B, the Foundation may require TNT to convene a general meeting of shareholders to discuss cancellation of the preference shares B. However, should the Foundation within this period of six months receive a demand for repayment under the credit facility referred to above, it may also require TNT to convene said meeting. In accordance with TNT's current articles of association a general meeting of shareholders shall be convened by TNT ultimately twelve months after the first date of issuance of any preference shares B to the Foundation for the first time. The agenda for that meeting shall include a resolution relating to the repurchase or cancellation of the preference shares B.

At the annual general meeting of shareholders held on 20 April 2007, the shareholders rejected the proposal to extend the then-current authority of the Board of Management to issue preference shares B for another period of eighteen months. This authority enabled the Board of Management to initiate a placement of preference shares B with the Foundation following the put option agreement. As from 20 October 2007 the Board of Management was no longer entitled to initiate such placement. After careful consideration, it was agreed by TNT and the Foundation to terminate the put option agreement as of 15 February 2008.

TNT has granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of TNT 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 J. den Hoed (chairman), R. Pieterse, 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 in the sense referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*).

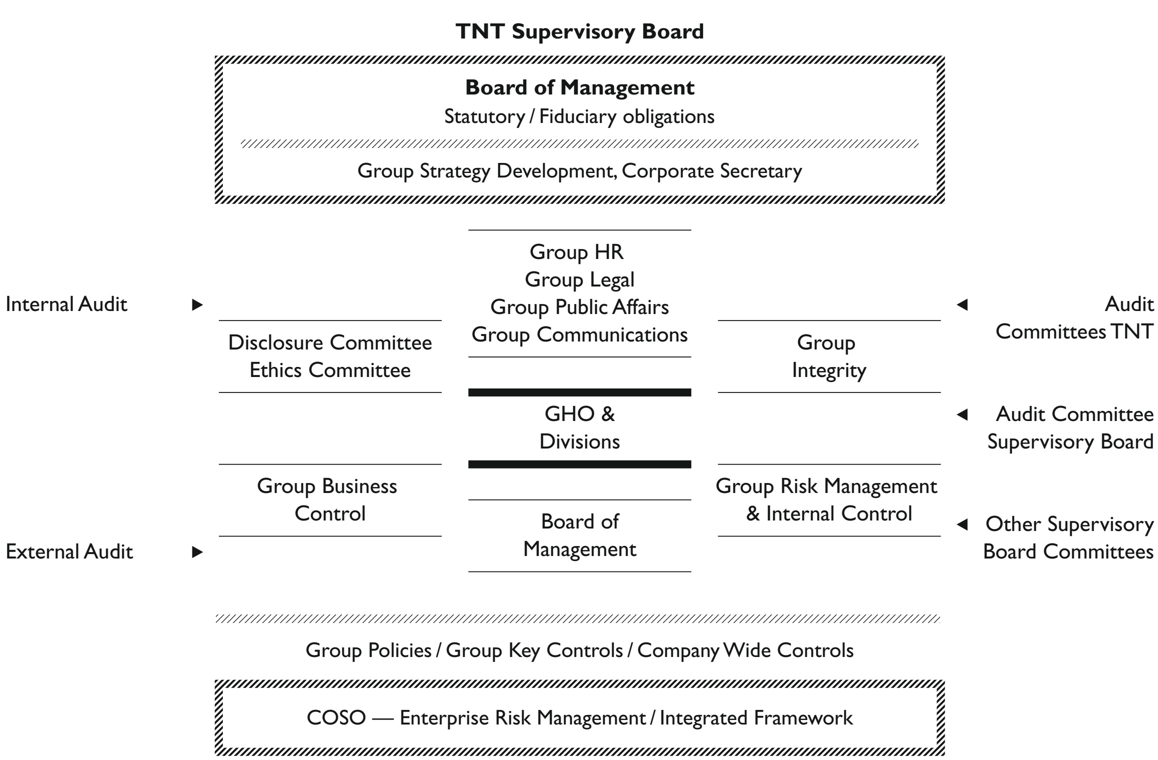
Controls and procedures

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 in achieving its strategic objectives. The nature and, where possible, the extent of TNT's exposure to risks is described in chapter 11. TNT recognises five categories of risks, namely strategic risks, operational risks, legal and regulatory risks, financial risks, and financial reporting risks.

The TNT approach to Risk Management, Internal Control, Integrity and Compliance

The management of risks, internal control, integrity and compliance forms an integral part of the business management within TNT and has been significantly strengthened and embedded into TNT's business objectives setting processes and its operations. A pictorial and narrative description of TNT's risk management and control framework and its structure is provided below.



The framework shows that the Board of Management is supported in developing and achieving its strategic, operational and financial objectives by group and division functions in the areas of risk management, control, integrity, reporting, tax, treasury, legal and corporate secretary, HR, public affairs and communications. These supporting functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved. The Board of Management and their related group and division 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 control and assurance in addition to that provided by the line functions.

In 2003 TNT adopted the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework as the foundation of its risk management and control system. Built upon this framework is a comprehensive portfolio of group policies and key controls which direct and instil discipline in the company's business operations. The Board of Management has created a group wide 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 committees perform an oversight role, whilst the TNT internal audit function and the company's external auditors support the Board of Management and the Supervisory Board in monitoring the risk management, internal control, integrity and compliance framework.

Risk Management

Risk-taking is an intrinsic component of doing business. A structured and transparent risk management process facilitates management to manage and prepare for risks in an informed, controlled and transparent manner. TNT's enterprise-wide risk management systems are therefore designed to identify significant strategic, operational, legal and compliance, financial, and financial reporting risks facing the group in the pursuit of its Focus on Networks strategy outlined in chapter 2.

Since the implementation of the TNT Group Policy on Risk Management in 2003, continuous progress has been made to identify risks at all levels of the organisation and to develop mitigating actions. 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 participate in an annual comprehensive risk identification process, the outcome of which is reported to the relevant divisional 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. In 2007, TNT invested in a dedicated electronic system to transparently manage its risk portfolio and to improve risk reporting across TNT. The outcome of the risk management process is shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board.

The risks currently facing TNT's strategic, operational, legal and regulatory compliance and financial objectives are outlined in chapter 11. 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, whilst inherent risks are those risks that are constantly present in the business environment but which are considered sufficiently material to require disclosure and management.

Internal Control over Financial Reporting

In March 2007, TNT filed with the US Securities and Exchange Commission its Annual Report on Form 20-F for the year end 31 December 2006. At that time, based on its prior assessment, TNT confirmed that its internal control over financial reporting was adequate and effective as of 31 December 2006 based on section 404 of the Sarbanes-Oxley Act of 2002. TNT's external auditors concurred with TNT's conclusion through their auditor's report 2006 as included in chapter 12 on pages 103-104 in the 2006 TNT Annual Report on Form 20-F, where it is stated that management's assessment that TNT maintained effective internal control over financial reporting as of 31 December 2006 is fairly stated in all material respects.

On 18 June 2007, TNT delisted its American Depositary Receipts ("ADRs") from the New York Stock Exchange and filed Form 15-F to deregister and terminate its reporting obligations with the US Securities and Exchange Commission. Deregistration was completed 90 days later on 16 September 2007.

TNT's Board of Management remains committed to continuing to provide a high standard of corporate governance, information and disclosure after deregistration from the US Securities and Exchange Commission, 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, whereby the positive elements from the Sarbanes-Oxley Act continue to form part of TNT's approach to governance, internal control and reporting because the Board of Management fully believes that this approach and investment will continue to support sustainable value creation for the group.

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 US Securities and Exchange Commission in May 2007 as well as the principles outlined in Auditing Standards 2 and 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 attestation by TNT's external auditor.

Throughout 2007, TNT continued to invest considerable time and resources documenting and testing the operational effectiveness of the company's internal control over financial reporting. TNT has also refined its system of entity level controls which are applicable to all entities worldwide. This latter system includes an integrity awareness and training programme, enhanced and more robust group policies and procedures and company wide internal control awareness training which complement TNT's risk management, internal control, integrity and compliance systems and processes.

Integrity

TNT's Integrity Programme consists of four parts: guidance, awareness and compliance, embedding and monitoring.

Guidance is set out in the TNT Business Principles which have been formally adopted and approved by the Board of Management and Supervisory Board. The TNT Business Principles, together with other integrity-related group policies and procedures are published on the company's corporate website. These group policies deal with topics such as compliance with laws and regulations, accurate and timely disclosure, transparency, equal opportunities, fair treatment, conflict of interest, corruption, fair competition and social responsibility. Among TNT's integrity-related group policies and procedures are the TNT Group Policy on Whistleblowing and the TNT Group Policy on Disciplinary Actions. The latter policy makes clear that non-compliance with TNT's group policies will not be tolerated.

Awareness and compliance are enhanced by communication and web-based and interactive training. Interactive integrity workshops have been held for senior and higher management in all parts of the world. Senior managers, on the basis of the "train the trainer" principle, thereafter cascade this training and communication down into their organisations, thus fulfilling their responsibility for the roll-out of the Integrity Programme.

The TNT Business Principles and related group policies are being embedded in TNT's strategic and operational decision processes. For example, an integrity due diligence procedure is becoming part of TNT's mergers and acquisitions process, and new employees of TNT are required to certify their acknowledgement and understanding of the TNT Business Principles when they enter employment.

The TNT Integrity Programme is monitored in several ways: (i) senior management sign-off in a Letter of Representation every half year, (ii) internal audits and (iii) yearly engagement surveys. The TNT Integrity Programme is part of the entity level controls, and compliance is self-assessed annually by management.

General Compliance

The TNT Business Principles and other group policies and procedures define "the tone at the top" with regard to ethical behaviour and TNT's way of doing business. Group policies have been reviewed and where necessary revised to strengthen existing controls. The Board of Management will continue to focus on this area in the coming year to ensure that there are effective and efficient group policies as the foundation of TNT's risk management, internal control, integrity and compliance systems.

Strategies have been established for the group and translated into clear objectives, amongst others, 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 carried out by the Corporate Audit Services function, and by the monitoring duties of TNT's divisional audit committees.

Management Summary

The Dutch corporate governance code under section 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 2007. 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 internal control over financial reporting, as outlined above, that TNT's risk management and internal control over financial reporting risks have worked effectively over the year ended 31 December 2007 and declares that there are no indications that they will not continue to do so in the coming year. The Board of Management also confirms with reasonable assurance that financial reporting is free from material inaccuracies or misstatement. The Financial Statements fairly represent the financial condition and results of operations of the company and provide the required disclosures.

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 the requirements of II.1.4 of the Dutch corporate governance code taking into account the recommendations of the Frijns Committee.

chapter 7 — remuneration

2007 —
Annual report

After the introduction of the TNT remuneration committee, the first 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 second part reflects the actual remuneration in 2007, whereas the third part details the 2008 remuneration of the members of the Board of Management. In the subsequent paragraph elements of the remuneration history of the last three years are described. Finally, the remuneration of the members of the Supervisory Board is discussed.

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. In preparing the remuneration policy, the remuneration committee also takes into account the remuneration of the senior management reporting to the Board of Management. The remuneration committee prepares its proposal independently, after careful consideration and taking into account the advice of independent advisors. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements, is compliant with the Dutch corporate governance code, and takes into account the recommendations of the Frijns Committee.

The remuneration committee has four members. In 2007 the remuneration committee members were Mr. J.M.T. Cochrane (member and chairman until 26 July 2007), Mr. R.W.H. Stomberg (chairman as of 26 July 2007), Mr. R. King, Mr. J.H.M. Hommen, and Mr. S. Levy. None of the members of the remuneration committee is a member of the management board of another Dutch listed company or a member of the TNT audit committee. During 2007, the remuneration committee met seven times.

The remuneration committee used professional internal and external advice. External advice was provided by independent external advisors, namely:

- Allen & Overy LLP provided legal advice on employment related matters,
- Towers Perrin advised on remuneration market practice and equity based compensation and provided the valuations used for long term incentives, and
- Wilfred Klaassen Holding B.V. provided advice relating to the change of pension arrangements of the Dutch members of the Board of Management.

These advisors do not advise the members of the Board of Management personally on their remuneration.

Current remuneration policy

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

In order to consistently review the level and structures of the total remuneration, the remuneration elements of the members of the Board of Management are primarily benchmarked against a Dutch reference group and secondarily against a European peer group and TNT's direct competitors (Deutsche Post AG, Oesterreichische Post, FedEx and UPS). The Supervisory Board is authorised to make changes to the peer group to deal with the effects of significant corporate events pertaining to members of the peer group. Both the Dutch and European groups of companies for the year 2007 are listed in the tables below. The Dutch reference peer group includes a selected group of AEX companies. The European peer group includes listed companies which are selected according to criteria such as industrial sector, international focus and revenue size, working in a partly regulated environment and people-oriented. All comparisons are made on a euro basis and the benchmark comparison is made using the regression method.

2007 Dutch peer group AEX companies	**2007 European peer group**
Unilever; Ahold; Philips Electronics; Akzo Nobel; KPN; Heineken; DSM; Randstad; Reed Elsevier; Vedior; Corporate Express; Hagemeyer; Wolters Kluwer; ASML Holding; Numico; SBM offshore	Carrefour SA; Deutsche Post AG; Metro AG; Tesco PLC; BT Group PLC; Sainsbury PLC; Air France-KLM; Tui AG; Adecco SA; Deutsche Lufthansa; Delhaize SA; PPR SA; Scottish and Southern; British Airways Plc; Marks and Spencer Plc; Kuehne Nagel; SA AB; Securitas AB; G4S Plc; Belgacom SA; Swisscom AG; Bunzl Plc; Alitalia SPA; Firstgroup Plc; De Samensluttede A/S; Woolworths Group Plc; Geodis SA; Serco Group Plc; National Express Group Plc; Rentokil Initial Plc; Atlantia SPA; Oesterreichische Post AG

The compensation of the members of the Board of Management contains three elements:
- short term compensation, consisting of base salary and bonus opportunity,
- long term compensation, consisting of performance shares, and
- pension.

Short term compensation: base salary

Base salary for the members of the Board of Management is set at median level when compared to the peer group benchmark data. A check against the peer data is performed every two years.

Short term compensation: bonus

In accordance with the policy approved in 2007, the CEO receives an "at target" bonus opportunity equal to 80% of his base salary and 120% for "stretch" performance. The other members of the Board of Management receive an "at target" bonus opportunity equal to 70% of their base salary and 100% for "stretch" performance. At performance against minimum target levels, bonus pay-out equals 70% of the base salary for the CEO and 60% of the base salary for the other members of the Board of Management. For results below the minimum target, no bonus will be paid.

The bonus scheme for the members of the Board of Management rewards both financial performance and mission related non-financial performance. The actual achievements between the minimum target level and the stretch target level will lead to a pro-rated bonus. In calculating this pro-rata bonus, a sliding scale between the minimum bonus level and the stretch bonus level is used. In the determination of the bonus for non-financial performance, no stretch bonus level or sliding scale is used.
The Supervisory Board allocates the bonus based on the achievement of the targets of the Board of Management and determines the associated pay-out.

The Supervisory Board sets the targets for the bonus scheme at the beginning of each financial year. The following financial and non-financial targets could apply:

Financial targets:
- earnings,
- revenue growth,
- economic profit, and
- cash flow.

Depending on the tasks and responsibilities of each individual member of the Board of Management, the financial targets are related to group and/or division performance.

Mission related non-financial targets:
- general targets related to the implementation of TNT's strategy,
- exceeding customers' expectations: continued improvements in TNT's relations with customers, which are measured through customer satisfaction surveys and by assessing the relationship with its customers in person,
- "instilling pride in our people": continuous improvement in engaging TNT's staff, which is measured through employee engagement surveys, and
- sharing responsibility for the world, implementing the agreed standards on responsible global corporate citizenship and realizing other measurable targets in relation to TNT' s CSR ambitions.

The Supervisory Board assigns specific projects and initiatives to each member of the Board of Management for which the individual member is personally responsible.
The achievement of financial targets accounts for 70% of the bonus and the non-financial targets for 30% of the bonus.
The realisation of each financial or non-financial target can independently result in bonus payments. TNT does not disclose the targets set, as this qualifies as commercially sensitive information.

Long term compensation: performance shares

In order to align the objectives of the Board of Management with the value-creation objectives of the shareholders, members of the Board of Management are awarded conditional rights on TNT shares under the TNT Performance Share Plan. These performance shares, due to their long term nature, are inherently and significantly more open to market uncertainties than short term compensation elements.

The value of the total of shares granted to the members of the Board of Management under the Performance Share Plan is benchmarked against market practice, using the peer group as reference, resulting in the grant value of the performance shares. The number of shares to be granted is calculated by dividing the grant value by the share price on the day following the announcement of first quarter results multiplied by 1.5 due to the opportunity for stretch performance. This number of granted shares represents 150% of the "at target" base allocation.

The current Performance Share Plan vests after a three year period, and the actual number of shares that can vest varies between 0% and the above mentioned 150%. To determine the actual percentage, the performance plan vests against a performance schedule in which the Total Shareholder Return (TSR) of the company is compared to the total shareholder return of peer group companies. This TSR peer group of companies consists of all AEX companies and TNT's direct competitors. The TSR is defined for this purpose as the return to shareholders from investing in shares, in terms of both share price appreciation and dividends, assuming reinvestment of dividends. The benchmark companies used for the purpose of TSR all have different risk profiles. TSR results are weighted against a risk factor to reflect these differences in profiles.

During the three year vesting period, the TSR data and risk profiles are compiled and reported by an external data provider. After three years, the final performance of the company over the three years compared to the final performance of the peer group determines the number of shares to be vested.

The remuneration committee advises the Supervisory Board on the percentage of performance shares that vest: between 0% and 150% – vesting on the basis of a sliding performance scale using a performance zone of -20% and + 20% TSR performance. The performance schedule is designed in such a way that a TSR performance of the company at median level (half of the companies in the peer group deliver a higher TSR and half of the companies deliver a lower TSR) leads to a vesting of half of the maximum allocation (150%) of granted rights on shares.

Shares granted to the Board of Management via the Performance Share Plan are granted without financial consideration and must be retained for a period of at least five years after grant or until at least the end of employment, if this period is shorter. This is not necessary if it can be demonstrated that their sale is prompted by required tax payments with respect to these shares.

Pension

The pension policy for the Dutch members of the Board of Management was modified in 2007. As of 1 January 2007, the pension scheme applicable to the Dutch members of the Board of Management changed from a final pay scheme to a career average scheme. The main features of the career average scheme are:

- retirement age at 65,
- pensionable income is based on average annual base salary only,
- annual accrual rate for the old-age pension is 2.25%,
- offset for state pension at fiscal minimum,
- benefits are 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/dependant's pension on death.

Members of the Board of Management

Members of the Board of Management are appointed 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.

	Employed since	Term of employment	Board member since	Year of (re) appointment	Term of appointment
Peter Bakker	14 October 1991	Indefinite	1998	2004	Four years
Henk van Dalen	1 April 2006	Indefinite	2006	2006	Four years
Harry Koorstra	1 October 1991	Indefinite	2000	2005	Four years
Marie-Christine Lombard	15 December 1999	Indefinite	2004	2004	Four years

Termination of the contractual arrangements of the Dutch members of the Board of Management requires a notice period of six months.

The contractual severance payments for the Dutch members of the Board of Management are:

- severance payments other than related to a change in control are of 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.
- severance payments in case of change in 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.

For non-Dutch members of the Board of Management, the company follows local market practice for that part of the base salary earned in the country of residence.

For all members of the Board of Management, in case of change in control of the company, the Supervisory Board may in 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.

The company does not grant loans, including mortgage loans, to the members of the Board of Management.

Compensation in 2007

This part of chapter 7 describes the compensation in 2007 and pension arrangements for the members of the Board of Management as reflected in the financial statements.

TNT considers variable compensation to be an important part of the remuneration package for the members of the Board of Management. Therefore, a substantial part of the total compensation of the members of the Board of Management consists of variable compensation on performance. The 2007 ratio between fixed (base salary) and performance related variable income (short term incentive and long term incentive excluding compensation waived – see below) was for Peter Bakker 1 : 1.34, for Henk van Dalen 1 : 0.98, for Harry Koorstra 1 : 1.24 and for Marie-Christine Lombard 1 : 1.39. For detailed disclosure of the remuneration paid to individual members of the Board of Management, see note 19 of the consolidated financial statements.

The table below summarises the 2007 compensation elements of the members of the Board of Management.

Compensation Board of Management	Base salary 2007	Other periodic paid compensation 2007	Accrued short term incentive	Accrued long term incentive (excluding waiver)	Pension related costs	Waiver of granted shares 2007
Peter Bakker	900,000	119,858	770,876	438,235	125,883	358,617
Henk van Dalen	600,000	530,227	462,134	128,195	403,324	203,978
Harry Koorstra	600,000	107,503	519,891	221,197	117,865	203,978
Marie-Christine Lombard	600,000	471,840	511,327	323,099	276,000	203,978
Total	**2,700,000**	**1,229,428**	**2,264,228**	**1,110,726**	**923,072**	**970,551**

(in €)

The amounts included in the column accrued short term incentive and accrued long term incentive represent the IFRS cost in 2007 of non-vested entitlements relating to 2007 and previous years.

Waiver of part of compensation over 2007

To underline its understanding of the measures requested from employees in connection with further planned cost reductions at TNT Post Netherlands, the Board of Management in consultation with the Supervisory Board decided not to accept an increase of 5% of base salary as of 1 January 2007. As a result, base salary for the members of the Board of Management has not increased since 2004 and amounted to €900,000 for the CEO and €600,000 for the other members of the Board of Management.

Next to the above mentioned base salary, an increase in granted shares and bonus opportunity was part of the approved 2007 remuneration policy. In a letter dated 30 August 2007, the Board of Management, taking into account the context of the announced significant restructurings in the Mail division, announced its intention to also waive these increases in the 2007 remuneration package. The members of the Board of Management announced their intention to waive that part of their 2007 bonus opportunity and granted rights on shares that would exceed the received bonus over 2006 and granted rights on performance shares in 2006 (corrected for the loss of Bonus Matching Shares in 2007) and make these waived components available for the TNT mobility budget. Each of the members of the Board of Management has subsequently individually confirmed this decision in letters dated 12 December 2007. This decision reduces the 2007 level of compensation of the Board of Management members to a level comparable with the 2006 level of compensation. However, under IFRS 2 the waived portion of the granted performance shares qualifies as a modification that needs to be accounted for as an accelerated vesting. As a result, the amount which otherwise would have been recognized for services received over the remaining of the vesting period is recognised immediately as cost. The factual effect of the waiver of a significant portion of the granted shares implies that the individual board members no longer will be able to benefit from such granted shares. Therefore these waived rights/accelerated vesting, although part of the 2007 cost as prescribed by IFRS, have no actual compensation value for each member of the Board of Management.

By this action a potential amount of €970,551 (IFRS costs of waived performance shares, the factual amount to be derived from the value of such shares as if such shares would have vested at the date of vesting in 2010) and an amount of €255,720 (waived 2007 bonus) will become available for the TNT mobility budget. The waiver of bonus and performance shares relates to the year 2007 only and will not structurally affect subsequent years.

Remuneration in 2008

Compared to 2007, no changes in the 2008 remuneration policy are proposed. The Supervisory Board has not modified the remuneration components in the policy that would lead to a change in the fixed to variable compensation ratio.
In its proposals for the 2008 remuneration, the remuneration committee decided to advise the Supervisory Board to apply caps for the short term and long term incentives as an important part of the 2008 remuneration package for the members of the Board of Management. This decision was taken in close consultation with the members of the Board of Management and underlines the understanding of the measures requested from employees in connection with further planned cost reductions in TNT Post Netherlands. These caps effectively keep the short and long term incentives at the 2006 level.

The structure of the long term and short term incentive schemes will be subject to a review by the Remuneration Committee in the course of 2008.

Within the policy, the following compensation decisions have been made:

Base salary 2008

The remuneration committee has agreed a 2% base salary increase, effective 1 January 2008. The 2% increase is calculated based on collective labour agreement developments in base salary for collective labour agreement employees in six major European countries in which TNT carries out business.

The base salary of the CEO is set at €918,000 (2007: €900,000) and the base salary for the other members of the Board of Management is set at €612,000 (2007: €600,000).

Short term incentive

The level of short term incentive is maintained at policy level, but the actual pay-out is capped at the pay-out level of fiscal year 2006 (paid out in 2007). The maximum bonus to be earned by the CEO is therefore €675,000 and the maximum bonus that can be earned by the other members of the Board of Management is €450,000.

Long term incentive

The grant level of long term incentive is maintained at policy level but the 2008 grant will be capped in two ways:

- the granted number of shares will not exceed the 2007 number of shares after waiver (CEO: 37,275 shares, other members of the Board of Management: 19,508 shares);
- in case of a change in control, the proceeds of the 2008 performance share grant will be capped at the level of the sum of:
  - the share price at the time of the announcement of the intention to make a public offer, and
  - 50% of the difference between the ultimate share price paid by the buyer and the price as calculated under the previous bullet.

Pension

The pension scheme remains unchanged.

Other

The Supervisory Board has introduced a "claw-back" clause in the situation that the financial information on which the pay-out of variable remuneration was based is determined to be incorrect.

The Supervisory Board has the discretionary power to decide on one-off payments to members of the Board in special circumstances. When applicable, such payments are always explained and disclosed.

Elucidation compensation package Board of Management 2006 – 2008

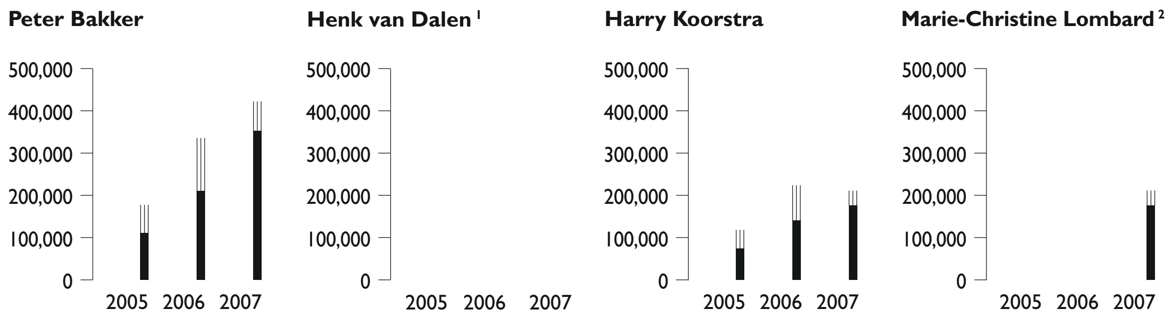
During 2007 the Board of Management, in consultation with the Supervisory Board, decided to cap the 2007 compensation package at the 2006 level. The mix of the compensation package, excluding the unchanged pension scheme, is illustrated in the table below and contains a base salary, a cash bonus entitlement, matching shares related to such cash bonus and a performance share grant. The base salary is paid and accounted for in the same year. The cash bonus is accrued in the year of entitlement and paid in the spring of the next year. The bonus matching shares, although accounted for under IFRS over the vesting period starting in the year of actual payment of the cash bonus, are calculated as 25% of the accrued gross bonus of the previous year divided by the share price. Performance shares under IFRS are accounted for the over the vesting period starting in the year of grant.

	2006/2007	2007/2008	2008/2009
CEO			
Base salary (in €)	900,000	900,000	918,000
Bonus (in €)	675,000	675,000 (capped)	max. 675,000 (capped)
Matching shares	5,213	0	0
Performance shares	32,062	37,275 (after waiver)	37,275 (capped)
Member of the Board			
Base salary (in €)	600,000	600,000	612,000
Bonus (in €)	450,000	450,000 (capped)	max. 450,000 (capped)
Matching shares	3,476	0	0
Performance shares	16,032	19,508 (after waiver)	19,508 (capped)

The table demonstrates the intended stability of the total compensation package over the period 2006 – 2008.

Performance shares

In order to improve the understanding on the factual outcome of the performance share component in the compensation in any year, TNT provides an explanation on this matter below. Performance shares are the shares granted under the TNT Performance Share Plan. Under this plan, rights on performance shares have a three year vesting period. The following graph, for illustrative purposes, shows the value of the performance shares that have vested in 2005, 2006 and 2007 under the performance schedule, based on the share price at the moment of vesting (however, these shares subsequently still need to be retained by the Board Members for another two years after vesting before they may be sold). Next to the vested value, the table reports the maximum value of the shares that could have vested on the same basis if all shares originally granted would have vested.



Maximum value of performance shares
Value of vested performance shares

1 — Mr. Van Dalen was not employed in the years 2002, 2003 and 2004, when the shares were granted.
2 — Ms. Lombard was not a member of the Board in the years 2002 and 2003, when the shares were granted.

IFRS requires an entity to reflect in its profit and loss and financial position the effects of share based payment transactions, including transactions in which performance shares are granted to employees. IFRS requires the entity to measure the value of these grants by reference to the fair market value of the respective equity instrument, taking into account the terms and conditions upon which those equity instruments were granted. The Monte Carlo valuation technique is used to estimate the fair value of the performance shares at the date of grant of such shares. The Monte Carlo technique is consistent with generally accepted valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price. In addition, for vesting conditions other than market conditions, for instance the employee remaining in the entity's employ for a specific period of time, statistical evidence is used to adjust the number of equity instruments included in the measurement of the value. The amount included in the profit and loss is calculated by amortising the total value of the performance grant over the vesting period.

In the public domain however, a performance share grant is often wrongfully calculated as full income at the moment of grant by multiplying the maximum number of shares times the share price on the date of grant. Due to the three year vesting period and the intrinsic uncertainty of the outcome of the performance schedule and the other conditions to be met, the vested value can and will be significantly different. This is also illustrated by the table below which includes the IFRS value of the performance shares granted in 2007, compared with the hypothetical value assuming vesting per 31 December 2007. At this date the pro forma number of shares vesting would then have been 52% of the base allocation. Both values differ significantly from calculations as often used in the public domain (please also refer to note 19 in chapter 8: Consolidated financial statements).

	maximum number of shares granted in 2007 (excluding waived portion)	value assumed by public domain	total value under IFRS	number of shares as if vested per 31 Dec 2007	value as if vested per 31 Dec 2007
Peter Bakker	37,275	1,203,237	533,226	12,922	365,047
Henk van Dalen	19,508	629,718	279,066	6,763	191,055
Harry Koorstra	19,508	629,718	279,066	6,763	191,055
Marie-Christine Lombard	19,508	629,718	279,066	6,763	191,055
Total	**95,799**	**3,092,392**	**1,370,424**	**33,211**	**938,211**

(in €, except percentages)

Remuneration members of the Supervisory Board

The remuneration of the members of the Supervisory Board is comprised of base compensation and variable compensation 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 payment 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.

Supervisory Board		Base fee
	Chairman	60,000
	Member	45,000
Committees		Meeting fee
Audit & Remuneration	Chairman	2,500
	Member	1,500
Nomination & Public Affairs	Chairman	1,500
	Member	1,000

(in €)

chapter 8 – financial statements

2007 —
Annual report

Index – to financial statements of TNT N.V.

Consolidated balance sheets

Note	At 31 December		2007	variance %	2006
	Non-current assets				
1	**Intangible assets**				
	Goodwill		1,828		1,573
	Other intangible assets		291		212
		total	2,119	18.7	1,785
2	**Property, plant and equipment**				
	Land and buildings		847		823
	Plant and equipment		349		342
	Aircraft		387		306
	Other		163		162
	Construction in progress		39		45
		total	1,785	6.4	1,678
3	**Financial fixed assets**				
	Investments in associates		83		58
	Other loans receivable		5		7
23	Deferred tax assets		203		211
	Prepayments and accrued income		34		38
		total	325	3.5	314
10	**Pension assets** [1]		**594**	18.8	**500**
	Total non-current assets		**4,823**	12.8	**4,277**
	Current assets				
4	Inventory		30		29
5	Accounts receivable		1,656		1,561
23	Income tax receivable		35		8
6	Prepayments and accrued income		236		227
7	Cash and cash equivalents		295		297
		total	**2,252**	6.1	**2,122**
8	Assets held for sale		10	(97.6)	409
	Total assets		**7,085**	4.1	**6,808**
	Equity				
	Equity attributable to the equity holders of the parent		1,931		1,983
	Minority interests		20		25
9		total	**1,951**	(2.8)	**2,008**
	Non-current liabilities				
23	Deferred tax liabilities		298		240
10	Provisions for pension liabilities [1]		437		523
11	Other employee benefit obligations		55		57
12	Other provisions		145		106
13	Long term debt		1,294		1,183
	Accrued liabilities		3		3
		total	**2,232**	5.7	**2,112**
	Current liabilities				
	Trade accounts payable		336		308
11 12	Short term provisions		162		87
14	Other current liabilities		1,188		731
23	Income tax payable		69		280
15	Accrued current liabilities		1,147		1,136
		total	**2,902**	14.2	**2,542**
8	Liabilities related to assets classified as held for sale		0	-	146
	Total liabilities and equity		**7,085**	4.1	**6,808**

(in € millions, except percentages)

1 — the comparative numbers have been changed due to a change in presentation as introduced in 2007. See the summary of significant accounting policies.

— the figures ☐ in the line items of these financial statements refer to the notes to the financial statements.

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

Consolidated statements of income

Note	Year ended at 31 December	2007	variance %	2006
16	Net sales	10,885		9,948
17	Other operating revenues	132		112
	Total revenues	**11,017**	9.5	**10,060**
18	**Other income**	**75**	15.4	**65**
	Cost of materials	(423)		(409)
	Work contracted out and other external expenses	(4,806)		(4,160)
19	Salaries and social security contributions	(3,608)		(3,384)
20	Depreciation, amortisation and impairments	(349)		(318)
21	Other operating expenses	(714)		(578)
	Total operating expenses	**(9,900)**	(11.9)	**(8,849)**
	Operating income	**1,192**	(6.6)	1,276
	Interest and similar income	97		199
	Interest and similar expenses	(191)		(246)
22	Net financial (expense)/income	(94)	(100.0)	(47)
	Results from investments in associates	**1**		(6)
	Profit before income taxes	**1,099**	(10.1)	**1,223**
23	Income taxes	(316)		(395)
	Profit for the period from continuing operations	**783**	(5.4)	**828**
8	Profit/(loss) from discontinued operations	206		(157)
	Profit for the period	**989**	47.4	**671**
	Attributable to:			
	Minority interests	3	200.0	1
	Equity holders of the parent	986	47.2	**670**
	Earnings per ordinary share (in € cents) [1]	257.4		159.3
	Earnings per diluted ordinary share (in € cents) [2]	256.1		158.1
	Earnings from continuing operations per ordinary share (in € cents) [1]	203.6		196.6
	Earnings from continuing operations per diluted ordinary share (in € cents) [2]	202.6		195.1
	Earnings from discontinued operations per ordinary share (in € cents) [1]	53.8		(37.3)
	Earnings from discontinued operations per diluted ordinary share (in € cents) [2]	53.5		(37.0)

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

1 — In 2007 based on an average of 383,028,938 of outstanding ordinary shares (2006: 420,701,641). See note 32.

2 — In 2007 based on an average of 385,071,986 of outstanding ordinary shares (2006: 423,859,222). See note 32.

— the figures ☐ in the line items of these financial statements refer to the notes to the financial statements.

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

Consolidated cash flow statements

Note	Year ended at 31 December	2007	variance %	2006
	Cash flows from continuing operations			
	Profit before income taxes	**1,099**		**1,223**
	Adjustments for:			
	Depreciation, amortisation and impairments	349		**318**
	Share based payments	13		9
	Investment income:			
	(Profit)/loss on sale of property, plant and equipment	(72)		(61)
	Interest and similar income	(97)		(199)
	Foreign exchange (gains) and losses	3		0
	Interest and similar expenses	188		246
	Results from investments in associates	(1)		6
	Changes in provisions:			
	Pension liabilities	(179)		(124)
	Other provisions	87		10
	Changes in working capital:			
	Inventory	0		(5)
	Trade accounts receivable	(132)		(131)
	Other accounts receivable	38		(39)
	Other current assets	(9)		(29)
	Trade accounts payable	28		80
	Other current liabilities excluding short term financing and taxes	(2)		34
	Cash generated from operations	1,313	(1.9)	1,338
	Interest paid	(178)		(199)
	Income taxes paid	(492)		(282)
24	**Net cash from operating activities**	**643**	(25.0)	**857**
	Acquisition of group companies (net of cash)	(287)		(89)
	Disposal of group companies and joint ventures	486		1,365
	Investments in associates	(29)		(20)
	Disposal of associates	7		0
	Capital expenditure on intangible assets	(97)		(103)
	Disposal of intangible assets	0		2
	Capital expenditure on property, plant and equipment	(272)		(277)
	Proceeds from sale of property, plant and equipment	85		65
	Other changes in (financial) fixed assets	1		7
	Changes in minority interests	0		7
	Interest received	85		111
	Dividend received	13		0
25	**Net cash used in investing activities**	**(8)**	(100.7)	**1,068**
	Repurchases of shares	(710)		(1,747)
	Cash proceeds from excercise of shares/options	29		52
	Proceeds from long term borrowings	659		2
	Repayments to long term borrowings	(20)		(53)
	Proceeds from short term borrowings	99		328
	Repayments to short term borrowings	(357)		(166)
	Repayments to finance leases	(19)		(10)
	Dividends paid	(298)		(282)
	Financing relating to our discontinued operations	(18)		(276)
26	**Net cash used in financing activities**	**(635)**	70.5	**(2,152)**
	Change in cash from continuing operations	0	-	**(227)**
	Cash flows from discontinued operations			
	Net cash from operating activities	(19)		(63)
	Net cash used in investing activities	4		(30)
	Net cash used in financing activities	16		36
	Change in cash from discontinuing operations	**1**		**(57)**
27	**Total changes in cash**	**1**		**(284)**

(in € millions, except percentages)

— the figures ☐ in the line items of these financial statements refer to the notes to the financial statements.
— the accompanying notes form an integral part of the financial statements.

Consolidated statements of changes in total equity

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
Balance at 31 December 2005	**230**	**1,421**	**(16)**	**(12)**	**1,080**	**559**	**3,262**	**17**	**3,279**
Profit for the period						670	670	1	671
Gains/(losses) on cashflow hedges, net of tax				(9)			(9)		(9)
Currency translation adjustment			(1)				(1)		(1)
Total recognised income for the year	**0**	**0**	**(1)**	**(9)**	**0**	**670**	**660**	**1**	**661**
Final dividend previous year						(173)	(173)		(173)
Appropriation of net income					386	(386)	0		0
Interim dividend current year						(109)	(109)		(109)
Repurchases and cancellation of shares	(27)	(176)			(1,533)		(1,736)		(1,736)
Share based compensation					13		13		13
Other			12		54		66	7	73
Total direct changes in equity	**(27)**	**(176)**	12	0	**(1,080)**	**(668)**	**(1,939)**	7	**(1,932)**
Balance at 31 December 2006	**203**	**1,245**	**(5)**	**(21)**	**0**	**561**	**1,983**	**25**	**2,008**
Profit for the period						986	986	3	989
Gains/(losses) on cashflow hedges, net of tax				(1)			(1)		(1)
Currency translation adjustment			(81)				(81)		(81)
Total recognised income for the year	**0**	**0**	**(81)**	**(1)**	**0**	**986**	**904**	**3**	**907**
Final dividend previous year						(183)	(183)		(183)
Appropriation of net income					378	(378)	0		0
Interim dividend current year						(115)	(115)		(115)
Repurchases and cancellation of shares	(21)	(263)			(423)		(707)		(707)
Share based compensation					14		14		14
Other			4		31		35	(8)	27
Total direct changes in equity	**(21)**	**(263)**	**4**	**0**	**0**	**(676)**	**(956)**	**(8)**	**(964)**
Balance at 31 December 2007	**182**	**982**	**(82)**	**(22)**	**0**	**871**	**1,931**	**20**	**1,951**

(in € millions)

Notes to the consolidated financial statements

General information and description of the business

TNT N.V. is a public limited liability company having its official seat 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" 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.

Since 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 90 days later on 16 September 2007, TNT is no longer required to file its annual report on Form 20-F.

On 30 October 2006, TNT announced the decision to divest its freight management business. On 16 November 2006, the company signed a Sale and Purchase Agreement to sell the freight management business to the French logistics service provider, Geodis SA. On 5 February 2007 TNT completed the sale, see note 8 for further information on the sale of freight management.

TNT's freight management business was reported as discontinued operations/assets held for sale as at 31 December 2006. Consequently, in the statement of income for 2007 TNT has presented the net result of its discontinued freight management business on a separate line 'profit/(loss) from discontinued operations'. In the 2006 balance sheet the assets and liabilities from freight management have been presented as respectively "assets held for sale" and "liabilities held for sale".

TNT's Logistics division was reported as a discontinued operation in 2005 and 2006. TNT completed the sale of the Logistics division on 4 November 2006. In the statement of income for 2006 TNT presented the net result of its discontinued logistic business on a separate line 'Profit/(loss) from discontinued operations'.

The company manages the business through two divisions: Express and Mail and via the business entity Other networks. The Express division provides door-to-door express delivery services for customers sending documents, parcels and freight worldwide. The Mail division primarily provides services for collecting, sorting, transporting and distributing domestic and international mail. Other networks performs special services that require deliveries during the night to individually agreed delivery points.

The consolidated financial statements have been authorised for issue by TNT's Board of Management and Supervisory Board on 18 February 2008 and are subject to adoption at the annual general meeting of shareholders on 11 April 2008.

Summary of significant accounting policies

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 International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments thereon, and the IFRIC has issued certain interpretations, each of which, when adopted by the EU, could affect TNT's consolidated financial statements. Where relevant for the company, TNT has stated the Standards and/or amendments and/or interpretations in 'Recent IFRS pronouncements' including the potential impact.

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 policies set out below have been consistently applied to all the years presented, except for the presentation of the pension position and TNT's segment information. Certain reclassifications have been made to prior year financial statements to conform to the current's year presentation.

As of 2007, TNT has revised the presentation of various pension plans. On the balance sheet the net pension assets or net pension liabilities of the respective plans have been presented separately instead of netting the total pension position as the plans have a different population of beneficiaries and risk profile. The net pension plan of the main plan in the Netherlands and the other pension plan show a pension asset, wheras the transitional pension plan in the Netherlands and the other post employment benefit plans show a pension liability. The company has adjusted its comparative numbers in the balance sheet as per 31 December 2006 accordingly. This revised presentation has no impact on TNT's equity or net profit.

The segment information has been extended by the introduction of a segment named "Other Networks". The related segment information was formerly reported as part of the Express division and prior to the sale of the Logistics division as part of Logistics. In 2007, the company decided to present the "Other networks" as a separate segment apart from the Express division due to the further optimisation of TNT's network strategy. The Other networks operate a network which is different from the Express and/or Mail network and the services provided are supply chain related which differs from the Express services. The revised presentation has no impact on TNT's equity or net profit. TNT early adopted IFRS 8 'Operating Segments', see section "Recent IFRS pronouncements".

All amounts included in the financial statements are presented in euros, unless indicated otherwise.

Consolidation

Consolidated financial information, including subsidiaries, associates and joint ventures, has 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.

The consolidated financial statements include the financial statements of TNT N.V. and its group companies. 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 statements of income are 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 regarded 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 purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.
The excess of the cost of acquisition over the fair value of TNT's share of the identifiable net assets acquired 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 interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against TNT's interests except to the extent that the minority 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 Group accounting policies.

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 all significant associates is included in the consolidated statements of income 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 any accumulated losses exceeds the acquisition value of the shares in the associates the book value is reduced to zero and the reporting of losses ceases, unless TNT is bound by guarantees or other undertakings in relation to the associate.

Joint ventures

A joint venture is a contractual arrangement whereby TNT and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which TNT participates with other party(ies) are proportionately consolidated. 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 booked in the income statement and the balance sheet by translating the transactions and balances into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign 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 when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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 for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement 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 (cumulative translation adjustment).

Foreign exchange gains and losses resulting from the settlement of transactions, including foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied. Foreign 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 cumulative translation adjustment on consolidation. 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 translated at the closing rate.

Intangible assets

Goodwill

The excess of the cost of acquisition over the fair value of TNT's share of the identifiable net assets acquired 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 tested for impairment as part of the overall balance.

Separately recognised goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is impaired if the recoverable amount of the cash generating unit to which it is allocated is lower than its carrying value. The recoverable amount is defined as the higher of a cash generating unit's fair value less costs to sell and its value in use using the discounted cash flow method. Impairments on goodwill recognised in prior periods can not be reversed.

For the purpose of assessing impairment, corporate assets are allocated to specific cash generating units before impairment testing. The basis for this allocation is to the extent in which those assets contribute to the future cash flows of the cash generating unit under review.

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, licences and concessions.

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

An impairment review is performed whenever a triggering event occurs. An intangible 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. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairments are reversed if and to the extent that the impairment no longer exists.

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. 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. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are 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.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment 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.

An impairment loss recognised in prior periods for an asset shall be reversed if, and 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units.

Leases of property, plant and equipment are classified as finance leases if the company has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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 were acquired. Management determines the classification of TNT's financial assets and liabilities at initial recognition. Financial instruments are accounted for in accordance with IAS 32 and IAS 39.

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

Financial assets and financial liabilities at fair value through profit 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 either: hedges of the fair value of recognised assets and liabilties 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 shareholders' equity until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

TNT documents at the inception of the transaction 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, 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 gain or loss that was reported in equity is 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-derivatives 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 of 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 statements of income as gain or 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 costs are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised costs; 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 less any provision required for obsolescence. 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 provision for impairment. A provision 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 provision 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 provision is recognised in the income statement.

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 held for sale and discontinued operations

Assets (or disposal groups) held for sale are classified as assets held for sale and 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 rather than through continuing use. Assets held for sale 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 statements of income.

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 attributable to the equity holders of the parent until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's shareholders.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of business combinations are included in the cost of acquisition as part of the purchase consideration.

Provisions for pension liabilities

The obligation for all pension and other post-employment plans that qualify as defined benefit obligation 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 future increases in salaries). The discount rate is determined by reference to market rates.

Cumulative actuarial gains and losses are recognised for the portion that these exceed the higher of 10% of the obligation or 10% of the fair value of plan assets (corridor approach). The excess is recognised 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 are vested 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 consolidated statements of income when incurred or due.

Other employee benefit obligations

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation.

The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occur. All past service costs are recognised immediately.

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 recorded for restructuring, retirements, onerous contracts and other obligations. 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. 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 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 values.

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 amount of income tax included in the statements of income 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 nominal values of assets and liabilities and the fiscal valuation of assets and liabilities, are calculated using the 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 consolidated tax group are presented net in the consolidated balance sheets.

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 arising in the course of the ordinary activities when those inflows result in increases 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 the 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, goods are delivered or work is completed, using the percentage of completion method, based on services provided.

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 from the sale of property, plant and equipment and other gains.

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.

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 employee share based payments is calculated using the Monte Carlo model. The equity instruments granted do not vest until the employee completes a specified period of service.

The amount to be expensed over the vesting period is determined by reference to the fair value of the equity instruments granted, excluding the impact of non-market conditions. These non-market conditions are included in assumptions about the number of equity instruments that are expected to vest. At each balance sheet date, TNT revises its estimates of the number of equity instruments that are expected to vest. The impact of the revision to original estimates is recognised in the income statement with a corresponding adjustment to equity.

Interest income and expense

Interest income and expense are recognised on a time-proportion basis using the effective interest method. Interest income compromise interest income on borrowing, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on hedging income.

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 hedging income.

All borrowing costs are recognised in profit or loss using the effective interest method.

Grants

Grants are recognised initially as deferred 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 periods in which the expenses are recognised. Grants that compensate TNT for the cost of an asset are deducted from the historical value of the assets and as such 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.

Accounting principles relating to the consolidated cash flow statements

The cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. 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 new group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of group companies 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.

The reconciliation of the cash and cash equivalent balances to the changes in cash according to the cash flow statements is presented in note 27 to the consolidated financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers. The members of the Board of Management of TNT are identified as the chief operating decision makers.

Recent IFRS pronouncements

The IASB has issued certain International Financial Reporting Standards or amendments thereon, and the IFRIC has issued certain interpretations, each of which, when adopted could affect TNT's financial statements. Where relevant for TNT N.V. the company has explained the standards and/or amendments and/or interpretations below.

New standards and interpretations and amendments to published standards effective in 2007:

- IFRS 7 *Financial Instruments: Disclosures*
  This standard has no impact on the classification and measurement of TNT financial instruments. TNT has included additional financial instruments disclosures including comparative figures in the 2007 Financial Statements;
- IAS 1 *Presentation of the financial statements- Capital disclosures, introduces new disclosures relating to financial instruments* TNT has included additional disclosures relating to capital structure management in note 30.

- IFRIC 7 Applying the Restatement Approach under IAS 29, *Financial Reporting in Hyperinflationary Economies*;
- IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006), and
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006).

The Interpretations IFRIC 7, 8, 9 and 10 do not have a material impact on TNT's financial statements.

Interpretations and standards endorsed by the EU not yet effective in 2007:

- IFRIC 11 *Group and Treasury share transactions* (effective for annual periods beginning on or after 11 March 2007). Group and treasury share transactions require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as equity-settled share-base payment transaction regardless of how the equity instruments are obtained.
- TNT is currently evaluating the impact of adoption of IFRIC 11 as of 1 January 2008, but do not anticipate a material impact on its financial statements. This standard has not been adopted by TNT before the effective date.
- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). This standard introduces the "management approach" to segment reporting and will require the disclosure of the segment information based on internal reports regularly reviewed by the group operating decision makers in order to assess each segment's performance and to allocate resources to them.
- IFRS 8 *'Operating Segments'* was early adopted by the company in 2007 and replaces IAS 14 'Segment Reporting'. As the information provided to the chief operating decision makers for internal reporting purposes is largely based on the external reporting requirements three reportable segments have been identified being Express, Mail and Other networks. Based on the changed internal management structure and relating responsibilities the company decided to introduce the reportable segment "Other Networks" which will be disclosed on a voluntary basis in accordance with IFRS 8.13. There has been no

further impact on the measurement of the company's assets and liabilities. The comparative information has been restated where applicable. The impact of adopting of IFRS 8 on the segment information is limited, see note 35.

Interpretations and standards not endorsed by the EU not yet effective in 2007:

- IFRIC 14 *The Limit on a defined benefit asset, minimum funding requirements and their interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets.

TNT has preliminary assessed and reviewed the implications of IFRIC 14 and expects that this IFRIC will not have a significant impact on TNT's financial statements.

Critical accounting estimates and judgements in applying TNT's accounting policies

The preparation of TNT's financial statements, in accordance with IAS 1, *Presentation of Financial Statements,* requires TNT 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. TNT's 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.

Accounting for business combinations and impairment of goodwill and other long lived intangible assets

TNT accounts for all its business combinations under the purchase accounting method. The cost of an acquired company is assigned to the assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires TNT to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of the assets acquired is allocated to goodwill.

In determining impairments of intangible assets, tangible fixed assets and goodwill, management must make significant judgements and estimates to determine whether the cash flows generated by those assets are 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.

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are based on TNT's best estimates, and adjusted if appropriate, 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. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

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, return on assets, and future healthcare costs. TNT consults with outside actuaries regarding these assumptions at least annually. 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 10.

Restructuring

Restructuring charges mainly result from restructuring operations, including consolidations and/or relocations of operations, changes in TNT's strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

Accrued current liabilities

TNT also 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 in sales from stamps (for example, sales for Christmas greetings in November and December).

Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision and liability for income taxes.

There are many transactions and calculations for which 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Accounting for discontinued operations

Accounting for discontinued operations requires the use of significant assumptions and estimates, such as the assumptions used in the fair value calculations as well as the estimated costs to sell.

Contingent liabilities

Legal proceedings covering a range of matters are pending in various jurisdictions against the company. 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 which 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 balance sheets

1 Intangible assets: 2,119 million (2006: 1,785)

Statement of changes in intangible assets	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	2,139	335	103	2,577
Accumulated amortisation and impairments	(513)	(207)	(19)	(739)
Balance at 31 December 2005	**1,626**	**128**	**84**	**1,838**
Changes in 2006				
Additions	99	83	20	202
Disposals	(9)	(1)		(10)
(De)consolidation			31	31
Transfers to assets held for sale	(144)	(3)	(68)	(215)
Internal transfers/reclassifications		11	(11)	0
Amortisation and impairments	(1)	(57)	(5)	(63)
Exchange rate differences	2			2
Total changes	**(53)**	**33**	**(33)**	**(53)**
Historical cost	2,086	402	58	2,546
Accumulated amortisation and impairments	(513)	(241)	(7)	(761)
Balance at 31 December 2006	**1,573**	**161**	**51**	**1,785**
Changes in 2007				
Additions	256	72	25	353
Disposals	(2)			(2)
(De)consolidation	3	3	56	62
Internal transfers/reclassifications		22	(22)	0
Amortisation and impairments		(56)	(17)	(73)
Exchange rate differences	(2)	(4)		(6)
Total changes	**255**	**37**	**42**	**334**
Historical cost	2,338	463	118	2,919
Accumulated amortisation and impairments	(510)	(265)	(25)	(800)
Balance at 31 December 2007	**1,828**	**198**	**93**	**2,119**

(in € millions, except percentages)

Goodwill is not amortised but is subject to an annual impairment review.

For impairment review purposes, all goodwill, including goodwill generated from the acquisition of TNT and GD Express Worldwide, is allocated to the applicable cash generating units (CGUs), based on the revenue as at the date of acquisition. Of the total goodwill balance of €1,828 million, TNT has allocated €1,248 million to the Express Europe CGU, €216 million to the combined European Mail Networks CGUs, €280 million to other Express CGUs, €49 million to Other networks CGU and €35 million to other Mail CGUs. The recoverable amount of a CGU is in principle determined based on value in use calculations by using the discounted cash flow model. These calculations use cash flow projections based on financial budgets approved by management covering a period of 9 years. TNT's management has demonstrated that its cash flow projections have been reliable in the past. For the cash flow projections the key assumptions relate to revenues, operating income and capital expenditure. The value beyond the explicit forecast period is calculated assuming a constant cash flow as from the final year (0% growth). The recoverable value of the more recent acquisitions is the fair value less cost to sell, which is derived from recent market transactions. The addition in goodwill of €256 million in 2007 compared to 2006 is due to acquisitions, see note 28.

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 rates used in the CGUs valuations vary from 10% to 11% (pre-tax) to reflect specific risks relating to the relevant divisions.

The software balance includes internally generated software with a book value of €153 million at 31 December 2007 (2006: 121). Of the additions in software, €52 million related to self produced software and €20 million related to purchased software. Other intangible assets relate to customer lists of €76 million (2006: 35) and software under construction of €17 million (2006: 16).

The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2008: €55 million, 2009: €59 million, 2010: €48 million, 2011: €34 million, 2012: €66 million and after 2012: €29 million. TNT does not conduct fundamental research and development; therefore, it does not incur fundamental research and development costs.

The intangible assets transferred to assets held for sale of €215 million in 2006 relate to the discontinued freight management business.

2 Property, plant and equipment: 1,785 million (2006: 1,678)

Statement of changes in property, plant and equipment	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	1,360	933	375	584	44	3,296
Accumulated depreciation and impairments	(555)	(620)	(154)	(415)		(1,744)
Balance at 31 December 2005	**805**	**313**	**221**	**169**	**44**	**1,552**
Changes in 2006						
Capital expenditure	43	75	111	70	118	417
Acquisitions	2	4		2		8
Disposals	(12)	(6)	(3)	(6)		(27)
Exchange rate differences	3	(1)	2			4
Depreciation and impairments	(59)	(92)	(25)	(79)		(255)
Transfers to assets held for sale	(13)			(8)		(21)
Transfers and reclassifications	54	49		14	(117)	0
Total changes	**18**	**29**	**85**	**(7)**	**1**	**126**
Historical cost	1,385	877	477	500	45	3,284
Accumulated depreciation and impairments	(562)	(535)	(171)	(338)		(1,606)
Balance at 31 December 2006	**823**	**342**	**306**	**162**	**45**	**1,678**
Changes in 2007						
Capital expenditure	70	57	120	59	84	390
Acquisitions	1	40		1	2	44
Disposals	(8)	(3)		(3)		(14)
Exchange rate differences	(19)	(7)	(7)	(2)		(35)
Depreciation and impairments	(62)	(105)	(32)	(77)		(276)
Transfers to assets held for sale	(2)					(2)
Transfers and reclassifications	44	25		23	(92)	0
Total changes	**24**	**7**	**81**	**1**	**(6)**	**107**
Historical cost	1,459	1,074	592	633	39	3,797
Accumulated depreciation and impairments	(612)	(725)	(205)	(470)		(2,012)
Balance at 31 December 2007	**847**	**349**	**387**	**163**	**39**	**1,785**

(in € millions, except percentages)

Aircraft and (spare) engines are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term to estimated residual values of 20%. Depending on the type of aircraft, the depreciation term varies from 10 to 25 years. Spare parts are depreciated to their estimated residual value on a straight line basis over the remaining estimated useful life of the associated aircraft or engine type. All 47 aircrafts (2006: 44) are operated by the Express business.

Finance leases included in the property, plant and equipment balance as at 31 December 2007 are:

	Land and buildings	Plant and equipment	Aircraft	Other	Construction in progress	Total 2007	Total 2006
Under finance lease	**22**	**18**	**212**	**5**		**257**	**155**
Express	18	16	212	5		251	145
Mail	4	2				6	10

(in € millions)

In May 2007 TNT entered into a 10 year finance lease agreement relating to the acquisition of an additional Boeing 747-400 ERF. The total capitalised value of the aircraft was €110 million based upon the present value of the minimum lease payments and guaranteed residual value included as part of the transaction. The lease requires semi-annual lease payments of a base amount of €4 million adjusted by an interest matrix that is linked to TNT's credit rating at the time of each semi-annual payment. The lease agreement and related documents do not include an option for TNT to purchase the aircraft. In 2006 TNT entered into the first 10 year finance lease agreement pertaining to the acquisition of a Boeing 747-400 ERF with a total capitalised value of €110 million. See note 31 for the relating financial liabilities of the financial leases.

Included in land and buildings under financial lease are lease hold rights and ground rent. The book value of the lease hold rights and ground rent in Mail is €4 million (2006: 10), comprising a historical cost of €7 million (2006: 16), with accumulated depreciation of €3 million (2006: 6). The book value of the lease hold rights and ground rent in Express is €18 million (2006: 16), comprising a historical cost of €25 million (2006: 19) with accumulated depreciation of €7 million (2006: 3).

Lease hold and ground rents expiring within 1 year amount to €1 million (2006: 1), lease hold and ground rents between 1 and 5 years amount to €6 million (2006: 3), lease hold and ground rents between 5 and 20 years amount to €13 million (2006: 16) and lease hold and ground rents between 20 and 40 years amount to €1 million (2006:2), lease hold and ground rents more than 40 years amount to €1 million (2006: 0) and lease hold and ground rents contracts with indefinite terms amount to €0 million (2006: 4). Lease hold rights and ground rent for land and buildings are mainly in Belgium for €10 million (2006: 10), in the Netherlands for €4 million (2006: 10) and in France for €7 million (2006: 6).

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 which are temporarily not in use by TNT or based upon contracts which are supportive to the primary business activities of TNT.

Land and buildings of €44 million (2006: 34) are pledged as security to third parties in Express in Germany.

There are no material temporarily idle property, plant and equipment at 31 December 2007 (2006: 0). The historical cost of fully depreciated property, plant and equipment that is still in use is €578 million (2006: 353) of which €240 million (2006: 175) is related to plant and equipment, €158 million (2006: 49) is related to land and buildings and €180 million is related to other (2006: 129).

In 2007, TNT has been entitled to a grant of €7 million following the fulfilment of the conditions of the grant, which related to the building of a depot in the Express hub in Liege. The grant received has been deducted from the historical value of the asset resulting in lower depreciation charges in 2007 and beyond.

3 Financial fixed assets: 325 million (2006: 314)

Statement of changes in financial fixed assets

	Investments in associates	Other loans receivable	Deferred tax assets	Prepayments and accrued income: Financial fixed assets at fair value	Prepayments and accrued income: Other prepayments and accrued income	Total
Balance at 31 December 2005	**47**	**13**	**188**	**1**	**24**	**273**
Changes in 2006						
Acquisitions/additions	20	1	51	16	1	89
Disposals/decreases			(26)			(26)
Transfers to assets held for sale	(3)		(3)		(1)	(7)
(De)consolidation			2		1	3
Withdrawals/repayments		(7)			(4)	(11)
Exchange rate differences			(1)			(1)
Other changes	(6)					(6)
Total changes	**11**	**(6)**	**23**	**16**	**(3)**	**41**
Balance at 31 December 2006	**58**	**7**	**211**	**17**	**21**	**314**
Changes in 2007						
Acquisitions/additions	31		82		3	116
Disposals/decreases	(7)		(88)			(95)
Transfers to assets held for sale						0
(De)consolidation			1		1	2
Withdrawals/repayments		(2)		(13)	(4)	(19)
Exchange rate differences			(3)			(3)
Other changes	1			9		10
Total changes	**25**	**(2)**	**(8)**	**(4)**	**0**	**11**
Balance at 31 December 2007	**83**	**5**	**203**	**13**	**21**	**325**

(in € millions)

Investments in associates

The goodwill balance included in investments in associates at 31 December 2007 is €3 million (2006: 0). The result from investments in associates at 31 December 2007 amounts to €1 million (2006: -6) and is included in 'Other changes'. TNT's investment in Logispring Investment Fund Holding B.V. is the most significant investment in an associate. TNT accounts for this investment using the equity method. Key information regarding this investment (on a stand alone basis) is as follows and includes balances at 100%:

Year ended at 31 December	2007	2006
Non-current assets	70	52
Current assets	0	0
Equity	70	52
Non-current liabilities	0	0
Current liabilities	0	0
Net sales	0	0
Operating income	0	0
Profit attributable to the shareholders	(3)	(5)
Net cash from operating activities	0	(0)
Net cash used in investing activities	(20)	(16)
Net cash used in financing activities	20	16
Change in cash from continuing operations	0	0

(in € millions)

Deferred tax assets

Deferred tax assets are further explained in note 23.

Financial assets at fair value

Financial assets at fair value mainly include TNT's 3.5% equity stake in CEVA Investments Ltd. (formerly known as Louis Topco Limited), for an amount of €11 million (2006: 15.5), which TNT obtained as part of the sale of its logistics division as at 4 November 2006.

During Q1 of 2007 TNT received €13 million of dividends relating to this investment. In addition TNT re-measured the fair value to €11 million based on an offer received to sell its stake. The fair value through profit and loss amounted to €9 million and is recorded in interest income and expenses, see note 22. As these are non-listed securities, day-to-day market prices of the underlying share are not available.

As per 31 December 2006 the financial assets at fair value also included the fair value of a US$139 million interest rate swap of €1 million (2007: -2). For further disclosure on this swap, see note 31.

4 Inventory: 30 million (2006: 29)

At 31 December	2007	2006
Raw materials and supplies	10	9
Finished goods	20	20
Total	**30**	**29**

(in € millions)

Total inventory of €30 million (2006: 29) is valued at historical cost for an amount of €35 million (2006: 35) and is stated net of provisions for obsolete items amounting to €5 million (2006: 6). There are inventories carried at net realisable value for an amount of €1 million (2006: 0) and no inventories are pledged as security for liabilities as at 31 December 2007. In 2007, no material write offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is €1 million (2006: 1).

5 Accounts receivable: 1,656 million (2006: 1,561)

At 31 December	2007	2006
Trade accounts receivable — total	1,514	1,380
Provision for impairment	(62)	(61)
Trade accounts receivable — net	1,452	1,319
Vat receivable	34	27
Other accounts receivable	170	215
Total	**1,656**	**1,561**

(in € millions)

The fair value of the accounts receivable approximates its carrying value. Other accounts receivables mainly include receivables from insurance companies, deposits and various other items. The balance of accounts receivable that is expected to be recovered after 12 months is €2 million (2006: 1). 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 collaterals as security for the outstanding balances. For the non-trade accounts receivables no provision for impairment is required. The concentration of the accounts receivable per customer is limited. The concentration of our accounts receivable portfolio over the different regios can be summarised as follows: the Netherlands €256 million (2006: 255), Rest of Europe €965 million (2006: 872), Asia €118 million (2006: 98), and America's and rest of the world €113 million (2006: 94), see note 35.

As of 31 December 2007, the total trade accounts receivable amounted to €1,514 million of which €828 million was past due date but not individually impaired (2006: 561). The total provision for impairment amounts to €62 million (2006: 61) of which €35 million (2006: 37) relates to trade accounts receivable that were individually impaired for the notional amount. The remainder of the provision 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 ageing analysis of the trade accounts receivable past due but not individually impaired is presented below:

At 31 December	2007	2006
Up to 3 months	748	509
3-6 months	45	31
Over 6 months	35	21
Total	**828**	561

(in € millions)

The movements in the provision for impairment of trade accounts receivables are as follows:

At 31 December	2007	2006
Balance at 1 January	**61**	**58**
Provided for during financial year	18	19
Receivables written off during year as uncollectable	(13)	(13)
Unused amounts reversed	(4)	(3)
Balance at 31 December	**62**	**61**

(in € millions)

6 Prepayments and accrued income: 236 million (2006: 227)

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. At 31 December 2007, prepayments amounted to €79 million (2006: 70). The balance of prepayments and accrued income that is expected to be recovered after 12 months is €4 million (2006: 0).

Prepayments and accrued income also include outstanding short term foreign exchange forward contracts for an amount of €4 million (2006: 3) and forward interest rate swaps for an amount of €1 million (2006: 0). The fair value of these financial instruments has been calculated at the relevant market (forward) rates at 31 December 2007. The notional principal amount of the outstanding foreign exchange forward contracts is €461 million at 31 December 2007 (2006: 282). The notional principal amount of the forward swaps is €400 million at 31 December 2007 (2006: 600). See note 31.

7 Cash and cash equivalents: 295 million (2006: 297)

Cash and cash equivalents comprise cash at bank and in hand of €169 million (2006: 234) and short term bank deposits of €126 million (2006: 63). The effective interest rate during 2007 on short term bank deposits was 4% (2006: 3%) and the average outstanding amount was €77 million with an average maturity of 1.6 days. Included in cash and cash equivalents is €41 million (2006: 74) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

8 Assets held for sale: 10 million (2006: 409) Liabilities related to assets classified as held for sale: 0 million (2006: 146)

The assets held for sale as at 31 December 2007 amount to €10 million and relate to buildings held for sale.

The assets and liabilities as at 31 December 2006 related to the decision taken to divest the freight management business following the strategy to focus on TNT's core competency. On 16 November 2006, TNT signed a Sale and Purchase Agreement to sell its freight management business to the French logistics service provider Geodis SA. On 5 February 2007, the sale was completed. The total transaction value was €483 million on a cash and debt free basis. Taking into account various deal related costs and deductions, the net proceeds amounted to €468 million resulting in a book gain of €206 million.

The income from discontinued operations in 2007 amounting to €206 million represents the profit on the sale of TNT's discontinued freight management operations. The operating result of the discontinued freight management operations for the period 1 January 2007 up to and including 4 February 2007 amounted to zero.

The loss from discontinued operations in 2006 amounting to €157 million largely relates to the discontinued logistics operations. The sale of the discontinued logistics operations was completed on 4 November 2006.

9 Equity: 1,951 million (2006: 2,008)

Equity consists of equity attributable to the equity holders of the parent of €1,931 million (2006: 1,983) and minority interest of €20 million (2006: 25). Equity attributable to the holders of the parent consists of the following items:

Issued Share Capital

Issued share capital amounted to €182 million at 31 December 2007 (2006: 203). The number of authorised, issued and outstanding shares by class of share is as follows:

At 31 December	2007	2006
Authorised	1,600,000,000	1,800,000,000
Ordinary shares	800,000,000	900,000,000
Preference B	800,000,000	899,999,999
Special share	0	1
Issued and outstanding	379,224,255	422,767,601
Ordinary shares	379,224,255	422,767,600
of which held by the company to cover share plans	1,716,060	2,884,441
of which held by the company for cancellation	6,977,275	27,640,543
Preference B	0	0
Special share	0	1
of which held by the company for cancellation	0	1

Authorised share capital

By deed of 27 April 2007 the articles of association were amended. 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 €0.48 nominal value each. Prior to the amendment, the authorised share capital amounted to €864 million and was divided into 900,000,000 ordinary shares, 1 special share and 899,999,999 preference shares B of €0.48 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 2007, the company purchased no ordinary shares (2006: 2.700.000) to cover its obligations under the existing management option plans and share grants. At 31 December 2007 the total number of shares held for this purpose was 1,716,060 (2006: 2,884,441). TNT shares held by the company are not entitled to receive dividends nor have voting rights.

Repurchase of shares / reduction of the issued share capital by cancellation of shares

Under the €1,000 million share buy-back programme announced on 6 November 2006, TNT purchased 27,640,543 ordinary shares in 2006 and 3,307,164 ordinary shares in January 2007. On 20 April 2007 the annual general meeting of shareholders resolved to cancel the total number of 30,947,707 ordinary shares purchased under this programme. The cancellation of these shares became effective as of 5 July 2007.

The company announced a further buy-back programme of €400 million on 26 February 2007. In total 12,595,639 ordinary shares were repurchased under this programme during 2007. The annual general meeting of shareholders held on 20 April 2007 had also resolved to cancel the shares purchased under this programme, and the cancellation of these shares became effective on 29 November 2007.

In 2007, the total number of issued and outstanding ordinary shares decreased by 43,543,346. At a nominal value of €0.48 per share, the cancellation equals an amount of €20.9 million.

On 30 July 2007 TNT announced a new share repurchase programme of up to €500 million. A first tranche of €200 million was commenced on 9 November 2007. As a result of these repurchases, the company held 6,977,275 ordinary shares for cancellation at 31 December 2007 (2006: 27,640,543).

Special share

On 17 November 2006, the State of the Netherlands transferred its special share in the company for free to TNT. On 20 April 2007 the annual general meeting of shareholders resolved to convert the special share into an ordinary share as part of an amendment to the articles of association of TNT. As a result the special share ceased to exist on 27 April 2007, the date on which the amendment to the articles became effective.

Preference shares

Stichting Bescherming TNT (Foundation Protection TNT or the Foundation) was formed to care for TNT's interests, the enterprises connected with TNT and all interested parties, such as shareholders and employees, by, among other things, preventing as much as possible influences which would threaten TNT's continuity, independence and identity contrary to such interests. The Foundation 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 the Foundation to serve these interests. There are currently no preference shares B issued, although the Foundation 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 the Foundation.

TNT and the Foundation 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 then-existing circumstances. The preference shares B will be outstanding no longer than strictly necessary. Once the reason for the placing of 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.

At the annual general meeting of shareholders held on 20 April 2007, the shareholders rejected the proposal to extend the then-current authority of the Board of Management to issue preference shares B for another period of eighteen months. This authority enabled the Board of Management to initiate a placement of preference shares B with the Foundation following the put option agreement. As from 20 October 2007 the Board of Management was no longer entitled to initiate such placement. After careful consideration, it was agreed by TNT and the Foundation to terminate the put option agreement as of 15 February 2008.

TNT has granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of TNT 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.

Additional paid in capital

Additional paid in capital of €982 million (2006: 1,245) is exempt for Dutch tax purposes.

Translation reserve

In 2007 the cumulative translation reserve decreased from -€5 million in 2006 to -€82 million in 2007. An amount of -€81 million (2006: -1) is the movement in exchange differences on converting foreign subsidiaries of TNT N.V. into euros. These differences are charged or credited to the translation reserve, net of taxation. In 2007, an amount of €4 million was released from equity and charged to income related to the divestment of the freight management business. In 2006 the portion of TNT's translation reserve that related to the divested logistics business was released from equity and charged to income.

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

Hedge reserves

Movements on cash flow hedges amounted to -€1 million (2006:-9) resulting from the fair value movement on the €1,000 million forward starting swaps and the US$441 million of forward starting interest swaps, net of taxes. The net cash payments relating to the unwinding of these swaps will be recycled from equity to the income statement based on the duration of the underlying hedged items. During 2007, €600 million and $154 million of forward starting swaps were unwound with a relating recycling of the recorded fair value adjustment to the income statement. In 2007, €1 million of fair value adjustment has been recycled to the income statement due to ineffective hedging. For further 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

The other reserves are nil (2006: 0).

The appropriation of net income from 2006 which is added to the other reserves in 2007 amounts to €378 million (2006: 386).

In 2007, TNT increased its other reserves representing the fair value of share based transactions to an amount of €14 million (2006: 13).

The "other" movement of €31 million (2006: 54) includes the proceeds obtained from the share grants of 2007 and 2006 and exercise rights of option plans of prior years.

Retained earnings

The profit for 2007 has been calculated as the 2007 net income of TNT N.V. and all its subsidiaries. The 2007 unappropriated component is €871 million (2006: 561), containing the net profit of €986 million (2006: 670) and the paid interim dividend 2007 of €115 million (2006: 109). The Board of Management has determined to add €670 million (2006: 378) to other reserves and to put €201 million (2006: 183) as final dividend at the disposal of the general meeting of shareholders.

10 Pension assets: 594 million (2006: 500) and provisions for pension liabilities: 437 million (2006: 523)

TNT operates a number of pension plans around the world. Most of TNT's non-Dutch pension plans are defined contribution plans. For TNT's non-Dutch employees, the company also operates other post-employment benefit plans and defined benefit plans, for which the liabilities are separately covered by private insurers and foreign pension funds.

TNT's main Dutch company 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 who joined the company 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 93,000 participants including approximately 13,000 pensioners and around 36,000 former employees. By Dutch law the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of "De Nederlandsche Bank" (DNB).

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

In the main plan only the employer contributes to the fund. The level of contribution is based upon actuarial recommendations. The total contribution to the main pension fund amounted to €91 million (2006: 87) and is estimated to be €90 million in 2008. The contribution for the transitional plans amounted to €103 million (2006: 107) and is estimated at €97 million for 2008.

The main fund runs an actively managed investment portfolio. The main fund uses asset and liability management studies that generate future scenarios to determine its optimal asset mix. During 2007, the dynamic weight of equity investments decreased to 42.1%, the dynamic weight of fixed interest investments increased to 38.1% and the weight of real estate and alternative investments increased to 19.8%. 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. The plan assets do not include property occupied by or other assets used by TNT.

Derivatives of equity and debt instruments (e.g. swaps) may be used to realise changes in investment portfolio, to hedge against unfavourable market developments or to adjust the matching of assets and liabilities.

The pension benefit obligation of TNT's main plan and transitional plan covers approximately 94.9% of the group pension obligation for post-employment benefits and the plan assets cover approximately 93.1% of the group pension plan assets. The return on the group plan assets was 2.4% (2006: 8.5%).

	Actual mix		Strategic mix	
At 31 December	2007	2006	2008	2007
Equities	42.1%	48.4%	45%	45%
Fixed interest and Inflation linked Bonds	38.1%	37.9%	40%	40%
Real estate and alternative investment	19.8%	13.2%	15%	15%
Cash		0.5%		
Total	**100.0%**	100.0%	100%	**100%**

Historical returns	2007	Average since plan inception
Equities	4.8%	8.8%
Fixed interest and Inflation linked Bonds	1.2%	7.0%
Real estate and alternative investment	12.8%	7.8%
Swaps [1]	-2.1%	-0.6%
Total	**2.4%**	**7.9%**

1 — In order to mitigate de duration-mismatch between the TNT Group plan and the pension defined benefit obligations, interest swaps have been entered into as from as 2006.

Pension costs recognised in the statements of income

Inherent to the valuation of TNT's pension and the determination of its pension cost are key assumptions which 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 usually 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, which would be reflected as an additional profit or expense in TNT's statement of income, in the next year.

In 2007, TNT's expense for post-employment benefit plans was €45 million (2006: 120). Total cash contributions for pensions in 2007 amounted to €212 million (2006: 243) and are expected to amount to approximately €202 million in 2008.

Statement of changes in net pension asset/(liability)	Balance at 1 January 2007	Employer pension expense	Contributions/ Other	Balance at 31 December 2007
Provision for pension liabilities	36	(41)	212	207
of which main pension plan in the Netherlands	452	(7)	91	536
of which transitional plan in the Netherlands	(459)	(31)	103	(387)
of which other pension plan	43	(3)	18	58
Other post-employment benefit plans	(59)	(4)	13	(50)
Total post-employment benefit plans	**(23)**	**(45)**	**225**	**157**

(in € millions)

As of 2007, the company has revised the presentation of the pension positions of TNT's various defined benefit schemes which more fairly represent TNT's balance sheet position. On the balance sheet, the pension assets and pension liabilities of the various schemes have been presented separately, resulting in a pension asset of €594 million (2006: 500) and a pension liability of €437 million (2006: 523). Consequently, the company has adjusted its comparative numbers in the balance sheet. This revised presentation has no impact on TNT's equity or net profit.

The funded status of TNT's pension plans at 31 December 2007 and 2006 and the employer pension expense for 2007 and 2006 is presented in the table below.

Pension disclosures	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	**(5,373)**	**(5,398)**
Transfer to discontinued businesses		3
Service costs	(139)	(171)
Interest costs	(255)	(237)
Other movements		(3)
Amendments/foreign currency effects	2	4
Curtailments/settlements	1	12
Actuarial (loss)/gain	762	221
Benefits paid	197	196
Benefit obligation at end of year	**(4,805)**	**(5,373)**
Change in plan assets		
Fair value of plan assets at beginning of year	**4,668**	**4,216**
Actual return on plan assets	104	405
Contributions	212	243
Benefits paid	(197)	(196)
Fair value of plan assets at end of year	**4,787**	**4,668**
Funded status as per 31 December		
Funded status	**(18)**	**(705)**
Unrecognised net actuarial loss	217	732
Unrecognised prior service costs	8	9
Pension liabilities	207	36
Other employee benefit plans	(50)	(59)
Net pension asset/(liability)	**157**	**(23)**
Components of employer pension expense		
Service costs	(139)	(171)
Interest costs	(255)	(237)
Expected return on plan assets	373	346
Amortisation of actuarial loss	(20)	(58)
Curtailment gain	1	11
Other costs	(1)	(2)
Employer pension expense	(41)	(111)
Other post employment benefit plan expenses	(4)	(9)
Total post employment benefit expenses	**(45)**	**(120)**
Weighted average assumptions as at 31 December		
Discount rate	5.7%	4.7%
Expected return on plan assets	7.9%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	2.0%	2.0%

(in € millions, except percentages)

TNT's pension costs are affected by the discount rate used to measure pension obligations and the expected long-term rate of return on plan assets. Management reviews these and other assumptions every year. Measurement date for TNT'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 'change in assumptions' hereafter. If actual results differ from those assumed, this will generate actuarial gains or losses. These are amortised over the remaining average service lives of employees if they exceed the 10%-corridor.

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 12 years. The duration of the pension liabilities is around 18 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 applies to these rates a suitable risk premium for the different asset components. The premium is based on the plan's asset mix, historical market returns and current market expectation.

Returns are linked to the strategic objective of the Stichting Pensioenfonds TNT, as annually reported in the Asset Liability Management study of this main fund. This main fund controls 93.1% of the 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. Active management strategies are utilised in an effort to realize investment returns in excess of market indices. This programme provides a reasonable expectation that returns can be achieved that exceed indexed funds. 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 18.0 years (2006: 16.9). The equivalent expectancy for women is 21.0 years (2006: 21.3). The applied mortality rates derived from the mortality table "GBM/GBV 2006-2011 with age corrections -1/-1 (male/female)."

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 for the other defined benefit pension plans. Included in the provision for pension liabilities are other employee benefits for the unfunded defined benefit Trattamento di Fine Rapporto ("TFR") in Italy of €50 million (2006: 59).

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

At 31 December	2007	2006
Present value of funded benefit obligations	(4,175)	(4,551)
Fair value of plan assets	4,787	4,668
(Un)Funded status	**612**	**117**
Present value of unfunded benefit obligations	(630)	(822)
Unrecognised liability	225	741
Other employee benefit plans	(50)	(59)
Net pension asset/(liability)	**157**	**(23)**
of which included in pension assets	594	500
of which included in provisions for pension liabilities	(437)	(523)

(in € millions)

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

Change in assumptions	%-change in assumptions	Change in employer pension expense
Employer pension expense		**(41)**
Discount rate	+ 0.5%	56
Expected return on plan assets	+ 0.5%	23
Rate of compensation increase	+ 0.5%	(88)
Rate of benefit increase	+ 0.5%	(83)
Employer pension expense		**(41)**
Discount rate	(0.5)%	(86)
Expected return on plan assets	(0.5)%	(23)
Rate of compensation increase	(0.5)%	56
Rate of benefit increase	(0.5)%	53

(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. The experience adjustment of the defined benefit obligation can not be reliably determined for the period 2003-2005.

At 31 December	2007	2006	2005	2004	2003
Funded and Unfunded Defined benefit obligation	(4,805)	(5,373)	(5,398)	(4,887)	(3,727)
Experience adjustment gain/(loss)	0.9%	-0.4%			
Fair value of plan assets	4,787	4,668	4,216	3,693	3,277
Experience adjustment gain/(loss)	-5.4%	1.2%	4.7%	0.4%	2.3%
(Un)Funded status	**(18)**	(705)	(1,182)	(1,194)	(450)

(in € millions, except percentages)

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

Year	Expected benefits as per 31 December 2007
2008	191
2009	205
2010	222
2011	232
2012	237

(in € millions)

Amounts expensed in the consolidated statements of income related to defined contribution plans were €36 million (2006: 35).

11 Other employee benefits: 55 million (2006: 57)

	Other employee benefit obligations
Balance at 31 December 2006	**57**
Exchange differences	
Additions	10
Withdrawals	(7)
Other	
Total changes	**3**
Balance at 31 December 2007	**60**
of which included in other employee benefit obligations	55
of which included in short term provisions	5

(in € millions)

Other employee benefits consist of provisions related to jubilee payments for €34 million (2006: 32), long-service benefits for €13 million (2006: 14), long term disability benefits for €1 million (2006: 2) and other employee benefits for €12 million (2006: 9).

Short term employee benefits, such as salaries, profit sharing and bonuses are discussed in note 19.

12 Other provisions: 145 million (2006: 106)

Statement of changes in other provisions	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2006	**45**	**116**	**32**	**193**
of which included in other provisions (non-current)	26	58	22	106
of which included in short term provisions	19	58	10	87
Changes in 2007				
Additions	113	20	40	173
Withdrawals	(13)	(47)	(17)	(77)
Exchange rate differences		(1)	(2)	(3)
(De)consolidation		1	29	30
Interest			1	1
Reclassification	(1)	8	(7)	
Other/releases	(3)	(8)	(4)	(15)
Total changes	96	(27)	40	109
Balance at 31 December 2007	**141**	**89**	**72**	**302**
of which included in other provisions (non-current)	86	12	47	145
of which included in short term provisions	55	77	25	157

(in € millions)

As per 31 December 2007 the provisions for restructuring relate to employee related restructuring projects in the Mail division for an amount of €140 million (2006: 41) and the Express division for an amount of €1 million (2006: 4). The addition to the restructuring provision of €113 million mainly relates to €110 million for restructuring cost of the efficiency projects that the Mail division will start in 2008 to standardise the collection, preparation, and delivery of mail as far as possible. After coordinating with the trade unions and works councils, TNT has decided that the employees who are subject to these efficiency matters can make use of the provision of the collective mobility agreement. This social plan comprises a wide range of measures making it possible to carry out the planned reduction in the number of employees in a social responsible manner. This provision is discounted at 7% as this provision is expected to be utilised during the period 2008-2010.

During 2007 withdrawals from the restructuring provision amounted to €13 million. These withdrawals mainly relate to payments of €4 million to approximately 176 employees (2006: 528) which were made redundant in 2007 of which 55 employees related to Express (2006: 376) and 121 to Mail (2006: 152). In addition, €9 million has been used for part of the approximate 2,500 employees that have voluntarily left the company.

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. The withdrawal of €47 million relates mainly to settlements with customers largely offset by proceeds from external reinsurance companies. More detailed information relating to these provisions is not provided since such information could prejudice the company's position with respect to these indemnities and disputes.

Other provisions consist mainly of onerous contracts and dilapidation provisions. In 2007 the addition to the other provision of €40 million includes an amount of €23 million for the cost of downsizing and transferring the company's onerous UK Parcel contract, underlying relating operations of TNT's Mail division, to Parcelnet Ltd. This provision is of short term nature.

The increase of the total provisions due to consolidation effects of €30 million is mainly due to the consolidation of the acquired group company Expresso Mercúrio S.A. (€28 million) in 2007.

The estimated utilisation in 2008 is €157 million, in 2009 €49 million, in 2010 €38 million and in 2011 and beyond €58 million.

13 Long term debt: 1,294 million (2006: 1,183)

At 31 December	2007		2006	
Carrying amounts and fair value of long term debt	Carrying Amount	Fair value	Carrying Amount	Fair value
Euro Bonds	1,019	1,078	1,004	1,060
Finance leases	223	220	146	143
Other loans	23	23	14	14
Interest rate swaps	29	29	19	19
Total long term debt	**1,294**	**1,350**	**1,183**	**1,236**

(in € millions)

In the table above, the fair value of long term interest bearing debt, net of 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 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	Interest rate swaps	Short term bank debt	Total
2008	637	18	82	8	46	791
2009		14	18			32
2010		15	1			16
2011		23	1			24
2012		14	1	23		38
Therafter	1,019	157	2	6		1,184
Total borrowings	**1,656**	**241**	**105**	**37**	**46**	**2,085**
of which included in long term debt	1,019	223	23	29		1,294
of which included in other current liabilities	637	18	82	8	46	791

(in € millions)

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

14 Other current liabilities:1,188 million (2006: 731)

At 31 December	2007	2006
Short term bank debt	46	41
Other short term debt	745	342
Total current borrowings	**791**	**383**
Taxes and social security contributions	204	150
Expenses to be paid	35	29
Other	158	169
Total	**1,188**	**731**

(in € millions)

Total current borrowings

Other short term debt of €745 million includes the 5.125% Eurobond for an amount of €637 million that will mature on 5 December 2008. The total nominal value of the Eurobond amounted to €646 million as part of long term debt. As per 31 December 2007 this Eurobond is measured at amortised cost of €637 million (2006: 646) which includes a positive fair value adjustment of €8 million. This fair value adjustment of positive €8 million (2006: 11) is mitigated by the negative €8 million (2006: -11) of fair value on the €500 million (2006: 500) of interest rate swaps outstanding for which TNT receives fixed and pays floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of TNT's 5.125% Eurobond. The interest rate swaps are also part of other short term debt.

Other short term debt also includes short term bank facilities of €82 million (2006: 37) and the current portion of outstanding lease liabilities of €18 million (2006: 12). There are no balances of 31 December 2007 that are expected to be settled after 12 months (2006: 0).

As at 31 December 2006 other short term debt also included drawn commercial paper of €287 million and the fair value of a US$154 million forward starting interest rate swap of €4 million.

Other

Other includes shares repurchased under the share buy-back program, but not yet settled during 2007 of €3 million (2006: 6) and the fair value of €9 million (2006 €6) of all outstanding short term foreign exchange forward contracts with a nominal value of €642 million (2006: 621).

15 Accrued current liabilities: 1,147 million (2006: 1,136)

At 31 December	2007	2006
Amounts received in advance	120	88
Expenses to be paid	673	731
Vacation days/vacation payments	173	167
Terminal dues	68	66
Other accrued current liabilities	113	84
Total	**1,147**	**1,136**

(in € millions)

Amounts received in advance include €50 million (2006: 45) for stamps which were sold but not yet used.

An amount of €51 million is expected to be settled after 12 months (2006: 51).

Notes to the consolidated statements of income

16 Net sales: 10,885 million (2006: 9,948)

The net sales of Mail, Express and Other networks relate to the trading activities of these reporting segments, arising from rendering services. Net sales allocated by geographical area in the country or region in which the entity records sales is detailed in note 35.

17 Other operating revenues: 132 million (2006: 112)

Other operating revenues relate to the sale of goods and rendering of services not related to TNT's normal trading activities and mainly include passenger/ charter revenues €75 million (2006: 55), customs clearance/ administration revenue €33 million (2006: 16), rental income of temporarily leased-out property €4 million (2006: 4) and catering services €2 million (2006: 6).

18 Other income: 75 million (2006: 65)

Other income in 2007 mainly includes net proceeds from the sale of property, plant and equipment for €62 million (2006: 37) and the sale of group companies of €3 million (2006: 24) and other income of €10 million (2006: 4).

19 Salaries, pensions and social security contributions: 3,608 million (2006: 3,384)

Year ended at 31 December	2007	2006
Salaries	3,071	2,823
Share based payments	13	9
Pension charges:		
Defined benefit plans	45	120
Defined contribution plans	36	35
Social security charges	443	397
Total	**3,608**	**3,384**

(in € millions)

The increase in the salaries mainly relates to the increase of the labour force and the restructuring costs of €110 million of Mail Netherlands.

Labour force	2007	2006 [1]
Employees [2]		
Express	75,032	52,638
Mail	84,929	84,731
Other networks	1,385	1,422
Non-allocated	236	431
Total at year end	**161,582**	**139,222**
Employees of joint ventures [3]	4,621	6,691
Number of external agency staff at year end	38,639	38,546
Full-time equivalents (FTEs) [2]		
Express	70,271	48,652
Mail	42,777	42,691
Other networks	1,182	1,206
Non-allocated	229	424
Total year average	**114,459**	**92,973**
FTEs of joint ventures [2,3]	4,000	5,368

1 — Comparative figures of Express and Other networks are adjusted
2 — Including temporary employees on our payroll.
3 — These numbers represent all employees and FTEs in the joint ventures.

At the end of 2007, 4,621 people (2006: 6,691) were employed by joint ventures, of whom 2,674 (2006: 4,824) were on the payroll of Dutch companies, primarily Postkantoren B.V. and 1,947 (2006: 1,867) were on the payroll of companies outside the Netherlands.

Apart from the headcount of employees the labour force is also expressed in full-time equivalents (FTE's) based on the hours worked divided by the local standard. In 2007 the average number of FTE's in the Mail division was 42,777. The expansion of European Mail Networks mainly in Germany and the UK resulted in an increase of around 1,240 FTE's which was partly offset by the decrease in Mail Netherlands of around 1,135 FTE's resulting from efficiency initiatives.

The average number of FTE's in the Express division as at 31 December 2007 was 70,271 being an increase of 44.4% compared to 2006. This is mainly due to the new acquisitions of Hoau and Mercúrio in 2007.

Remuneration of members of the Supervisory Board

Over 2007, the accrued remuneration of the current members of the Supervisory Board, excluding VAT, amounted to €561,063 (2006: 556,000). The remuneration of the individual members of the Supervisory Board is set out in the table below:

Supervisory Board compensation	Base compensation	Other payments [1]	Total renumeration
J.H.M. Hommen	60,000	23,000	83,000
R.J.N. Abrahamsen	45,000	8,500	53,500
J.M.T. Cochrane [2]	25,714	2,000	27,714
R. Dahan	45,000	7,500	52,500
V. Halberstadt	45,000	11,500	56,500
M. Harris [3]	22,500	4,500	27,000
G. Kampouri Monnas	45,000	10,000	55,000
R. King	45,000	5,000	50,000
W. Kok	45,000	9,500	54,500
S. Levy	45,000	7,500	52,500
R.W.H. Stomberg	45,000	7,000	52,000
Total	**468,214**	**96,000**	**564,214**

(in €)
1 — Payments relating to number of Supervisory Board committee meetings attended.
2 — J.M.T. Cochrane resigned on 26 July 2007
3 — M.Harris was appointed on 20 April 2007

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 2007 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

In the paragraphs below the 2007 values of each of these remuneration elements will be reported per member of the Board of Management.

Total remuneration

In 2007, the remuneration, including pension and social security contributions, of the current members of the Board of Management amounted to €9,198,005 (2006: 7,181,572). Included in this amount is an amount of €970,551 which represents the cost of the waived portion of the granted performance shares which under IFRS 2 Share-based payment qualify as an accelerated vesting for which the amount that otherwise would have been recognised for services received over the remainder of the vesting period, is recognised immediately.

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

Remuneration Board of Management	Base salary	Other periodic paid compensation [1]	Accrued short term incentive	Accrued long term incentive (excluding waiver)	Pension related costs	Total 2007 (excluding waiver)
Peter Bakker	900,000	119,858	770,876	438,235	125,883	**2,354,852**
Henk van Dalen [2]	600,000	530,227	462,134	128,195	403,324	**2,123,880**
Harry Koorstra	600,000	107,503	519,891	221,197	117,865	**1,566,456**
Marie-Christine Lombard	600,000	471,840	511,327	323,099	276,000	**2,182,266**
Total	**2,700,000**	**1,229,428**	**2,264,228**	**1,110,726**	**923,072**	**8,227,454**

(in €)
1 — Includes company costs related to tax and social security, company car and other costs. It also includes annual salary allowances made as compensation for the change in pension system to Peter Bakker of €56,000; Harry Koorstra of €51,000 and Henk van Dalen of €51,000.
2 — Employed as per 1 April 2006; The other paid compensation include the second instalment of €325,000 of the total compensation of €1,300,000 for the loss of long term incentive rights at his former employer. The pension related costs include the second 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.

Remuneration Board of Management	Total 2007 (excluding waiver)	Waiver of granted shares 2007	Total 2007 (including waiver)	Total 2006
Peter Bakker	**2,354,852**	358,617	**2,713,469**	2,177,624
Henk van Dalen	**2,123,880**	203,978	**2,327,858**	1,544,919
Harry Koorstra	**1,566,456**	203,978	**1,770,434**	1,450,604
Marie-Christine Lombard	**2,182,266**	203,978	**2,386,244**	2,008,425
Total	**8,227,454**	**970,551**	**9,198,005**	**7,181,572**

(in €)

Base salary

Base salary for the members of the Board of Management has been unchanged since 2004 and amounted to €900,000 for the CEO and €600,000 for the Board members. To underline its understanding of the measures requested from employees in connection with further planned cost reductions at TNT Post Netherlands, the Board of Management decided not to accept a proposed 5% increase of the base salary as of 1 January 2007.

Variable compensation

In the table below the total variable compensation in 2007 excluding the waived portion of the granted 2007 performance shares to the members of the Board of Management is expressed as a percentage of base salary.

Percentage variable compensation Board of Management	Accrued short term incentive	Accrued long term incentive (excluding waiver)	Total variable compensation	as % of base pay
Peter Bakker	770,876	438,235	1,209,111	134%
Henk van Dalen	462,134	128,195	590,329	98%
Harry Koorstra	519,891	221,197	741,088	124%
Marie-Christine Lombard	511,327	323,099	834,426	139%
Total	**2,264,228**	**1,110,726**	**3,374,954**	

(in €, except percentages)

Accrued short term incentive

Since 2002, TNT accounts for bonus payments on the basis of the accrued bonuses for the performance of the year reported. In 2007, an amount of €1,953,000 was paid to the members of the Board of Management for performance over 2006.

In 2007, both Express and Mail exceeded their economic profit targets. In 2007 the performance on earnings from continuing operations also exceeded the set target. The bonus paid out to the members of the Board is paid out in cash. Under the bonus matching plan they can invest 25% of the gross bonus amount in shares, see also below the paragraph "share matching plan".

In the table below the amount of €2,025,000 reflects the accrued bonuses for performance over 2007 and the amount of €239,228 reflects the accrued costs for the rights on matching shares that were granted in 2007, 2006, 2005 and 2004. The costs for the rights on matching shares related to the matching shares granted in 2007 for the performance over 2006, amounted for Peter Bakker to €21,668, for Harry Koorstra and Marie-Christine Lombard €14,445 and for Henk van Dalen €12,134. The costs are determined by multiplying the number of matching shares with the share price on the date of grant corrected for the expected dividend yield during the vesting period and taking into account statistical evidence of non-market conditions which value then subsequently is amortised over the vesting period.

The 2007 accrued short term incentive amounts for the members of the Board of Management are accrued as set out below:

Accrued short term Incentive Board of Management	Accrued for 2007 performance [1]	as % of base pay	Accrued for matching shares [2]	**Accrued for short term incentive**	as % of base pay
Peter Bakker	675,000	75%	95,876	770,876	86%
Henk van Dalen	450,000	75%	12,134	462,134	77%
Harry Koorstra	450,000	75%	69,891	519,891	87%
Marie-Christine Lombard	450,000	75%	61,327	511,327	85%
Total	**2,025,000**		**239,228**	**2,264,228**	

(in €, except percentages)
1 — The level of short term incentive is maintained at policy level but the actual pay-out is capped at last years' level.
2 — Includes costs for matching shares granted in 2007 and previous years.

Share matching plan

In 2007, the short term incentive related to the realisation of targets over 2006 for the Board of Management amounted to €1,953,000 (2006: 1,772,279). This amount (€1,953,000) was paid in cash, taking into account applicable taxes and social security contributions. Of the net amount received, an amount equal to 25% of the gross bonus (€488,250) was used by the Board members to purchase TNT-shares. The number of purchased 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 shares are retained for a period of three years, the company will match the amount of these 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. These bonus shares are held in a trust by TNT's share administrator.

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

Bonus-related matching rights Board of Management	Year	Number of matching rights on shares: Outstanding 1 Jan 2007	Granted during 2007	Vested during 2007	Forfeited during 2007	Outstanding 31 Dec 2007	Remaining years in contractual life
Peter Bakker	2005	8,211				8,211	0.3
	2006	4,159				4,159	1.3
	2007		5,213			5,213	2.3
Henk van Dalen	2007		2,919			2,919	2.3
Harry Koorstra	2004	2,602		2,602			
	2005	5,474				5,474	0.3
	2006	3,043				3,043	1.3
	2007		3,476			3,476	2.3
Marie-Christine Lombard	2005	4,562				4,562	0.3
	2006	3,043				3,043	1.3
	2007		3,476			3,476	2.3
Total		**31,094**	**15,084**	**2,602**	**0**	**43,576**	

In 2007, the average price on vesting for matching shares was €32.38.

Accrued long term incentive

The maximum numbers of options that can vest are disclosed in this report and amount to 150% of base allocation of share options for 2004. The maximum number of performance shares that can vest are disclosed in this report and amount to 120% of base allocation of performance shares granted in 2004, 2005 and 2006 and to 150% of base allocation of performance shares granted in 2007. In the table below the total costs of the total share options and rights on performance shares excluding the waived portion of the granted 2007 performance shares granted to the members of the Board of Management are expressed as a percentage of base salary.

Accrued long term incentive Board of Management	Share options granted in 2004	Rights on performance shares granted in 2004-2007 [1]	**Accrued long term incentive (excluding waiver)**	as % of base pay
Peter Bakker	25,810	412,425	438,235	49%
Henk van Dalen		128,195	128,195	21%
Harry Koorstra	12,905	208,292	221,197	37%
Marie-Christine Lombard	12,905	310,194	323,099	54%
Total	**51,620**	**1,059,106**	**1,110,726**	

(in €, except percentages)
1 – Excluding the waived portion of the granted shares.

The costs of the granted performance shares in 2007 excluding the waived portion of the granted performance shares amounted for Peter Bakker to €88,871, for Henk van Dalen, Harry Koorstra and for Marie-Christine Lombard to €46,511. The cost 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 taking into account statistical evidence of non-market conditions which value then subsequently is amortised over the vesting period.

Vesting of the long term incentive

The vesting of the number of share options and the performance shares depends on the company's performance on total shareholder return. TNT's relative total shareholder return over the period from 1 January 2005 through 31 December 2007 governs the vesting of performance share grant of 2005. TNT's relative total shareholder return over the period from 4 May 2006 through 3 May 2009 governs the vesting of the performance share grant of 2006. TNT's relative total shareholder return over the period from 4 May 2007 through 3 May 2010 governs the vesting of the performance share grant of 2007.

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 2007.

		Performance shares	
Pro forma vesting according to TSR performance schedules	Year [1]	Vesting % of base allocation	Vesting as per 31 Dec 2007
Peter Bakker	2005	75%	29,094
	2006	75%	20,039
	2007	52%	12,922
Henk van Dalen	2006	75%	10,020
	2007	52%	6,763
Harry Koorstra	2005	75%	14,547
	2006	75%	10,020
	2007	52%	6,763
Marie-Christine Lombard	2005	75%	14,547
	2006	75%	22,520
	2007	52%	6,763
Total			**153,998**

1 – For 2005 total shareholder return is fixed, vesting will take place in 2008.

Long term incentive/performance share plan

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

Rights on performance shares Board of Management	Year	Number of rights on performance shares: Outstanding 1 Jan 2007	Granted during 2007	Vested during 2007	Forfeited / waived [1] during 2007	Outstanding 31 Dec 2007	Remaining years in contractual life
Peter Bakker	2004	10,846		10,846			
	2005	46,550			17,456	29,094	0.3
	2006	32,062				32,062	1.3
	2007		62,344		25,069	37,275	2.3
Henk van Dalen	2006	16,032				16,032	1.3
	2007		33,767		14,259	19,508	2.3
Harry Koorstra	2004	5,423		5,423			
	2005	23,275			8,728	14,547	0.3
	2006	16,032				16,032	1.3
	2007		33,767		14,259	19,508	2.3
Marie-Christine Lombard	2004	5,423		5,423			
	2005	23,275			8,728	14,547	0.3
	2006	36,032				36,032	1.5
	2007		33,767		14,259	19,508	2.3
Total		**214,950**	**163,645**	**21,692**	**102,758**	**254,145**	

1 – For the grant year 2007 these represent the waived portion of the granted rights, respectively Peter Bakker for 25,069 shares and the other board members for 14,259 each.

In 2007 the average price on vesting for performance shares for the members of the Board of Management was €32.38.

Long term incentive/share option plan

The table below summarises the status of the number of outstanding options of TNT's ordinary shares granted to the Board of Management.

Options Board of Management	Year	Number of options: Outstanding 1 Jan 2007	Exercised during 2007	Forfeited during 2007	Outstanding 31 Dec 2007	Amounts in €: Exercise price	Share price on exercise date	Remaining years in contractual life
Peter Bakker	2004	60,000	60,000			18.44	31.37	
Harry Koorstra	2004	30,000	30,000			18.44	32.34	
Marie-Christine Lombard	2004	30,000			30,000	18.44		4.3
Total current members		**120,000**	**90,000**		**30,000**			
Dave Kulik	2003	9,000	9,000			13.85	33.83	
	2004	30,000	30,000			18.44	33.82	
Total former members		**39,000**	**39,000**					
Total		**159,000**	**129,000**		**30,000**			

Pensions

Peter Bakker, Harry Koorstra and Henk van Dalen are participants in a defined benefit scheme, which provides an annual benefit of 70% of pensionable salary, assuming 35 years of service. Marie-Christine Lombard participates in a defined contribution pension scheme. The pensionable age of all members of the Board of Management is 65 years.

Performance share plan management

The performance share scheme is an equity-settled plan with annual grants. Participants will be granted a conditional right over a 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 their future contribution to the company.

Participants will become owner of the shares after a period of three years (vesting period). The plan includes market based vesting conditions such that the number of shares is dependent on TNT's Total Shareholder Return (TSR) performance relative to certain other stock indices. These conditions are included in the calculation of the fair value at grant date. This plan is similar to the stock option plan as described below with the only difference that the exercise price of performance shares is equal to zero.

- Performance shares were granted in May 2007 to about 773 TNT managers at a fair value of €17.03. These grants were part of the policy of granting rights on performance shares each year to eligible members of senior management from 2005 onwards.
- Shares will become unconditional after the third anniversary of the grant.
- 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 2007 is stated below.

Rights on performance shares management	Year	Number of rights on performance shares: Outstanding 1 Jan 2007	Granted during 2007	Vested during 2007	Forfeited during 2007	Outstanding 31 Dec 2007	Remaining years in contractual life
Management	2005	777,530		25,640	305,885	446,005	0.3
	2006	593,608		11,903	49,560	532,145	1.3
	2007		1,060,356	298	16,854	1,043,204	2.3
Total		**1,371,138**	**1,060,356**	**37,841**	**372,299**	**2,021,354**	

In 2007 the average price on vesting for performance shares for the management was €32.11.

Option plan management

No options were granted in 2007. In 2005 the option plan was replaced by the performance share scheme.

The number of options granted in each of the three years that will ultimately be eligible for exercise is dependent on TNT's total shareholder return relative to a peer group of direct competitors and a peer group of AEX companies.

Option rights were granted in accordance with the management option plan, which is approved by the Supervisory Board. This plan sets out the procedures for share option grants in more than 40 countries around the world.
The significant aspects of the plan are:

- options are granted at the average market price as traded on the Euronext Amsterdam on the date the grant is made (2004: €18.44/share),
- for options granted in 2003 and 2004 the option is exercisable between the third and eighth anniversary of the day of grant; after eight years the outstanding options are forfeited,
- for options granted prior to 2003 the option is exercisable between the third and fifth anniversary of the day of grant; after five years the outstanding options are forfeited,
- the option holder retains the right to exercise his/her option when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death), and
- the option holder loses the right to exercise his/her option when he/she leaves the company for reasons other than those mentioned above.

The exercise of options is subject to the TNT rules concerning Inside information.

Statements of changes of outstanding options

The table below includes the outstanding options of the Board of Management and former members of the Board of Management, as well as eligible members of senior managers in the current TNT group. All options granted entitle the holder of the allotment of ordinary shares when they are exercised and are equity settled.

		Number of options				Amounts in €		
Statement of changes of outstanding options	Year	Outstanding 1 Jan 2007	Exercised during 2007	Forfeited during 2007	Outstanding 31 Dec 2007	Exercise price	Share price on exercise date	Remaining years in contractual life
Board of Management	various	159,000	129,000		30,000			
Management	2002	51,879	17,593	34,286		22.24	34.34	
	2003	163,527	83,793	150	79,584	13.85	32.64	3.1
	2003	6,300	3,300		3,000	14.51	34.16	3.4
	2004	1,282,536	934,163	7,344	341,029	18.44	32.18	4.3
Total		**1,663,242**	**1,167,849**	**41,780**	**453,613**			

	2007		2006	
Historic overview outstanding options	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at beginning of year	**1,663,242**	18.08	**7,296,048**	17.63
Discontinued operations			(1,747,868)	17.77
Exercised	(1,167,849)	32.27	(1,825,112)	27.37
Forfeited	(41,780)	21.54	(2,059,826)	16.38
Balance at end of year	**453,613**	17.61	**1,663,242**	18.08
Exercisable at 31 December	453,613	17.61	225,456	15.80

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 2003, 2004, 2005, 2006 and 2007 bonus in cash and can convert 25% as a grant of TNT shares with an associated matching right in 2007 (75,498), 2006 (67,107), 2005 (121,345), 2004 (107,710) and in 2003 (54,405) if at least 50% of the shares are kept for three years. The company sees the bonus/matching plan as part of the remuneration package for the members of its top management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. The rights on bonus and matching shares are granted in accordance with the bonus/matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- the grant of the right on bonus shares is in lieu of 25% of an individual's annual bonus payment, and bonus shares are delivered shortly after the right is granted,
- 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 (2007: €32.37/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 to 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 above,

The exercise of the rights on matching shares is subject to the TNT rules concerning Inside information that apply to TNT's company. 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:

		Number of matching rights on shares				
Bonus connecting matching rights Management	Year	Outstanding 1 Jan 2007	Granted during 2007	Vested or forfeited during 2007	Outstanding 31 Dec 2007	Remaining years in contractual life
Management	2004	73,271		73,271		
	2005	86,776		5,550	81,226	0.3
	2006	65,896		3,559	62,337	1.3
	2007		75,498	2,170	73,328	2.3
Total		**225,943**	**75,498**	**84,550**	**216,891**	

In 2007 the average price on vesting for matching shares for the management was €33.15.

Fair value assumptions and hedging

TNT's share based plans have been measured using the Monte Carlo fair value measurement method. Significant assumptions used in TNT's calculations are as follows:

	2007	2006	2005
Share price (in €)	32.28	30.05	20.71
Volatility (%)	19.30	20.89	28.35
Vesting period (in years)	3	3	3
Risk free rate (%)	4.33	3.60	2.39
Dividend yield (%)	2.48	2.29	3.13

As of 4 May 2007, the 2007 grant date, the fair value of the matching shares awarded was €29.88 and the fair value of the performance shares awarded was €17.03.

As of 5 May 2006, the 2006 grant date, the fair value of the matching shares awarded was €28.13 and the fair value of the performance shares awarded was €18.64. As of 27 April 2005, the 2005 grant date, the fair value of the matching shares was €18.62 and of TNT's performance shares awarded was €14.11.

TNT manages its risk in connection with the obligations the company has under the existing share and option plans by purchasing shares in the market. In 2007, TNT purchased no shares for hedging purposes.

At 31 December 2007, TNT held a total of 1,716,060 shares to cover share and options schemes (2006: 2,884,441).

20 Depreciation, amortisation and impairments: 349 million (2006: 318)

Impairment costs for property, plant and equipment of €5 million (2006: 5) are included in the depreciation expense. The impairment charges relate to the assets of the UK Parcel contract in the Mail division.

Year ended at 31 December	2007	2006
Amortisation of other intangibles	73	63
Depreciation and impairment property, plant and equipment	276	255
Total	**349**	**318**

(in € millions)

21 Other operating expense: 714 million (2006: 578)

The other operating expenses largely relate to Express for €320 million (2006: 274) and Mail for €373 million (2006: 291). The other operating expenses consist of IT communication, office cost, travel and training expense, consulting and other shared services cost.

Included within other operating expenses are costs incurred for services provided by TNT's group statutory auditors, PricewaterhouseCoopers Accountants N.V.

In 2006 approximately €7 million was related to discontinued business.

In 2007, fees for audit services included the audit of TNT's annual financial statements, 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 employee benefit plan audits, 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 financial risk management reviews and audit of corporate sustainability reports.

The fees can be divided into the following categories:

Year ended at 31 December	2007	2006
Audit fees	9	14
Audit related fees	3	9
Tax advisory costs	0	0
Other fees	1	0
Total	**13**	**23**

(in € millions)

22 Net financial income and expenses: -94 million (2006: -47)

Year ended at 31 December	2007	2006
Interest and similar income	85	188
Fair value change fair value hedges	3	11
Fair value change of financial assets through profit and loss	9	
Total interest and similar income	**97**	**199**
Interest and similar expenses	(184)	(235)
Fair value change cashflow hedge recycled to profit and loss	(1)	
Fair value change fair value hedges	(3)	(11)
Net foreign exchange losses	(3)	
Total interest and similar expenses	**(191)**	**(246)**
Net financal expenses	**(94)**	**(47)**

(in € millions)

Interest and similar income

Interest and similar income in 2007 of €97 million (2006: 199) mainly relates to interest income on banks, loans and deposits of €69 million (2006: 109) of which €58 million (2006: 93) relates to a gross up of interest on cash pools (fully offset by an equal amount in interest expenses), interest on taxes of €5 million (2006: 1) and interest on foreign currency hedges of €5 million (2006: 15) and financial income on funding the discontinued business of €1 million (2006: 73).

The change of the fair value hedge of €3 million positive relates to the short term €500 million interest rate swaps which is offset by the fair value change of €3 million negative on the 5.125% Eurobond 2008, see note 14.

The fair value change of the financial assets through profit and loss relates to the remeasurement of the equity stake, see note 3.

Interest and similar expenses

Interest and similar expenses in 2007 of €191 million mainly relate to interest expense on bank overdrafts and bank loans of €79 million, (2006: 117) of which €58 million (2006: 93) relate to a gross up of interest on cash pools (fully offset by an equal amount in interest income), interest expenses on long term borrowings of €75 million (2006: 52), interest on foreign currency hedges of €18 million (2006: 31), interest on taxes €6 million (2006: 21) and interest on funding the discontinued business of €0 million (2006: 21).

23 Income taxes: 316 million (2006: 395)

Income taxes in the statements of income of 2007 amount to €316 million (2006: 395), or 28.8% (2006: 32.3%) of income before income taxes.

Year ended at 31 December	2007	2006
Dutch statutory income tax rate:	25.5	29.6
Adjustment regarding effective income tax rates other countries	2.6	0.8
Permanent differences:		
Non and partly deductible costs	1.0	1.5
Exempt income	(0.4)	(0.7)
Other	0.1	1.1
Effective income tax rate	**28.8**	**32.3**

(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 2007, the effective income tax rate was 28.8% (2006: 32.3%), which is higher than the statutory corporate income tax rate of 25.5% in the Netherlands (2006: 29.6%). This is due to several permanent differences such as non-deductible costs, exempt income and the effect of different statutory tax rates in countries outside the Netherlands. The line "other" in 2007 includes a positive impact of 6.4% relating to the recognition of deferred tax assets for loss carry forward positions that were previously unrecognised. TNT was able to recognise these assets based on improvements in actual and projected future results, now enabling the group to substantiate that recoverability of the assets is probable. This effect was partly balanced by the adverse effect of 3.5% of losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets. In addition, the line "other" includes a net adverse impact of 2.2% on TNT's deferred tax position caused by a decrease of statutory tax rates in several countries. The remaining "other" of 0.8% consists of a total of several smaller effects.

The following table shows the movements in deferred tax assets:

Income tax expense consists of the following:

Year ended at 31 December	2007	2006
Current tax expense	269	396
Changes in deferred taxes (excluding acquisitions/foreign exchange effects)	47	(1)
Total income taxes	**316**	**395**

(in € millions)

In 2007, the current tax expense amounted to €269 million (2006: 396). The difference between the total income taxes in the statements of income and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

The income tax receivable at 31 December 2007 amounts to €35 million (2006: 8) and the income tax payable amounts to €69 million (2006: 280). In 2007 TNT paid income taxes for an amount of €492 million (2006: 282) of which €166 million related to prior years.

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2005	**18**	**6**	**71**	**93**	**188**
Transfers to assets held for sale			(1)	(2)	(3)
Changes charged directly to equity				15	15
Changes via statements of income	14	2	(6)	(1)	9
(De)consolidation/foreign exchange effects			(1)	3	2
Deferred tax assets at 31 December 2006	**32**	**8**	**63**	**108**	**211**
Reclassifications	(3)	(6)	(1)	(11)	(21)
Changes charged directly to equity				(5)	(5)
Changes via statements of income	(2)	5	46	(29)	20
(De)consolidation/foreign exchange effects			(1)	(1)	(2)
Deferred tax assets at 31 December 2007	**27**	**7**	**107**	**62**	**203**

(in € millions)

For deferred tax assets an amount of €10 million (2006: 14) is to be recovered within 12 months and an amount of €193 million is to be recovered after 12 months (2006: 197).
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 fiscal authority.

Out of the total "other" deferred tax assets of €62 million (2006: 108) an amount of €40 million (2006: 61) relates to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2007 amounted to €720 million (2006: 689). With these losses carried forward, future tax benefits of €203 million could be recognised (2006: 221). 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 expiry of tax losses carried forward and projected future income. As a result TNT has not recognised €96 million (2006: 158) of the potential future tax benefits and has recorded deferred tax assets of €107 million at the end of 2007 (2006: 63).

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

2008	9
2009	9
2010	18
2011	25
2012 and thereafter	261
Indefinite	398
Total	**720**

(in € millions)

The following table shows the movements in deferred tax liabilities:

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2005	**153**	**62**	**18**	**233**
Transfers to liabilities related to assets held for sale			(2)	(2)
Changes via statements of income	(8)	3	13	8
(De)consolidation/foreign exchange effects			1	1
Deferred tax liabilities at 31 December 2006	**145**	**65**	**30**	**240**
Reclassifications	(3)	7	(25)	(21)
Changes via statements of income	58	12	(3)	67
(De)consolidation/foreign exchange effects		3	9	12
Deferred tax liabilities at 31 December 2007	**200**	**87**	**11**	**298**

(in € millions)

For deferred tax liabilities an amount of €44 million (2006: 19) is to be settled within 12 months and an amount of €254 million (2006: 221) is to be settled after 12 months.

Notes to the consolidated cash flow statements

24 Net cash from operating activities (continuing operations): 643 million (2006: 857)

The net cash from operating activities decreased by €214 million from €857 million in 2006 to €643 million in 2007. The non-cash transactions in the cash flow statements 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 €1,338 million in 2006 to €1,313 million in 2007. In 2007 profit before income taxes contributed €1,099 million and €1,448 million if adjusted for the non-cash impact of depreciation, amortisation and impairments. This is €93 million lower compared to 2006 (2006: 1,541).

The changes in pension liabilities of €179 million compared to 2006 (2006: 124) reflects the total non-cash pension charge for the defined benefit pension schemes of €45 million (2006: 120) and TNT's total cash contributions to various pension plans of €212 million (2006: 243) reflecting the increased solvency of TNT's pension fund and a reduced number of eligible employees.

In 2007, the net working capital increased by €77 million compared 2006. The increase is mainly a result of organic growth and acquisitions within the Express and EMN business.

Interest paid

The total cash out flow for interest paid in 2007 is €178 million (2006: 199). In 2007 interest paid mainly includes interest on TNT's long term borrowings of €67 million (including financial leases of €12 million and long term interest derivatives of €6 million) (2006: 53), interest payments of €79 million relating to short term debt (of which €58 million (2006: 89) is a gross up due to cash pools which is offset in the interest received), realised interest on foreign currency hedges of €17 million (2006: 17), and interest paid on taxes of €11 million (2006: 7).

Taxes paid

The cash outflow of the total tax payments increased by €210 million from €282 million in 2006 to €492 million in 2007, of which €166 million related to prior years.

25 Net cash used in investing activities (continuing operations): -8 million (2006: 1,068)

Acquisition of group companies (net of cash)

In 2007, the total payments net of cash for acquisitions of group companies amounted to €287 million (2006: 89). The most significant acquisitions in 2007 related to the Express division (€264 million), among others, the acquisitions of Mercúrio Expresso SA (€147) and Hoau (€114).
Mail acquired for a total amount of €23 million mainly related to Regio-ES GmbH and Mail Express Gmbh, see note 28.

Investments in associates

The cash paid for investments in associated companies of €29 million primarily related to additional funding for Logispring Investment Fund Holding B.V.

Disposal of group companies and joint ventures

During 2007, the freight management business has been sold resulting in cash proceeds of €486 million.

Capital expenditure on intangible assets and property, plant and equipment

In 2007, capital expenditures on property, plant and equipment amounted to €272 million (2006: 277). This is excluding the purchase of a Boeing 747 of €110 million which is funded by means of a finance lease. Of this amount, €197 million (2006: 198) related to Express, €73 million (2006: 74) to Mail and €2 million (2006: 5) to other. The capital expenditures on intangible assets of €97 million (2006: 103) mostly related to software. In 2007, capital expenditures were funded primarily by cash generated from operations.

Proceeds from sale of property, plant and equipment and intangible assets

Proceeds from the sale of property, plant and equipment in 2007 totalled €85 million (2006: 65), which mainly related to the sale of several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (totalling €57 million) and buildings and equipment from the joint venture Postkantoren B.V. (€5 million) in the Mail segment and equipment in the Express operations (€19 million).

Interest received

In 2007 interest received amounted to €85 million (2006: 111). In 2007 interest received mainly includes interest relating to short term deposits of €69 million (2006: 101) of which €58 million (2006: 89) is a gross up due to cash pools which is offset in the interest paid), realised interest on foreign currency hedges of €5 million (2006: 6) and interest received on taxes of €5 million (2006: 0).

26 Net cash used in financing activities (continuing operations): -635 million (2006: -2,152)

Repurchases of shares

Under TNT's share buy-back programme announced on 6 November 2006 TNT purchased 3.3 million of its ordinary shares in 2007 for an amount of €113 million. In addition, €6 million has been paid in 2007 for ordinary shares purchased in 2006. Under TNT's share buy-back programme announced on 20 April 2007 the company purchased 12.6 million of its ordinary shares in 2007 for an amount of €400 million. Under TNT's share buy-back programme announced on 30 July 2007 the company purchased 7.0 million ordinary shares in 2007 for an amount of €194 million, of which €3 million relates to the purchase during the last days of 2007 and is to be paid in 2008.

In addition to the share buy-back programmes the company purchased no ordinary shares in 2007 to cover TNT's obligations under the existing management option plans and share grants.

TNT received cash payments of €29 million (2006: 52) for the exercise of employee stock options in 2007. This decrease is due to the accelerated vesting of options of the Logistics participants in 2006.

Proceeds from and Repayments to long term borrowings

The total proceeds on long term borrowings mainly relate to TNT's new issued 5.375% Bond 2017 with proceeds of €645 million and the new acquired long term bank loans of €14 million. The Bond has a nominal value of €650 million and the cash receipt of €645 million is due to the issuance of the Bond under par and related fees. The total repayments of €20 million (2006: 53) mainly relates to repayments of long term bank loans. The majority of these loans have been acquired through the Mercúrio acquisition.

Proceeds from and Repayments to short term borrowings

The total proceeds on short term borrowings relate to new acquired short term bank debt of €99 million (2006: 328). The total repayments mainly relate to repayments on TNT's commercial paper programme of €287 million and to repayments of short term bank debt of €45 million (2006: 161).

Repayments to finance leases

The total repayments relate to redemptions on the two Boeing 747's of €10 million (2006: 4) and to redemptions on other lease contracts of €9 million (2006: 6).

Dividends paid

A final cash dividend over 2006, amounting to €183 million or €0.47 per ordinary share and a cash interim dividend for 2007 of €115 million or €0.30 per ordinary share were paid in 2007.

Financing related to TNT's discontinued operations

In 2007 the net cash flow used in financing TNT's discontinued freight management business amounted to €18 million (2006: 276).

27 Reconciliation to cash and cash equivalents

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the balance sheet.

Year ended at 31 December	2007	variance %	2006
Cash at the beginning of the year	**326**	(50.8)	**663**
Cash from divested businesses	(29)		(48)
Exchange rate differences	(3)		(5)
Total change in cash (as in consolidated cash flow statements)	1		(284)
Cash at the end of the year	**295**	(9.5)	**326**
of which dicontinued business	0		(29)
Cash at the end of the year as reported	**295**	(0.7)	**297**

(in € millions, except percentages)

Additional notes

28 Business combinations

(No corresponding financial statement number)

Summary of principal acquisitions in the year 2007

Company name	Segment	Month acquired	% owner	Acquisition Cost	Goodwill on Acquisition
Expresso Mercúrio S.A.	Express	January	100%	148	135
Huayu Hengye Logistics Company Limited	Express	March	100%	136	97
Regio — ES GmbH Private Briefbeförderung	Mail	January	100%	6	5
Mail Express GmbH	Mail	December	100%	4	4
Other acquisitions (including some remaining shares)				20	15
Total				**314**	**256**

(in € millions)

Goodwill arising from the acquisitions of interest in newly acquired group companies and from extending TNT's interest in group companies amount to €256 million (2006: 99). The total acquisition costs amount to €314 million (2006: 110) of which €287 million was paid in cash (2006: 89). The acquisition costs of €314 million also include an amount of €12 million of acquired cash and an amount of €15 million to be paid as at 31 December 2007 being the contingent consideration.

The larger acquisitions in 2007 relate to Expresso Mercúrio S.A. (Mercúrio) and Huaya Hengji Logistics Company LIM (Hoau). On these acquisitions an amount of goodwill of €232 million was recognised.

TNT acquisitions in 2007 have generally centred on addressing TNT's long term strategic plans. The main factors that contributed to a cost that resulted in the recognition of goodwill are summarised below:

- Mercúrio is market leader in the Brazilian domestic express market and provides TNT with a platform to further develop an integrated South American road express network. Combining Mercúrio's domestic road network with TNT's international air and road network capacity is an embodiment of TNT's focus on networks strategy.
- Acquiring Hoau is at the core of TNT's strategic focus on integrated domestic and international networks and it enables the company to link China to TNT's Asian road network.

The pre-acquisition balance sheets and the opening balance sheets of the acquired businesses is summarised in the table below:

	Pre-acquisition balance sheets (unaudited)	Acquisitions
Goodwill	4	260
Other non-current assets	38	101
Total non-current assets	42	361
Total current assets	53	54
Total assets	**95**	**415**
Equity	8	312
Non-current liabilities	47	62
Current liabilities	40	41
Total liabilities and equity	**95**	**415**

(in € millions)

Other non-current assets include an amount of approximately €65 million relating to separately identified intangible assets.

Acquiree's results

The total acquiree's net income attributable to shareholders accounted within TNT, since acquisition date, amounts to -€16 million. This relates to Mercúrio for an amount of -€9 million, Hoau for an amount of -€6 million and to other acquisitions for an amount of -€1 million.

	Expresso Mercúrio S.A.		Huayu Hengye Logistics Company Limited	
	Pre-acquisition balance sheets (unaudited)	Acquisition	Pre-acquisition balance sheets (unaudited)	Acquisition
Goodwill	0	135	0	97
Other non-current assets	26	61	11	37
Total non-current assets	26	196	11	134
Total current assets	26	26	13	14
Total assets	**52**	**222**	**24**	**148**
Equity	(12)	143	13	137
Non-current liabilities	46	61	1	1
Current liabilities	18	18	10	10
Total liabilities and equity	**52**	**222**	**24**	**148**

(in € millions)

Pro-forma results

The following represents the pro-forma results of TNT for 2007 as if these acquisitions had taken place on 1 January 2007. These pro-forma results do not necessarily reflect the results that would have arisen had these acquisitions actually taken place on 1 January 2007, nor are they necessarily indicative of the future performance of TNT. This calculation also includes the impact of amortisation of identified intangible assets.

Year ended at 31 December	Pro-forma results (unaudited) 2007	As reported 2007
Total revenues	11,071	11,017
Profit for the period from continuing operations	777	783
Profit attributable to the equity holders of the parent	979	986
Earnings per ordinary share (in € cents)	255.6	257.4
Earnings per diluted ordinary share (in € cents)	254.2	256.1

(in € millions, except per share data)

29 Commitments and contingencies

(No corresponding financial statement number)

At 31 December	2007	2006
Commitments relating to:		
Financial guarantees	227	211
Operating guarantees	218	137
Rent and operating lease	959	909
Capital expenditure	42	150
Repurchases own shares	6	113
Purchase commitments	80	58

(in € millions)

Of the total commitments indicated above, €528 million are of a short term nature (2006: 662).

Financial and operating guarantees

Total guarantees at 31 December 2007 were €445 million (2006: 348). Of these guarantees, TNT issued corporate guarantees up to the amount of €295 million (2006: 183). Banks and other financial institutions issued guarantees up to the amount of €150 million (2006: 165). The obligations under the bank guarantees have been secured by the company or its subsidiaries.

Of the amount of €445 million, financial guarantees amounted to €227 million (2006: 211) and were mainly issued in connection with TNT's obligations under lease contracts, custom duty deferment, airline cargo services, credit lines and insurance contracts. Operating guarantees amounted to €218 million (2006: 137) and were mainly issued in connection with mailing and other service performance contracts.

Rent and operating lease contracts

In 2007 operational lease expenses (including rental) in the consolidated statements of income amounted to €404 million (2006: 375). Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

At 31 December

Payable in the period	2007	2006
Less than 1 year	249	222
Between 1 and 2 years	208	199
Between 2 and 3 years	144	146
Between 3 and 4 years	94	102
Between 4 and 5 years	64	65
Thereafter	200	175
Total	**959**	**909**
of which guaranteed by a third party/customers	9	3

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure were €42 million (2006: 150) mainly related to property, plant and equipment of €21 million and €1 million related to intangible assets. These commitments primarily related to projects within the operations of the Express division.

Repurchases own shares

Under the first €200 million tranche of the €500 million repurchase programme, announced on 9 November 2007 (also see note 9), TNT purchased shares for a total amount of €6 million after 31 December 2007. As at 4 January 2008, TNT completed this first tranche of the €500 million repurchase programme.

Purchase commitments

At 31 December 2007 TNT had unconditional purchase commitments of €80 million (2006: 58) which were primarily related to various service and maintenance contracts. These contracts for service and maintenance related primarily to information technology, security, salary registration, cleaning and aircraft.

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.

As previously disclosed, since August 2004, TNT has been preparing an addendum to its original report to the UK tax authorities that covers UK tax matters that were not the subject of the original investigation. In 2006 TNT submitted a substantially advanced draft of available information and related tax conclusions required by the UK tax authorities and started discussions with them on these tax matters. In December 2007 a full closure has been brought to all tax investigations with the settlement of all UK tax matters with no additional liabilities beyond what had been accrued for in previous years.

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.

Subcontractor suits in France

Over the years, the authorities in France have brought several criminal and civil actions relating to TNT's Express division's French operations alleging that TNT's subcontractors or their employees should be regarded as TNT's own unregistered employees. The actions seek criminal fines or the payment of social security contributions, wage taxes and overtime payments in respect of such employees. Similar actions have been brought against TNT's competitors.

Of the cases on which the company reported in its annual report in 2006, the case that pertains to fines imposed on TNT Express International SNC and its regional operations director under a ruling by the Court of Appeal in Paris has not yet been concluded. Following a rejection of TNT's request by the French Supreme Court, the company has brought this matter to the attention of the European Court of Human Rights, which has agreed to hear the case. TNT obtained discharges of the other cases relating to subcontractors previously reported.

Liège court case

In Belgium, judicial proceedings were launched by people living around Liege airport to stop night flights and seek indemnification from the Walloon Region, Liege airport and its operators (including TNT). On 29 June 2004 the Liege court of appeal rejected the plaintiffs' claims on the basis of a substantiated legal reasoning. Thereupon, the plaintiffs lodged an appeal with the Belgian Supreme Court, which court may only examine pure points of law or procedural items. It does not examine facts. On 14 December 2006, the Supreme Court decided to postpone its rendering of a decision, and filed two pre-judicial questions with the European Court of Justice (ECJ). As a result, it may now take another year or two before the outcome of the proceedings before the Supreme Court is known. Should the Supreme Court ultimately decide to cancel the 2004 judgement, the matter will be referred to another Belgian Court of Appeal for a new exchange of briefs, pleadings and ruling.

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 inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. 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 risks in close cooperation with operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. Periodic reporting on financial risks has been embedded in the overall risk framework and has been provided to the 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 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 2007, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €2,085 million (2006: 1,566), of which €1,860 million (2006: 1,290) 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 2007, if interest rates on borrowings had been 1% higher with other variables held constant the profit before income tax would have been €3 million lower, mainly due to €500 million of outstanding interest rate swaps (see also note 31) (2006: -5). The profit before income taxes is less sensitive to interest rate movements compared to 2006 due to a decrease in short term interest bearing debt. Equity would be impacted by €36 million positive (2006: 42), due to the outstanding forward starting interest rate swaps and the USD interest rate swap(s), see 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 2007 exchange rates are shown below:

	Year end closing [1]	Annual average [2]
British pound	0.7334	0.6869
US dollar	1.4721	1.3789

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, as 'in-house-bank' trades these foreign exchange derivatives back-to-back 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 2007, if the euro had weakened 25% against the US Dollar with all other variables held constant, the profit before income tax would have been €1 million higher (2006: -35). The profit before income taxes is less sensitive to movements in EUR /USD exchange rates compared to 2006 due to the decreased USD exposure. Equity would be impacted by €4 million (2006: 5).

At 31 December 2007, if the euro had weakened 25 % against the British pound with all other variables held constant the profit before income tax would have been €1 million lower (2006: 5). The profit before income taxes is less sensitive to movements in EUR/GBP exchange rates compared to 2006 due to the decreased GBP exposure. Equity would be impacted by €1 million (2006: 2).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT enters into financial transactions are unable to fulfill 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. The utilisation of credit limits is regularly monitored. At reporting date there were no significant concentrations of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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.

TNT has the following committed facilities:

At 31 December	2007	2006
Multicurrency Revolving Credit Facility	1,000	1,000
Multicurrency Revolving Credit Facility		600
Total commited facilities	1,000	1,600

(in € millions)

The multicurrency revolving credit facility of €600 million has been terminated as this was not longer necessary, partly due to the issuance of the 5,375% Eurobond 2017 of €650 million.

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 which contain the redemptions and interest payments.

Liquidity risk schedule	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Bookvalue
Outgoing flows based on the financial liablities 2007					
Euro Bonds	729	101	101	1,271	1,656
Other loans	92	3	2	5	105
Financial leases	47	65	64	263	241
Interest rate swaps — outgoing	52	49	298	27	37
Foreign exchange contracts — outgoing	642				9
Short term bank debt	46				46
Trade accounts payable	336				336
Other current liabilities	149				149
Mitigation incoming flows based on the financial liabilities 2007					
Interest rate swaps — incoming	49	38	271	28	
Foreign exchange contracts — incoming	642				
	1,402	**180**	**194**	**1,538**	**2,579**
Outgoing flows based on the financial liablities 2006					
Euro Bonds	49	710	31	462	1,004
Other loans	336	12	2	6	340
Financial leases	20	40	41	117	158
Interest rate swaps — outgoing	41	29			23
Foreign exchange contracts — outgoing	621				6
Short term bank debt	41				41
Trade accounts payable	308				308
Other current liabilities	163				163
Assets held for sale	136				136
Mitigation incoming flows based on the financial liabilities 2006					
Interest rate swaps — incoming	26	26			
Foreign exchange contracts — incoming	621				
	1,068	**765**	**74**	**585**	**2,179**

(in € millions)

The outgoing cash flows in 2007 relating to the Eurobond of €729 million consist of the redemption of the nominal value of €646 million of the 5.125% Eurobond 2008 due at 5 December 2008. The remainder consist of interest to be paid of all the outstanding bond which occur at June, November and December

Capital structure management

It is TNT's objective when managing 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: (1) maintain a credit rating at investment grade around "BBB+ level"; (2) an availability of at least €500 million of undrawn committed facilities (via a €1,000 million euro commercial paper programme supported by a bank facility until 2012); (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 optimised cash requirements for the group and (5) a tax optimal internal and external funding focused at optimising the cost of capital for the group, within long term sustainable boundaries.

31 Financial instruments

(No corresponding financial statement number)

Summary financial instruments

The accounting policies for financial instruments have been applied to the following line items:

At 31 December	Note	Loans and receivables	Financial assets at fair value through profit and loss	Held to maturity investments	Available for sale	Total
Assets as per balance sheet 2007						
Other loans receivable	3	5				5
Other prepayments and accrued income	3	21	13			34
Accounts receivable	5	1,656				1,656
Prepayments and accrued income	6	231	5			236
Cash and cash equivalents	7	295				295
Total		**2,208**	**18**	**0**	**0**	**2,226**
Assets as per balance sheet 2006						
Other loans receivable	3	7				7
Other prepayments and accrued income	3	21	17			38
Accounts receivable	5	1,561				1,561
Prepayments and accrued income	6	224	3			227
Cash and cash equivalents	7	297				297
Assets held for sale		173				173
Total		**2,283**	**20**	**0**	**0**	**2,303**

(in € millions)

At 31 December	Note	Financial liabilities measured at amortised costs	Financial liabilities through profit and loss	Total
Liabilities as per balance sheet 2007				
Long term debt	13	1,265	29	**1,294**
Trade accounts payable		336		**336**
Other current liabilities	14	932	17	**949**
Total		**2,533**	**46**	**2,579**
Liabilities as per balance sheet 2006				
Long term debt	13	1,164	19	1,183
Trade accounts payable		308		308
Other current liabilities	14	542	10	552
Liabilities related to assets classified as held for sale		136		136
Total		2,150	29	**2,179**

(in € millions)

Eurobond

The total €1,696 million (2006: 1,046) of Eurobonds is measured at amortised cost of €1,664 million (2006: 1,015), being the nominal value corrected for the costs and issuance under par ('at a discount') that is still to be amortised. A fair value adjustment of positive €8 million (2006: 11) will adjust the amortised cost value to the book value ('carrying value') of €1,656 million (2006: 1,004). The fair value adjustment of positive €8 million (2006: 11) is mitigated by the negative €8 million (2006: -11) of fair value on the €500 million (2006: 500) of interest rate swaps outstanding for which TNT receives fixed interest and pays floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of TNT's 5.125% December 2008 Eurobond.

For the outstanding Eurobonds, see the table below:

At 31 December	Nominal value	Costs / discount to be amortised	Hedge accounting	Fair value adjustment	Carrying value	Fair value
Eurobonds 2007						
5.125% Eurobond 2008	646	1	Yes	8	637	645
3.875% Eurobond 2015	400	27	No		373	390
5.375% Eurobond 2017	650	4	No		646	688
	1,696	**32**		**8**	**1,656**	**1,723**
Eurobonds 2006						
5.125% Eurobond 2008	646	2	Yes	11	633	660
3.875% Eurobond 2015	400	29	No		371	400
	1,046	31		11	1,004	1,060

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2007.

Finance leases

Total debt on finance leases consist of financial lease contracts on buildings (depots), trucks and airplanes. The increase mainly relates to the increase in the long term portion of finance leases as a consequence of the lease of the second Boeing 747-ERF.

For the outstanding finance leases, see the table below:

At 31 December	Nominal value	Fixed / floating interest	Hedge accounting	Carrying value	Fair value
Finance leases 2007					
Boeing 747 ERF	186	floating	Yes	186	186
Other leases	55	floating / fixed	No	55	52
	241			**241**	**238**
Finance leases 2006					
Boeing 747 ERF	104	floating	Yes	104	106
Other leases	54	floating / fixed	No	54	49
	158			158	155

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2006.

Interest rate swaps

TNT has €500 million (2006: 500) of interest rate swaps outstanding for which TNT receives fixed and pays floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of TNT's 5.125% December 2008 Eurobond. Furthermore TNT has €400 million (2006: 600) of forward starting interest rate swaps outstanding that hedge the yearly future cash flow risk on the interest costs of the next to occur debt. Of the total of €1,000 million of forward starting swaps, €600 million was unwound upon issuance of the €650 million 2017 Eurobond.

In 2006 a US$154 million forward starting interest rate swap was outstanding to hedge the variability in the future interest payments on the second Boeing 747-ERF finance lease. This swap became effective upon execution of this second lease contract. At the end of 2007 TNT has US$287 million (2006: 139) of interest rate swaps outstanding for which the company receives floating US$ interest and pays 5%. These interest rate swaps act as a hedge against the cash flow interest rate risk on the floating interest component within the Boeing 747-ERF finance lease contracts.

As all forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges have been included in equity. TNT has unwound €600 million and US$154 million of outstanding forward starting interest rate swaps whereby the company paid a total market value of €4 million. Because the forward starting interest rate swaps have been designated as a cash flow hedges, the market value will stay in equity and will be straight-line amortised to income.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounts to a profit/loss of €0 million (2006: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounts to a loss of €1 million (2006: 0 million).

An overview of interest rate swaps is presented below:

At 31 December

Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value in Euro	Settlement amount in Euro
Interest rate swaps 2007								
500	No	Euro	Yes	floating	fixed	fair value	(8)	
400	Yes	Euro	Yes	fixed	floating	cash flow	1	
600	Yes	Euro	No	fixed	floating	cash flow		
139	No	USD	Yes	fixed	floating	cash flow	(2)	
148	No	USD	Yes	fixed	floating	cash flow	(4)	
154	Yes	USD	No	fixed	floating	cash flow		(3)
250	No	Euro/USD	Yes	floating	floating	cash flow	(23)	
Interest rate swaps 2006								
500	No	Euro	Yes	floating	fixed	fair value	(11)	
600	Yes	Euro	Yes	fixed	floating	cash flow	(8)	
139	No	USD	Yes	fixed	floating	cash flow	1	
152	Yes	USD	No	fixed	floating	cash flow		(5)
154	Yes	USD	Yes	fixed	floating	cash flow	(4)	

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2007 and 31 December 2006 respectively.

Foreign exchange contracts

In 2007 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 has been calculated against the relevant market rates at 31 December 2007 and 31 December 2006 respectively.

The details relating to outstanding foreign exchange contracts as per 31 December 2007 are presented below:

At 31 December

Nominal	Fair value	Hedge	Amount in equity
Foreign exchange contracts 2007			
461	5	Fair value	0
642	(9)	Fair value	0
Foreign exchange contracts 2006			
282	3	Fair Value	0
621	(6)	Fair Value	0

(in € millions)

The cash flow hedges on highly probable forecasted transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on the effective portion of the forward exchange contracts as of 31 December 2007 amount to €0 (2006: 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 amounts to a profit/loss of €0 million (2006: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounts to a profit/loss of €0 million (2006: 0 million).

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 average number of all potentially dilutive shares. At 31 December 2007 TNT had potential obligations under stock options and share grants to deliver 3,294,553 shares (2006: 4,553,308). 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 383,028,938 ordinary shares is taken into account. For calculating diluted earnings per share an average number of 385,071,986 ordinary shares is taken into account.

The following table summarises TNT's computation related to earnings per share and diluted earnings per share:

Year averages and numbers at 31 December	2007	2006
Number of issued and outstanding ordinary shares	379,224,255	422,767,601
Shares held by the company to cover share plans	1,716,060	2,884,441
Shares held by the company for cancellation	6,977,275	27,640,543
Average number of ordinary shares per year	383,028,938	420,701,641
Diluted number of ordinary shares per year	2,043,048	3,157,581
Average number of ordinary shares per year on fully diluted basis in the year	**385,071,986**	**423,859,222**

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 only significant joint venture as at 31 December 2007 is the 50% interest in Postkantoren B.V. with Postbank N.V. to operate post offices in the Netherlands.

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 31 December	2007	2006
Non-current assets	48	54
Current assets	155	182
Equity	54	56
Non-current liabilities	77	95
Current liabilities	72	85
Net sales	339	395
Operating income	15	18
Profit attributable to the shareholders	**12**	**10**
Net cash provided by operating activities	5	22
Net cash used in investing activities	(3)	(8)
Net cash used in financing activities	(13)	(14)
Changes in cash and cash equivalents	**(11)**	**0**

(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 2007, sales made by TNT companies to its joint ventures amounted to €18 million (2006: 8). Purchases of TNT from joint ventures amounted to €83 million (2006: 103). The net amounts due to the joint venture entities amounted to €65 million (2006: 58). As at 31 December 2007, no material amounts were payable by TNT to associated companies.

35 Segment information

(No corresponding financial statement number)
The presentation of segment information in the consolidated financial statements is presented from a product perspective. The Board of Management receives operational and financial information on a monthly basis which is primarily based on the different products and customer solutions TNT offers.
In addition, segment information from a geographical perspective has been presented to give an overview of the main markets. TNT distinguishes between the following three reportable segments:

- **Express business.** The Express business provides demand door-to-door express delivery services for customers sending documents, parcels and freight.
- **Mail business.** The Mail business provides services for collecting, sorting, transporting and distributing domestic and international mail.
- **Other networks business.** The Other network business provides time-critical deliveries to individually agreed delivery point for business customers during the night.

Although the Other networks business does not meet the quantitative thresholds as required by IFRS 8, management concluded that this segment should be reported, as this segment has its own network apart from the Express and Mail business and falls under the responsibility of the Chief Financial Officer.

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 arms' length.

Segmentation – results

In the table below a reconciliation is presented of the segment information relating to the income statement of the reportable segments.

Year ended at 31 December 2007	Express	Mail	Other networks	Inter-company	Non-allocated	Total
Net sales	6,434	4,197	251		3	10,885
Inter-company sales	14	11	2	(27)		
Other operating revenues	103	26	3			132
Total operating revenues	**6,551**	**4,234**	**256**	**(27)**	**3**	**11,017**
Other income	9	64	2			75
Depreciation/impairment property, plant and equipment	(163)	(108)	(2)		(3)	(276)
Amortisation/impairment intangibles	(46)	(27)				(73)
Total operating income	**599**	**626**	**11**		**(44)**	**1,192**
Net financial income/(expense)						(94)
Results from investments in associates						1
Income tax						(316)
Profit/(loss) from discontinued operations						206
Profit for the period						**989**
Attributable to:						
Minority interests						3
Equity holders of the parent						**986**
Number of employees	75,032	84,929	1,385		236	161,582

(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 items in the 2007 income statement are the restructuring charges of €110 million and the onerous contract provision of €23 million within the Mail division.

These exceptional items are non-cash movements. Other material non-cash items are the pension costs of €45 million with in Mail division (2006: 120).

In 2006 the decision was taken to divest the freight management business and in 2005 to divest the logistics business. As a consequence the discontinued business was not included in the segment information shown.

Year ended at 31 December 2006	Express[2]	Mail	Other networks[2]	Inter-company	Non-allocated	Total
Net sales	5,672	4,025	250		1	9,948
Inter-company sales	7	8	5	(20)		
Other operating revenues	79	32	1			112
Total operating revenues	**5,758**	**4,065**	**256**	**(20)**	**1**	**10,060**
Other income	4	58	2		1	65
Depreciation/impairment property, plant and equipment	(140)	(107)	(2)		(6)	(255)
Amortisation/impairment intangibles	(35)	(28)	1		(1)	(63)
Total operating income[1]	**560**	**761**	**7**		**(52)**	**1,276**
Net financial income/(expense)						(47)
Results from investments in associates						(6)
Income tax						(395)
Profit/(loss) from discontinued operations						(157)
Profit for the period						**671**
Attributable to:						
Minority interests						1
Equity holders of the parent						**670**
Number of employees	52,638	84,731	1,422		431	139,222

(in € millions, except employees)
1 — The segmenting has been adjusted for €13 million regarding the revised allocation of the non-allocated costs to Express using the actual incurred costs in 2007.
2 — Figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

In 2007, non-allocated operating costs amounted to €44 million (2006: 52). Included in these costs was €13 million (2006: 14) for business initiatives, which mainly related to investigations to optimise TNT's network strategy introduced in 2005 and costs relating to an initiative to further drive value "below the line". Costs made to support the World Food Programme (WFP) and Planet Me amounted to €10 million (2006: 8). Included in the costs for the WFP were costs for knowledge transfer, hands on support, raising awareness and funds for the WFP including cash donations. Planet Me is a TNT initiative to have an active contribution to reduce CO_2 emissions to avoid further global warming. The other costs were €21 million (2006: 30), which represent a decrease of €9 million mainly related to lower costs for tax investigations.

Year ended at 31 December

Non-allocated operating income	2007	2006
Business initiatives	(13)	(14)[1]
World Food Programme	(10)	(8)
Other costs	(21)	(30)
Total	**(44)**	**(52)**

(in € millions)
1 — The segmenting has been adjusted for €13 million regarding the revised allocation of the non-allocated costs to Express using the actual incurred costs in 2007.

Balance sheet information

Below a reconciliation is presented of the segment information relating to the balance sheet of the reportable segments.

At 31 December 2007	Express	Mail	Other networks	Non-allocated	Total
Goodwill paid in the year	236	20			256
Intangible assets	1,748	330	43	(2)	2,119
Capital expenditure on property, plant and equipment	315	73	2		390
Property, plant and equipment	1,162	609	8	6	1,785
Investments in associates	2	1		80	83
Accounts receivable	1,147	441	35	33	1,656
Total assets[1]	4,504	1,622	95	864	7,085
Total liabilities	1,483	1,113	27	2,511	5,134

(in € millions)
1 — Identifiable assets also used for the segments have been allocated on the basis of estimated usages.

The capital expenditure relating to intangible assets amount to €69 million for Express (2006: 64) and €26 million for Mail (2006: 0) and nil for Other networks (2006:0).

The balance sheet information at 31 December 2006 is as follows:

At 31 December 2006	Express [1]	Mail	Other networks [1]	Non-allocated	Total
Goodwill paid in the year	58	41			99
Intangible assets	1,437	301	43	4	1,785
Capital expenditure on property, plant and equipment	327	84	2	4	417
Property, plant and equipment	1,008	651	7	12	1,678
Investments in associates		1	1	56	58
Accounts receivable	992	415	33	121	1,561
Total assets [2]	3,912	2,111	94	691	6,808
Total liabilities [3]	1,351	1,880	37	1,532	4,800

(in € millions)

1 — Figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

2 — Identifiable assets also used for the segments have been allocated on the basis of estimated usages. The impact of TNT's discontinued freight management operations is included in the non-allocated segment. The changed presentation method for the pensions as introduced in 2007 has resulted in de €500 million grossing-up impact on the assets and liabilities.

3 — Includes all liabilities (non-current, current). The impact of TNT's discontinued freight management operations is included in the non-allocated segment.

Geographical segment information

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

- the basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located;
- segment assets and investments are allocated to the location of the assets, except for TNT goodwill which is not allocated to other countries or regions.

Year ended at 31 December	2007	2006
Europe		
The Netherlands	3,619	3,633
United Kingdom	1,599	1,349
Italy	825	774
Germany	1,041	950
France	703	649
Belgium	300	277
Rest of Europe	1,158	1,130
Americas		
USA and Canada	52	74
Brazil	244	15
South & Middle America	32	28
Africa & the Middle East	103	89
Australia & Pacific	478	442
Asia		
China and Taiwan	447	288
India	77	51
Rest of Asia	207	199
Total net sales	**10,885**	**9,948**

(in € millions)

The location of the total assets of TNT at 31 December 2007 and the capital expenditures (including finance leases) in 2007 were as follows:

At 31 December 2007	Intangible assets	Property, plant and equipment	Financial fixed assets	Pension assets	Trade receivables	Other current assets	Total assets	Capital expenditures assets
Europe								
The Netherlands [1]	1,016	655	108	594	256	263	**2,892**	96
United Kingdom	188	410	5		232	100	**935**	111
Italy	48	35	34		270	61	**448**	18
Germany	133	79	61		110	49	**432**	30
France	287	71	11		106	29	**504**	19
Belgium	31	324	3		65	53	**476**	142
Rest of Europe	70	60	11		182	110	**433**	27
Americas								
USA and Canada		2	34		6	8	**50**	1
Brazil	167	35	1		23	13	**239**	7
South & Middle America		2	1		9	4	**16**	2
Africa & the Middle East	3	4			24	16	**47**	2
Australia & Pacific	21	74	48		51	14	**208**	15
Asia								
China and Taiwan	117	20	1		69	28	**235**	10
India	34	3	1		15	14	**67**	1
Rest of Asia	4	11	6		34	38	**93**	6
Total	**2,119**	**1,785**	**325**	**594**	**1,452**	**800**	**7,075**	**487**

(in € millions)
1 — Including the goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide by Royal Nederland N.V.

The location of the total assets of TNT at 31 December 2006 and the capital expenditures (including finance leases) in 2006 were as follows:

At 31 December 2006	Intangible assets	Property, plant and equipment	Financial fixed assets	Pension assets	Trade receivables	Other current assets	Total assets	Capital expenditures assets
Europe								
The Netherlands [1]	1,005	692	104	500	**255**	238	**2,794**	108
United Kingdom	168	464			**212**	98	**942**	176
Italy	45	36	36		**223**	63	**403**	17
Germany	117	64	125		**103**	51	**460**	19
France	287	66	12		**107**	48	**520**	16
Belgium	31	202	4		**52**	29	**318**	124
Rest of Europe	67	52	8		**175**	147	**449**	22
Americas								
USA and Canada		3	1		**12**	6	**22**	2
South & Middle America	1	2	1		**11**	13	**28**	1
Africa & the Middle East	2	4			**21**	13	**40**	4
Australia & Pacific	21	70	16		**50**	9	**166**	13
Asia								
China and Taiwan	5	8			**53**	46	**112**	9
India	35	4	2		**11**	12	**64**	4
Rest of Asia	1	11	5		**34**	30	**81**	5
Total	**1,785**	**1,678**	**314**	**500**	**1,319**	**803**	**6,399**	**520**

(in € millions)
1 — Including the goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide by Royal Nederland N.V.

The location of employees at year end is as follows:

	Express	Mail	Other networks	Non-allocated	2007	2006
Europe						
The Netherlands	2,734	58,991	207	234	62,166	61,269
United Kingdom	11,977	932			12,909	12,504
Italy	3,171	1,363			4,534	4,284
Germany	4,351	14,245	967		19,563	20,473
France	4,871	27		1	4,899	4,717
Belgium	2,445	601	40		3,086	2,939
Rest of Europe	8,304	8,648	171		17,123	16,607
Americas						
USA and Canada	793	51			844	960
Brazil	6,428				6,428	201
South & Middle America	549				549	448
Africa & the Middle East	1,561	8			1,569	1,514
Australia & Pacific	4,935				4,935	5,011
Asia						
China and Taiwan	16,628	63		1	16,692	2,619
India	2,395				2,395	2,399
Rest of Asia	3,890				3,890	3,277
Total	**75,032**	**84,929**	**1,385**	**236**	**161,582**	**139,222**

Including temporary employees on TNT's payroll. The 2006 numbers have been adjusted for comparative purposes.

36 Subsequent events

(No corresponding financial statement number)

Repurchase programme

On 4 January 2008, the company completed a first €200 million tranche (announced on 9 November 2007) of the €500 million share buy-back programme announced on 30 July 2007. TNT repurchased a total of 6,977,275 shares of this first tranche in 2007 and 208,419 shares with a total value of €6 million in 2008.

On 6 December 2007, TNT announced the start of the second €100 million tranche of the €500 million share repurchase programme and completed the buy back of this tranche on 15 February 2008. TNT repurchased a total of 3,849,210 shares of this second tranche in 2008. It is TNT's intention to cancel the shares repurchased under the €500 million share buy-back programme. A proposal for such cancellation will be included in the agenda of the annual general meeting of shareholders of 2008.

TNT Post Germany

On 21 January 2008 two subsidiaries of TNT Post Germany instituted preliminary legal proceedings with the Administrative Court (*Verwaltungsgericht*) in Berlin to obtain an injunctive relief (*einstweiligen Anordnung*) to suspend the generally binding minimum wage in the postal services sector as adopted by the Federal Ministry of Labour and Social Affairs on 28 December 2007. TNT has taken the position that this minimum wage is unconstitutional.

TNT Post is supporting trade union efforts towards achieving a minimum wage that reflects the cost of living and the competitive position of companies in the national and international markets. Since 1 January 2008, TNT Post has been subject to the collective labour agreement of the employers' association for new postal and delivery services (*Arbeitgeberverband Neue Brief- und Zustelldienste*).

The contended regulation passed by the German Federal Ministry of Labour and Social Affairs has set the minimum wage negotiated between the trade union ver.di and the employers' association for postal services. The measure, which has made the minimum wage generally binding for all companies in the postal and delivery services sector, has produced a conflict between two collective labour agreements. In view of fair competition in the postal market, the generally binding validity of the minimum wage agreement of the employers' association for postal services is unacceptable to TNT Post since it would seriously jeopardise the liberalisation of the German mail market and TNT's ability to build a sustainable profitable business.

By instituting legal proceedings TNT aims to secure legal certainty for its EMN German operations which employ in total around 14,000 employees and earned €233 million of revenue at an operating loss of €31 million in 2007. So far in total TNT has invested around €80 million in Germany as part of its strategy to become the number one challenger to incumbent European mail operators.

37 Postal regulation and concession

(No corresponding financial statement number)

In the Netherlands, the key legislation regulating TNT's Mail activities is the Dutch Postal Act. This Act requires TNT to perform the mandatory postal services in the Netherlands, some of which are exclusive to TNT (the reserved postal services). In connection with the Dutch Postal Act there is the parliamentary Postal Decree, which specifies the services that constitute the mandatory postal services and defines the scope of the reserved postal services. The combination of these mandates and exclusive rights is commonly called the "Postal Concession". The Postal Concession is performed by TNT's subsidiary Royal TNT Post B.V.

Furthermore, there is a General Postal Regulations Decree, which specifies TNT's obligations regarding the performance of mandatory postal services and the transparency of the financial accounting of these services according to the EU Postal Directive.

OPTA, the independent Supervisory Authority for Post and Telecommunications established by the government, supervises TNT's performance of the mandatory postal services. The responsibility for postal policy remains under the authority of the Minister of Economic Affairs.

On 5 June 2007 the Second Chamber of Parliament adopted a new Postal Act. This Act foresees the full liberalisation of the Dutch postal market ahead of the EU timetable. To ensure that the mandatory postal services are provided, the Act intends to assign Royal TNT Post B.V. the Postal Concession. The Act will have to be approved by the First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms on the postal markets of Germany and the United Kingdom.

In December 2007, the Dutch Minister of Economic Affairs made use of the so-called 'emergency-brake procedure' when liberalisation as of 1 January 2008 was postponed for at least three months. The Minister based his decision on two arguments: First, the lack of clarity about the level playing field with Germany (the effects of the introduction of a minimum wage in the German postal sector are still unknown. In addition, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics). Second, in the Netherlands, new postal operators and the unions have been given more time to reach an agreement on employment conditions.

In the coming months a decision of the First Chamber of Parliament is expected on the Postal Act. In February the Minister of Economic Affairs will inform the Second Chamber of Parliament about the status of the level playing field with Germany and labour conditions in the Netherlands. During the course of 2008, lower legislation, i.e. the Postal Decree and General Postal Regulations Decree will be amended to fit the new Postal Act.

The postal concession

Mandatory postal services

The domestic mandatory postal services mainly 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.

In addition, bulk mail of letters up to an individual weight of 50 grammes, which are conveyed against separately agreed rates, are part of the mandatory postal services. Mandatory postal services also cover rental of P.O. boxes.

The Postal Act does not require TNT to provide the delivery of bulk printed matter such as advertising, magazines and newspapers, the delivery of bulk letters with an individual weight above 50 grammes and unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act and in accordance with the rules of the UPU, mandatory postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at separately agreed rates with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, mandatory postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of mandatory postal services

Regarding mandatory postal services the General Postal Regulations Decree imposes various regulatory conditions on TNT with respect to service provision, tariffs, cost and revenue accounting, financial administration and reporting. Other than the mandatory postal services, none of TNT's postal services is subject to governmental control.

According to section 2d of the Dutch Postal Act, TNT is obliged to give its competitors entrance to its P.O. boxes. This service has to be delivered against reasonable, objectively justifiable and non-discriminatory conditions and remunerations. To date these conditions and remunerations are negotiated results between parties. A similar, voluntary arrangement is made with TNT's competitors with regard to mail items of competitors that enter TNT's processes through the collection boxes.

With respect to service levels, the General Postal Regulations Decree requires TNT to provide a level of service that complies with modern standards, to provide nationwide services and to perform a delivery round every day, except for Sundays and public holidays. TNT is required to deliver not less than 95% of all domestic letters the day after the day of posting, not including Sundays and public holidays. TNT 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. With respect to rates and conditions, TNT is required to set rates and associated conditions that are transparent, non-discriminatory and uniform. However, TNT may grant volume discounts for items of correspondence and negotiate specific prices and conditions with high volume users. TNT is further required to submit proposed rate changes to OPTA, which has to evaluate whether the proposed changes are in accordance with the price cap system.

The price cap system measures tariff developments in two different baskets of services, a "total basket" and a "small users basket". The total basket comprises domestic mandatory postal services provided to all customers. The small users basket comprises the same services in mutual relations which are representative for consumers and small business users.

The price cap system uses a weighing factor for each service in these baskets. The levels of the indices for both baskets are not to exceed the official national index of wages for employees in the market sector.

The price cap system was last evaluated in 2002. Since an earlier decision of the Ministry of Economic Affairs to freeze the tariffs controlled by the price cap system was declared void in June 2004, TNT has remained able to amend the individual rates for mandatory postal services, subject to the provisions of the tariff control system. As of 1 January 2007, after more than five and a half years without rate changes, the rate for single-item domestic letters up to 20 grammes was increased to €0.44. TNT intends not to increase the €0.44 rate again until 2010. The newly announced rates (12.1% average increase) remain within the inflation rate of 12.5% on aggregate since 2001. The rate increases fall within the maximum levels allowed by law, which has been confirmed by OPTA.

Reserved postal services
Under the Dutch Postal Act and the Postal Decree, the reserved postal services include the following exclusive rights:

- the conveyance of domestic and inbound international letters with a maximum individual weight of 50 grammes at a rate of less than two and a half times the standard single rate (€0.44).
- the exclusive right to place letter boxes intended for the public alongside or on public roads, and
- the exclusive right to issue postal stamps and imprinted stamps bearing the likeness of the monarch and/or the word "Nederland".

These exclusive rights do not extend to courier services. The exclusive rights also do not extend to the conveyance of parcels, letters weighing in excess of 50 grammes and printed materials such as advertising, newspapers and magazines. In addition, the exclusive rights do not extend to the conveyance of letters by a business to its own customers.

Accounting and other financial obligations
TNT's obligations on reporting include the establishment of an annual report on TNT's performance of the mandatory postal services. TNT's financial accounting obligations require TNT to maintain separate financial accounts within its internal financial administration for mandatory postal services. This separate accounting must be broken down into reserved postal services and other mandatory postal services and must be separated from the accounting of TNT's other activities. Every year, TNT must submit to OPTA a declaration of an independent auditor, appointed by OPTA, that its financial accounting system complies with these obligations. This declaration has to be published by OPTA in the "Staatscourant".

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.

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 mandatory postal services. The flip side of this is that for mandatory postal services TNT cannot deduct the VAT amounts paid on its purchases of services and goods related to the mandatory services. TNT is required to charge VAT on all services not included in the mandatory services, i.e. the services in competition with other operators. 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 European Union the scope of mandatory services is very large. Hence a VAT-exemption is given to national postal operators over a considerable part of the postal market in these countries. According to the European Commission, this distorts the functioning of the Internal Market for postal services. It has launched an infringement procedure against Germany, the United Kingdom and Sweden on this VAT issue in order to resolve it.

TNT N.V. corporate balance sheets

At 31 December **Before proposed appropriation of profit**	2007	variance %	2006
Assets			
Non-current assets			
Investments in group companies	4,250		3,672
Investments in associates	77		56
Financial fixed assets at fair value	11		
Deferred tax assets	1		5
38 **Total financial fixed assets**	**4,339**	16.2	**3,733**
39 Pension asset	631	27.5	495
Total non-current assets	**4,970**	17.5	**4,228**
Current assets			
Accounts receivable from group companies	5		97
Other accounts receivable	1		30
Cash and cash equivalents	7		16
Total current assets	**13**	(90.9)	**143**
Total assets	**4,983**	14.0	**4,371**
Liabilities and equity			
40 9 **Shareholders equity**			
Issued share capital	182		203
Additional paid in capital	982		1,245
Cumulative translation adjustment	(82)		(5)
Hedge reserves	(22)		(21)
Unappropriated profit	871		561
Total shareholders' equity	**1,931**	(2.6)	**1,983**
Non-current liabilities			
13 Long term debts	1,019		1,004
Total non-current liabilities	**1,019**	1.5	**1,004**
Current liabilities			
Accounts payable to group companies	1,289		1,292
Short term provision	44		47
41 Other current liabilities	671		33
Accrued current liabilities	29		12
Total current liabilities	**2,033**	46.9	**1,384**
Total liabilities and equity	**4,983**	14.0	**4,371**

(in € millions, except percentages)

— the figures ☐ in the line items of these financial statements refer to the notes to the financial statements.
— the accompanying notes form an integral part of the financial statements.

TNT N.V. corporate statements of income

Year ended at 31 December	2007	2006
Results from continuing operations	720	806
Results from discontinued operations	206	(70)
Results from investments in group companies after taxes	**926**	**736**
Other income and expenses after taxes	60	(66)
Profit attributable to the shareholders	**986**	**670**

(in € millions)

Notes to the corporate balance sheets and statements of income

Accounting policies for valuation and determination of result TNT N.V.

The corporate financial statements for the year ended at 31 December 2007 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 carried at net asset value. For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated balance sheet and statements of income.

38 Total financial fixed assets: 4,339 million (2006: 3,733)

Statement of changes financial fixed assets	Investments in group companies	Investments in associates	Deferred tax assets	Financial fixed assets at fair value	Total
Balance at 31 December 2005	**4,428**	**43**	**5**		**4,476**
Changes in 2006					
Results	736	(6)			**730**
Acquisitions/additions	647	19			**666**
Disposals/decreases	(2,138)				**(2,138)**
Withdrawals/repayments					
Exchange rate differences	(1)				**(1)**
Other changes					
Total changes	**(756)**	**13**			**(743)**
Balance at 31 December 2006	**3,672**	**56**	**5**		**3,733**
Changes in 2007					
Results	926	(5)			**921**
Acquisitions/additions	192	26		15	233
Disposals/decreases	(459)		(4)	(13)	**(476)**
Withdrawals/repayments					
Exchange rate differences	(81)				**(81)**
Other changes				9	**9**
Total changes	**578**	**21**	**(4)**	**11**	**606**
Balance at 31 December 2007	**4,250**	**77**	**1**	**11**	**4,339**

(in € millions)

39 Pension asset: 631 million (2006: 495)

TNT N.V. is the sponsoring employer for two Dutch pension plans, which are externally funded and are covering the majority of TNT's employees in the Netherlands. In accordance with IAS19.34a the net defined benefit cost is recognised in the corporate financial statements of TNT N.V. the other group companies recognise the costs equal to the contribution payable for the period in their financial statements. For TNT N.V. the contributions received from other group entities offset the pension expense. The impact of the contributions is represented as participant contributions in the table below, which also 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. For additional details on the Dutch pension plans, see note 10.

	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	**(4,468)**	**(4,502)**
Service costs	(119)	(137)
Interest costs	(214)	(198)
Amendments	0	8
Prior service costs/termination benefit costs	0	0
Curtailments/settlements	0	9
Actuarial (loss)/gain	701	271
Benefits paid	90	81
Benefit obligation at end of year	**(4,010)**	**(4,468)**
Change in plan assets		
Fair value of plan assets at beginning of year	**4,602**	**4,179**
Actual return on plan assets	104	382
Participant contributions	105	122
Benefits paid	(90)	(81)
Fair value of plan assets at end of year	**4,721**	**4,602**
Funded status as per 31 December		
Funded status	711	134
Unrecognised net actuarial loss	(114)	322
Unrecognised prior service costs	34	39
Pension assets	**631**	**495**
Components of employer pension expense		
Service costs	(119)	(137)
Interest costs	(214)	(198)
Expected return on plan assets	369	342
Amortisation of actuarial loss	(1)	(24)
Curtailment gain	0	8
Other costs	(3)	(1)
Participant contributions	105	122
Total post employment benefit income/(expenses)	**137**	**112**
Weighted average assumptions as at 31 December		
Discount rate	5.7%	4.7%
Expected return on plan assets	7.9%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	2.0%	2.0%

(in € millions, except percentages)

40 Equity: 1,931 million (2006: 1,983)

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2005	**230**	**1,421**	**(16)**	**(12)**	**1,080**	**559**	**3,262**
Profit for the period						670	670
Gains/(losses) on cashflow hedges, net of tax				(9)			(9)
Currency translation adjustment			(1)				(1)
Total recognised income for the year			**(1)**	**(9)**		**670**	**660**
Final dividend previous year						(173)	(173)
Appropriation of net income					386	(386)	0
Interim dividend current year						(109)	(109)
Repurchases of shares / cancellation	(27)	(176)			(1,533)		(1,736)
Share based compensation					13		13
Other			12		54		66
Total direct changes in equity	**(27)**	**(176)**	**12**		**(1,080)**	**(668)**	**(1,939)**
Balance at 31 December 2006	**203**	**1,245**	**(5)**	**(21)**		**561**	**1,983**
Profit for the period						986	986
Gains/(losses) on cashflow hedges, net of tax				(1)			(1)
Currency translation adjustment			(81)				(81)
Total recognised income for the year			**(81)**	**(1)**		**986**	**904**
Final dividend previous year						(183)	(183)
Appropriation of net income					378	(378)	0
Interim dividend current year						(115)	(115)
Repurchases of shares / cancellation	(21)	(263)			(423)		(707)
Share based compensation					14		14
Other			4		31		35
Total direct changes in equity	**(21)**	**(263)**	**4**			**(676)**	**(956)**
Balance at 31 December 2007	**182**	**982**	**(82)**	**(22)**		**871**	**1,931**

(in € millions)

The translation and hedging reserves are legal reserves.
The total amount of these legal reserves amount to -€104 million (2006: 26) which limits the dividend distribution for this amount. For additional details on equity, see note 9.

41 Other current liabilities

The other current liabilities of €671 million as of 31 December 2007 include the nominal value of the 5.125% Eurobond of €637 million, see note 13 and 31.

42 Wages and salaries

(No corresponding financial statement number)

TNT N.V. does not have any employees. Hence no salary and social security costs were incurred. In accordance with IAS19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT N.V., for further information on pension costs see note 39.

43 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

As at 31 December 2007 TNT N.V. has 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.

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 which 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

Parental support in the form of a guarantee has been provided by TNT N.V. relating to its subsidiary TNT Finance B.V. for a syndicated loan (€1,000 million), various loan facilities including a €1,000 million commercial paper programme, €175 million cash pooling credit facility and for various international swaps and derivatives association (ISDA) agreements.

TNT N.V. issued corporate guarantees for two of its subsidiaries amounting to €34 million.

A further guarantee of €20 million was issued for a credit facility of TNT China Holdings Co. LTD., which is an indirect subsidiary of the company.

Parental support in the form of a letter of guarantee and a subscription letter has been provided by TNT Holdings B.V. to its indirect subsidiary TNT Pty. Ltd. in relation to a capital reduction of TNT Pty. Ltd. in 1999.

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.

44 Subsidiaries and associated companies at 31 December 2007

(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, 18 February 2008

Board of Management

M.P. Bakker (Chairman)
C.H. Van Dalen
H.M. Koorstra
M.C. Lombard

Supervisory Board

J.H.M. Hommen (Chairman)
R.J.N. Abrahamsen
M. Harris
R. Dahan
V. Halberstadt
G. Kampouri Monnas
R. King
W. Kok
S. Levy
R.W.H. Stomberg

TNT N.V.

Neptunusstraat 41-63
2132 JA Hoofddorp
P.O. Box 13000
1100 KG Amsterdam
The Netherlands

To the General Meeting of Shareholders of TNT N.V.

Auditor's report

Report on the financial statements

We have audited the financial statements over 2007 of TNT N.V., Amsterdam, set out on pages 62 – 124. These financial statements consist of the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, consolidated statement of income, consolidated cash flow statement and consolidated statement of changes in total equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corporate financial statements comprise the corporate balance sheet as at 31 December 2007, the corporate statement of income for the year then ended and the notes.

Board of Management's responsibility

The Board of Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management set out on pages 6 – 37 and pages 42 – 53 in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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, set out on pages 62 – 119, give a true and fair view of the financial position of TNT N.V. as at 31 December 2007, and of its result and its cash flow 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 Netherlands Civil Code.

Opinion with respect to the corporate financial statements

In our opinion, the corporate financial statements, set out on pages 120 – 124, give a true and fair view of the financial position of TNT N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Management set out on pages 6 – 37 and pages 42 – 53, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 18 February 2008 —
PricewaterhouseCoopers Accountants N.V.

Originally signed by drs. M. de Ridder 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 be paid on the preference shares B if outstanding. Subject to the approval of TNT's Supervisory Board, the Board of Management will determine 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 dividends shall be paid on shares held by TNT in its own capital (article 35, paragraph 6).

Preference shares B have not been issued.

Appropriation of profit

Subject to the adoption of TNT's financial statements by the annual general meeting of shareholders, the proposed 2007 dividend has been set at €0.85 in cash per ordinary share of €0.48 par value. After adjusting for the interim dividend of €0.30 per ordinary share paid out in August 2007, the final dividend will be €0.55 per ordinary share.

Appropriation of profit	2007
Profit attributable to the shareholders	986
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)	(670)
Dividend on ordinary shares	**316**
Interim dividend paid	115
Final dividend	**201**

(in € millions)

Special control rights under the articles of association

On 17 November 2006, the State of the Netherlands transferred the special share in the company to TNT for free. As part of that transaction TNT agreed not to exercise the rights attached to this special share or transfer this share to a third party pending conversion of the special share into an ordinary share. The special share was converted into an ordinary share as part of an amendment to the articles of association. As a result the special share ceased to exist on 27 April 2007, the date on which the amendment of the articles of association became effective.

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

For information relating to subsequent events, see note 36.

chapter 9 – investor relations, shares, dividend and shareholder returns

2007 —
Annual report

General

TNT aims to explain its strategy, business developments and financial results to investors. The CFO has the principal responsibility for investor relations with the active involvement of the CEO. The Investor Relations department organises presentations for analysts and institutional and retail investors, which can be viewed on the company's corporate website.

TNT's policy is to provide shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the Board of Management on the one hand and press and analysts on the other are carefully handled and structured, and the company will not engage in any acts that compromise the independence of analysts in relation to the company and vice versa. Briefings on quarterly results are given either via group meetings or teleconference and are both accessible by telephone or via the corporate website. Briefings are similarly given to update the market after each quarterly announcement. Briefing meetings with institutional shareholders 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 all of its shareholders and investors through the publication of the annual report, general meetings of shareholders, newsletters, press releases and the company's corporate website. Analyst meetings can by way of webcasting at all times be reviewed by shareholders. The corporate website provides all relevant information with regard to dates of analyst meetings and procedures concerning webcasting. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. For further information visit TNT's corporate website at group.tnt.com.

TNT does not pay any fee(s) 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 at all times abide unless explicitly exempted by the CEO.

Contacts with the capital markets are dealt with by the members of the Board of Management, TNT's investor relations professionals, and from time to time other TNT personnel specially mandated by the Board of Management.

The corporate website provides all information that is required to be published as well as access to shareholders' circulars required for any approvals sought from the general meeting of shareholders.

The corporate website provides a summary of the resolutions of the general meetings of shareholders. The votes cast in relation to all resolutions are disclosed to the persons attending the meeting and the results of the voting are also published on this website.

As announced on 25 May 2007, TNT established that the benefits of its listing on the New York Stock Exchange (NYSE) and US registration had declined over time and that the costs and requirements for the listing were not justified by the low trading volume in its shares. As a result, on 18 June 2007 TNT delisted its American Depositary Receipts from the NYSE. As of that date TNT's ordinary shares have been listed on Euronext Amsterdam only. Also on 18 June 2007, TNT filed a Form 15-F with the United States Securities and Exchange Commission to deregister and terminate its reporting obligations under the US Securities Exchange Act of 1934. By operation of law, TNT's deregistration became effective 90 days after the filing, i.e. on 16 September 2007.

TNT is included in the AEX index, which normally consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover in the stock market and free float.

In 2007, 611 million TNT shares were traded on Euronext Amsterdam (2006: 511 million).

Share performance

	2007	2006
Stock price (in €)		
High	36.08	32.62
Low	25.67	26.30
Close	28.25	32.58
Earnings per outstanding share (in € cents)	257.4	159.3
Dividend (in € cents)	85.0 [1]	73.0
Dividend pay-out ratio (as a %)	33.0	45.8
Dividend yield (based on closing rate for the year)	3.01	2.24
P/E Ratio	10.98	20.45
Number of issued ordinary shares	379,224,255	422,767,600
Stock market capitalisation (in € billions)	10,713	13,774
Adjusted stock market capitalisation (in € billions) [2]	10,467	12,779

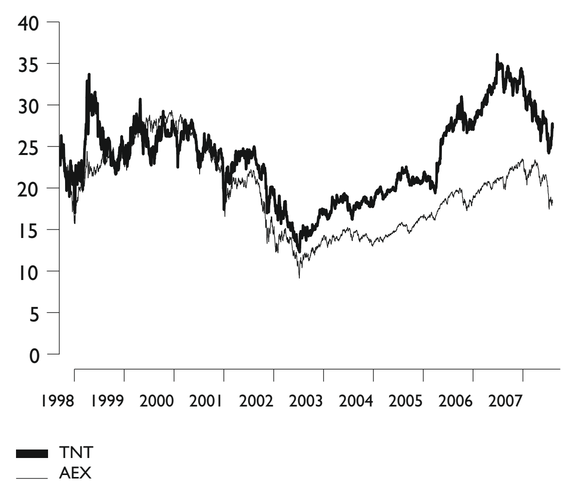
1 — Based on the estimated outstanding number of ordinary shares per mid April 2008.
2 — Adjusted for shares held by the company for cancellation.

Relative performance to Euronext Amsterdam (AEX) at closing prices during 2007 (AEX index rebased to TNT):

Annual relative performance to Euronext Amsterdam (AEX)

Relative performance to Euronext Amsterdam (AEX) at closing prices since listing in 1998 (AEX index rebased to TNT):

Annual relative performance to Euronext Amsterdam (AEX)



The following table indicates the form in which the ordinary shares were held as at 31 December 2007.

Form	Number of shares	Percentage of outstanding ordinary shares
Bearer shares	362,447,180	95.58%
Non-ADS registered shares	1,603	0.00%
ADSs [1]	16,775,472	4.42%

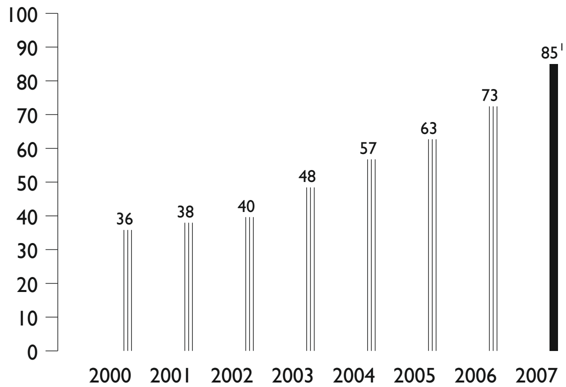
1 — Held by approximately 39 holders of record. Since some shares are held by brokers and other nominees for their clients, this number may not be representative of the actual number of ordinary shares held by US residents or of the actual number of US resident beneficial holders of ordinary shares.

ADSs are now so called "level 1" shares and are not listed on the NYSE but traded on the over-the-counter market.

Dividend TNT

TNT tries to meet shareholders' return requirements through growth in value of the company's shares, dividends, and incidental share repurchases. As part of its dividend guidelines, TNT intends to pay interim and final dividends in cash annually. The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website. During 2007 TNT announced its intention to increase the dividend pay-out from around 35% of normalised net income currently to around 40% by 2010. Normalised net income is defined as "profit attributable to the equity holders of the parent" adjusted for significant one time and special items.

Dividend TNT per share (in € cents)



1 — The final dividend is based on the estimated outstanding number of ordinary shares per mid April 2008

Repurchase of shares/share buy-back programmes

The reduction of the issued share capital to its current amount was effected on respectively 5 July 2007 following completion in February 2007 of the €1,000 million share buy-back programme announced on 6 November 2006 and on 29 November 2007 following the completion in September 2007 of the €400 million share buy-back programme announced on 26 February 2007.

For further information on the repurchase of shares in 2007, see also note 9 to the consolidated financial statements.

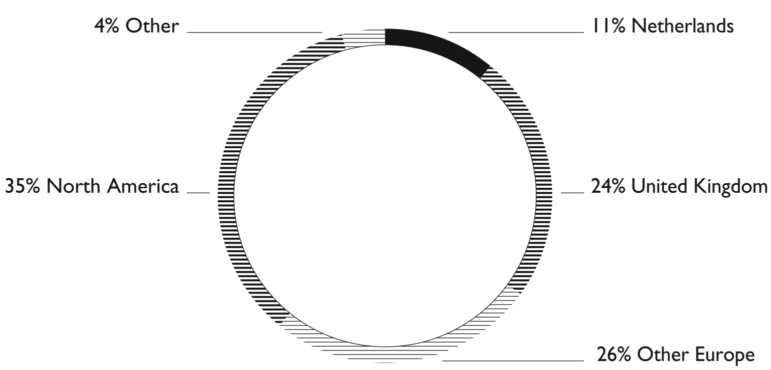
On 30 July 2007, a new share buy-back programme of up to €500 million was announced. A first tranche of €200 million was commenced 9 November 2007 and was completed on 4 January 2008. A further tranche of €100 million was started on 7 January 2008 and is expected to be completed by February 2008. The remaining €200 million is expected to be completed by mid 2008. A proposal to cancel the shares repurchased under this new share buy-back programme will be part of the agenda of the annual general meeting of shareholders in April 2008.

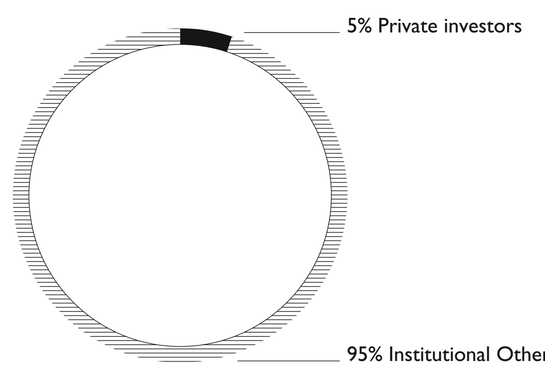
Share capital and shares

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. On 31 December 2007, 379,224,255 ordinary shares were issued and outstanding and no preference shares B were issued and outstanding.
For more information on TNT's equity, see note 9 to the consolidated financial statements.

Major shareholders

Since most of the ordinary shares are in bearer form, the analyses of shareholdings by region and investor type are estimates based on the limited information available to TNT through market sources. These estimates as of 31 December 2007 and expressed as a percentage of total shares outstanding (excluding shares held by the company) on that date, are:





On 26 July 2007, TNT received notification from the Netherlands Authority for the Financial Markets (AFM) that it had received disclosures of a substantial holding in the company by Morgan Stanley & Co International Plc. under the Netherlands Financial Markets Supervision Act (*Wet op het financieel toezicht*). This substantial holding in the company was subsequently step by step reduced to below 5% as of 9 August 2007. More information can be found on the website of the AFM under notifications substantial holdings.

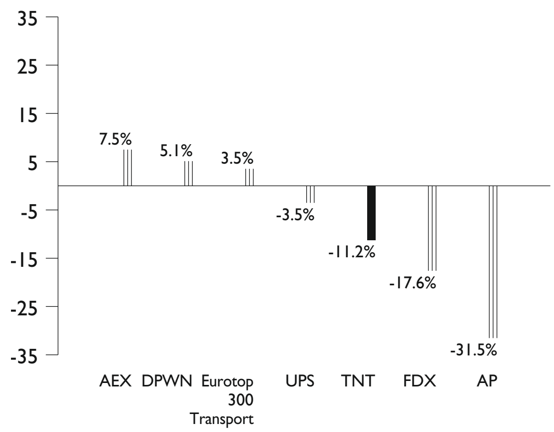
The Financial Markets Supervision Act imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the AFM without delay which then notifies the company.

Other information

Peer group Total Shareholder Return comparison

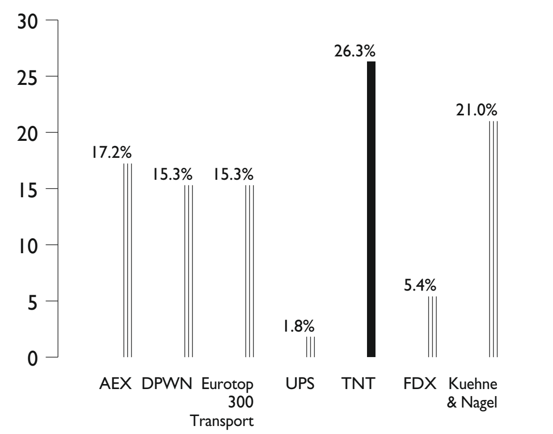
For comparative reasons, the company has defined a peer group of publicly listed companies with activities in the same industries in which TNT is active. This peer group consists of the Germany-based company Deutsche Post, with activities in mail, express and logistics, the Austrian Oesterreichische Post, provider of mail and parcel services, as well as the two United States-based express carriers FedEx and United Parcels Services. For this peer group, the comparative performance in terms of total shareholder returns in 2006 and 2007 is charted below.

2007



Source — Bloomberg Professional (own currency based)

2006



Source — Bloomberg Professional (own currency based)

As of 2007 Kuehne & Nagel International AG was removed from the peer group and replaced with Oesterreichische Post to better reflect TNT's business mix following the divestment of the Logistics division on 4 November 2006 and the divestment of the freight management business (formerly Wilson) on 5 February 2007.

Financial calendar for 2008

18 February	Announcement of 2007 fourth quarter and 2007 full year results
11 April	TNT annual general meeting of shareholders
15 April	Final ex-dividend listing (payment: 22 April 2008)
28 April	Publication of 2008 first quarter results
28 July	Publication of 2008 second quarter results
27 October	Publication of 2008 third quarter results

Publications

Share is a quarterly magazine 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, 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 institutions and private 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 retail and institutional investors through meetings, roadshows, conference calls and company visits. In 2007, TNT visited investors in major financial cities in Europe, the United States and Asia.

Visiting address

Neptunusstraat 41-63
2132 JA Hoofddorp
the Netherlands

Mailing address

TNT Investor Relations
P.O. Box 13000
1100 KG Amsterdam
the Netherlands

Telephone +31 20 500 6455
Fax +31 20 500 7515
E-mail: investorrelations@tnt.com
Internet site: group.tnt.com

chapter 10 — regulatory environment

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Due to the importance of postal services to society, regulation is a significant factor in TNT's Mail business. TNT's Express business is also affected by some regulation.

Mail services

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. Practically all nations are members 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 for delivering international letter post. A different compensation scheme with similar purposes exists for parcel mail.

Since 1 January 2006 a terminal dues system applies under which "target" countries (mostly industrialised countries) pay each other country-specific rates linked to domestic postal tariffs. Over the subsequent four years the percentage of the domestic 20 grammes tariff paid is gradually being increased from 60% to 68% in 2009. "Transition" countries (mostly developing countries) will 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 on
a world average weight. Transition countries are expected to move towards the target system before 2014, at which time all exchanges will be based on country-specific compensation. The UPU terminal dues system will be further elaborated and decided upon by the 2008 UPU Congress. The possible changes to the 2006 system have been extensively discussed in many regional postal meetings worldwide.

Reims

Most European postal operators view the UPU target terminal dues system as inadequate for its purposes. As a consequence a significant majority of them are party to the separate, multilateral "REIMS II" agreement where terminal dues are related to a higher percentage of domestic tariffs and to a certain extent to service quality as well. TNT has not entered into the REIMS II agreement because it feels it does not contain a strong incentive/penalty system that would guarantee improvement of the quality of service. Instead, TNT has concluded commercially oriented bilateral agreements with most of the European postal operators. The REIMS II parties plus TNT and Royal Mail entered into negotiations with a view to concluding a market oriented "REIMS III" agreement.
This agreement entered into force on 1 January 2008. TNT has informed the other REIMS parties that, in view of the competitive nature of its home market, it will not sign the REIMS III agreement as it stands. The resulting increase of terminal dues for export mail will have a negative impact on export volumes and (higher) terminal dues received for import mail will have a negative impact on TNT's domestic competitive position. TNT Post will continue its policy of negotiating bilateral agreements with European postal operators. Royal Mail has taken a similar position.

EU postal regulation

On the level of the European Union the regulatory framework is set by the current EU Postal Directive 2002/39/EC, amending Directive 97/67/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 service (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.

The EU Postal Directive also defines the maximum scope of postal services the EU Member States are permitted to reserve for national public postal operators (reserved postal services). Member States are permitted to reserve postal services for domestic and cross-border mail. As of 1 January 2006 this reservation is limited to a weight of up to 50 grammes per item of correspondence or a price of less or equal to two and a half times the public tariff for an item of correspondence in the first weight step of the fastest category. To the extent necessary to ensure the provision of the universal service, outgoing cross-border mail and direct mail may continue to be reserved within the same weight and price limits.

Recently the European Parliament adopted a political compromise of the European Council of Ministers to amend Directive 97/67/EC as amended by Directive 2002/39/EC.
The European Parliament confirmed liberalisation as of January 2011. Derogation is given to 11 Member States to open up their market as of January 2013. The model that is now confirmed by the European Parliament and the European Council of Ministers abolishes the reserved area as a financing mechanism for mandatory postal services, but allows for a wide variety of other methods, such as tendering, public funds and compensation funds. The model also leaves the Member States the discretionary powers to decide upon the scope of the mandatory postal services. Next steps in the process towards a new EU Postal Directive are the formal adoption by the European Council of Ministers in second reading, the signing of the amended EU Postal Directive, and publication in the Official

Journal of the European Communities. These steps are expected to take place in the coming months.

Postal regulation in the Netherlands

In the Netherlands, the key legislation regulating TNT's Mail activities is the Dutch Postal Act. This Act requires TNT to perform the mandatory postal services in the Netherlands, some of which are exclusive to TNT (the reserved postal services). In connection with the Dutch Postal Act there is the parliamentary Postal Decree, which specifies the services that constitute the mandatory postal services and defines the scope of the reserved postal services. The combination of these mandates and exclusive rights is commonly called the "Postal Concession". The Postal Concession is performed by TNT's subsidiary Royal TNT Post B.V.

Furthermore, there is a General Postal Regulations Decree, which specifies TNT's obligations regarding the performance of mandatory postal services and the transparency of the financial accounting of these services according to the EU Postal Directive.

OPTA, the independent Supervisory Authority for Post and Telecommunications established by the government, supervises TNT's performance of the mandatory postal services.
The responsibility for postal policy remains under the authority of the Minister of Economic Affairs.

On 5 June 2007 the Dutch Second Chamber of Parliament adopted a new Postal Act. This Act foresees the full liberalisation of the Dutch postal market ahead of the EU timetable. To ensure that the mandatory postal services are provided, the Act intends to assign Royal TNT Post B.V. the Postal Concession. The Act will have to be approved by the Dutch First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms on the postal markets of Germany and the United Kingdom.

In December 2007, the Dutch Minister of Economic Affairs made use of the so-called 'emergency-brake procedure' when liberalisation as of 1 January 2008 was postponed for at least three months. The Minister based his decision on two arguments. First, the lack of clarity about the level playing field with Germany (The effects of the introduction of a minimum wage in the German postal sector are still unknown. In addition, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics.). Second, in the Netherlands, new postal operators and the unions have been given more time to reach an agreement on employment conditions.

In the coming months a decision of the First Chamber of Parliament is expected on the Postal Act. In February the Minister of Economic Affairs will inform the Second Chamber of Parliament about the status of the level playing field with Germany and labour conditions in the Netherlands. During the course of 2008, lower legislation, i.e. the Postal Decree and General Postal Regulations Decree will be amended to fit the new Postal Act.

The Postal Concession

Mandatory postal services

The domestic mandatory postal services mainly 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.

In addition, bulk mail of letters up to an individual weight of 50 grammes, which are conveyed against separately agreed rates, are part of the mandatory postal services. Mandatory postal services also cover rental of P.O. boxes.

The Postal Act does not require TNT to provide the delivery of bulk printed matter such as advertising, magazines and newspapers, the delivery of bulk letters with an individual weight above 50 grammes and unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act and in accordance with the rules of the UPU, mandatory postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at separately agreed rates with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, mandatory postal services cover the postal services regulated by the UPU.

Regulatory conditions for the provision of mandatory postal services

Regarding mandatory postal services the General Postal Regulations Decree imposes various regulatory conditions on TNT with respect to service provision, tariffs, cost and revenue accounting, financial administration and reporting. Other than the mandatory postal services, none of TNT's postal services is subject to governmental control.

According to section 2d of the Dutch Postal Act, TNT is obliged to give its competitors entrance to its P.O. boxes. This service has to be delivered against reasonable, objectively justifiable and non-discriminatory conditions and remunerations. To date these conditions and remunerations are negotiated results between parties. A similar, voluntary arrangement is made with TNT's competitors with regard to mail items of competitors that enter TNT's processes through the collection boxes.

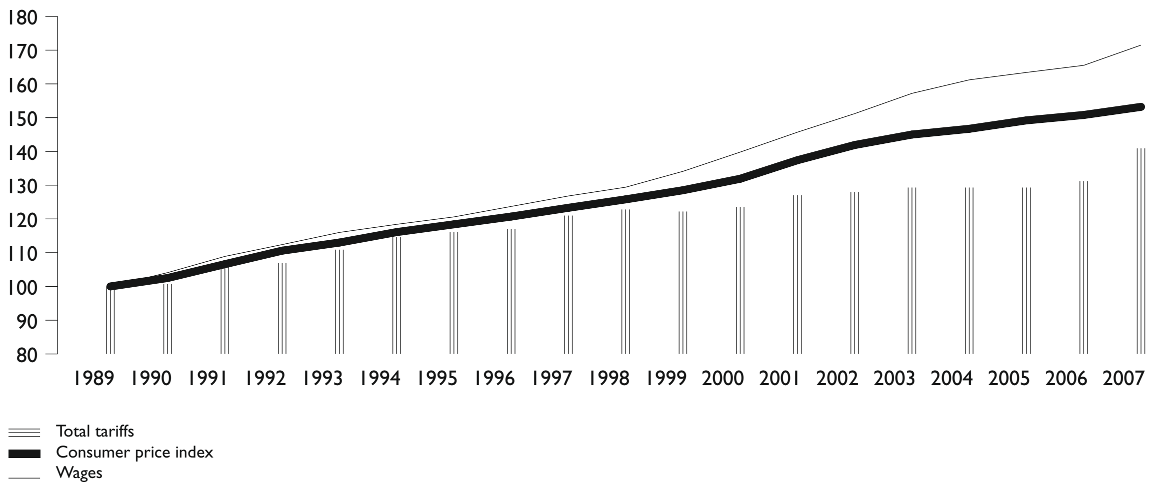
With respect to service levels, the General Postal Regulations Decree requires TNT to provide a level of service that complies with modern standards, to provide nationwide services and to perform a delivery round every day, except for Sundays and public holidays. TNT is required to deliver not less than 95% of all domestic letters the day after the day of posting, not including Sundays and public holidays. TNT 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. With respect to rates and conditions, TNT is required to set rates and associated conditions that are transparent, non-discriminatory and uniform. However, TNT may grant volume discounts for items of correspondence and negotiate specific prices and conditions with high volume users. TNT is further required to submit proposed rate changes to OPTA, which has to evaluate whether the proposed changes are in accordance with the price cap system.

The price cap system measures tariff developments in two different baskets of services, a "total basket" and a "small users basket". The total basket comprises domestic mandatory postal services provided to all customers. The small users basket comprises the same services in mutual relations which are representative for consumers and small business users.

The price cap system uses a weighing factor for each service in these baskets. The levels of the indices for both baskets are not to exceed the official national index of wages for employees in the market sector.

The development of the indices from the base year of 1989 is illustrated below:

Developments of tariffs, price index and wages



The price cap system was last evaluated in 2002. Since an earlier decision of the Ministry of Economic Affairs to freeze the tariffs controlled by the price cap system was declared void in June 2004, TNT has remained able to amend the individual rates for mandatory postal services, subject to the provisions of the tariff control system. As of 1 January 2007, after more than five and a half years without rate changes, the rate for single-item domestic letters up to 20 grammes was increased to €0.44. TNT intends not to increase the €0.44 rate again until 2010. The newly announced rates (12.1% average increase) remain within the inflation rate of 12.5% on aggregate since 2001. The rate increases fall within the maximum levels allowed by law, which has been confirmed by OPTA.

Reserved postal services

Under the Dutch Postal Act and the Postal Decree, the reserved postal services include the following exclusive rights:

- the conveyance of domestic and inbound international letters with a maximum individual weight of 50 grammes at a rate of less than two and a half times the standard single rate (€0.44),
- the exclusive right to place letter boxes intended for the public alongside or on public roads, and
- the exclusive right to issue postal stamps and imprinted stamps bearing the likeness of the monarch and/or the word "Nederland".

These exclusive rights do not extend to courier services. The exclusive rights also do not extend to the conveyance of parcels, letters weighing in excess of 50 grammes and printed materials such as advertising, newspapers and magazines. In addition, the exclusive rights do not extend to the conveyance of letters by a business to its own customers.

Accounting and other financial obligations

TNT's obligations on reporting include the establishment of an annual report on TNT's performance of the mandatory postal services. TNT's financial accounting obligations require TNT to maintain separate financial accounts within its internal financial administration for mandatory postal services. This separate accounting must be broken down into reserved postal services and other mandatory postal services and must be separated from the accounting of TNT's other activities. Every year, TNT must submit to OPTA a declaration of an independent auditor, appointed by OPTA, that its financial accounting system complies with these obligations. This declaration has to be published by OPTA in the "*Staatscourant*".

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.

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 mandatory postal services. The flip side of this is that for mandatory postal services TNT cannot deduct the VAT amounts paid on its purchases of services and goods related to the mandatory services. TNT is required to charge VAT on all services not included in the mandatory services, i.e. the services in competition with other operators. 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 European Union the scope of mandatory services is very large. Hence a VAT exemption is given to national postal operators over a considerable part of the postal market in these countries. According to the

European Commission, this distorts the functioning of the Internal Market for postal services. It has launched an infringement procedure against Germany, the United Kingdom and Sweden on this VAT issue in order to resolve it.

Express services

Express continues to deal with several regulatory developments that need to be managed properly in order to secure TNT's entrepreneurial freedom in the execution of the Focus on Networks strategy for Express.

Governments and postal administrations around the world are redesigning postal policies. Postal reform has been high on the agenda of the EU for several years. Political concerns over the financial sustainability of the Universal Postal Service and employment levels in a changing postal sector increasingly threaten to influence the regulatory environment of express delivery services. The European Commission's declaration emphasising the differences between express and universal postal services, adopted by the Telecom Council in October 2007, has been an important milestone. The declaration will considerably reduce the risk that express delivery services may have to contribute directly into future compensation schemes financing the Universal Postal Service in Europe. In China and India, work on the amendment of the postal regulatory framework has continued. In Japan, the first phase of the privatisation of Japan Post has been implemented.

The increased attention to the impact of road and air transport on air quality levels and the process of global warming will continue to shape the regulatory environment for Express. Policy makers have been responding by a wide variety of regulatory initiatives, like the proposal of the European Commission to include aviation in the EU's Emission Trading Scheme. Another example is the introduction by local authorities throughout the world of tax and other schemes managing the access of Express vehicles used for pick-up and delivery in city centres. In addition to closely monitoring these developments, TNT is responding proactively, amongst others in the framework of its Planet Me initiative.

In 2007, TNT prepared its application for the Authorised Economic Operator (AEO) status for its customs related Express services operations in all 27 EU countries. Effective as of 1 January 2008, the EU's AEO programme will increase border control, with the aim to secure the international supply chain and modernise customs procedures within the EU. The AEO status will recognise safe, secure and customs compliant business partners in international trade. TNT Express is the first of the four largest express integrators to apply for the new standard, thus demonstrating its commitment to the security of its customers' supply chain.

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. At this moment, TNT does not have an obligation to tender resulting from any public procurement regulation.

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, coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors also applies to certain postal and non-postal activities that are not exposed to competition. However, the directive leaves to the Member States the possibility of postponing the application of the directive on postal services until 1 January 2009. The Netherlands has exercised this option. TNT will therefore not be subject to the directive in the Netherlands until 1 January 2009.

Competition law

TNT's businesses are subject to competition rules in the jurisdictions in which they operate. The most relevant rules stem from:

European competition law

The Court of Justice of the European Community has explicitly confirmed that the rules of EU competition law also apply to the national mandatory postal services of the Member States. The European Community 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, TNT 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.

TNT 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 TNT provides in the Netherlands, including the mandatory postal services, 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 preventive control on mergers and acquisitions. Compliance with the Dutch Competition Act is monitored by the Netherlands Competition Authority, which is commonly called by its Dutch acronym NMa.

chapter 11 — key risks

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The implementation of TNT's business and financial strategies is not without risk. The Board of Management however believes that these strategies contain manageable execution risks as they are based on TNT's core strengths. As described in chapter 6, TNT's comprehensive risk management and internal control, integrity and compliance framework has been designed to identify and prioritise significant risks and to develop mitigating actions and has as its foundation the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework (ERM).

Mergers, acquisitions and capital investments undergo detailed due diligence and appraisal reviews and strict approval levels have been established ensuring that no material commitments can be made without approval of the Board of Management and the Supervisory Board.

No matter how good a risk management and control system may be, it cannot provide certainty that it will prevent negative developments in TNT's business and business environment from occurring, and it is important to note that any of the following risks could have a material adverse effect on the company'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.

The risks described below have been classified by the risk categories as defined by COSO – ERM and the categories also recommended by the Frijns Committee. The risks are 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, whilst 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 that these risks are presented in no way reflects any order of importance, chance or materiality.

Strategic Risks

Specific Strategic Risks

The increasing substitution of alternatives for TNT's Mail delivery services could reduce the revenues and profitability of TNT's Mail business and adversely affect TNT's revenues and profitability.
TNT's Mail business is an integral part of TNT's total business and during 2007 represented 38.4% of TNT's group operating revenues and 52.5% of TNT's group operating income. TNT's postal Mail business delivers information such as letters and bank statements as well as printed matter such as direct mail and periodicals. Technologies such as e-mail and internet (e.g. electronic banking) can be used to send or make available such information faster and, in many cases, 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 TNT expects this downward trend in mail volumes to continue in the coming years. An increase in the use of these substitute technologies would likely result in a further decrease in the use of TNT's traditional Mail services. If substitution continues on a large scale, it could adversely affect the volumes, revenues and profitability of TNT's Mail business and the company as a whole.

The acquisition and integration of acquired businesses involves significant challenges and costs and may not be successful, which could adversely affect TNT's results of operations.
TNT has entered into and will from time to time continue to enter into (significant) acquisitions, because growth through acquisitions remains a key element of TNT's Focus on Networks strategy.

TNT's acquisition plans are focused on sustainable profitable growth and carefully developed based on the best possible analysis and judgment. Annual budgets and multi-year strategic plans support decisions leading to acquisitions. These are discussed where appropriate with the Supervisory Board in detail prior to approval. These plans, however, are inherently uncertain and do provide executions and market risks which might have been overlooked or not correctly forecasted.

The integration of acquired businesses involves inherent costs and uncertainties that include the effect on the acquired businesses of integration into the TNT organisation and culture as well as the availability of and demands on management resources to oversee the integration and manage the newly acquired businesses. The integration of the international companies TNT has acquired normally results in significant challenges and change related costs in the areas of accounting, finance, operations, IT, strategy, and human resources. If an existing or future integration effort is delayed or is not successful TNT may incur additional costs, the value of investment in the acquired company may decrease significantly, and TNT's growth strategy may not be successfully achieved. Any material delays, unexpected costs or other problems encountered in connection with integrating newly acquired businesses could therefore have an adverse effect on the company's revenues and profitability.

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 results of operation.
Changes in market conditions may lead TNT to revise the strategies in which joint ventures were concluded. Revised strategies may lead TNT to demerge these businesses or end these joint ventures. The resulting employment reduction or other significant restructuring costs could impact TNT's profitability.

Operational Risks

Specific Operational Risks

TNT depends on a number of infrastructure facilities for which the group has limited or no comparable back-up facilities, so if operations were disrupted at one or more of these facilities, TNT's business and results of operations would suffer.
A portion of TNT's infrastructure is concentrated in single locations for which there are limited or no comparable back-up facilities or very expensive fall back scenarios in the event of a disruption of operations. An example of this is the TNT European Express air hub in Liège, Belgium. The operation of the TNT facilities involves many 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 airplane crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure. If there was to be a significant interruption of operations at one or more of the company's key facilities and operations could not be transferred or only at very high costs to other locations, TNT might not meet the needs of its customers, and business and operating results would be adversely affected.

Incidents resulting from the transport of hazardous materials and confidential consignments or a major incident involving TNT's sorting centres, warehousing facilities, air or road fleet may adversely affect the group's revenues, profitability and reputation.
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. As part of TNT's Mail services, the company may also transport hazardous or dangerous goods without having been notified about 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 the company's handling of dangerous and hazardous materials or if confidential consignments got 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 the company by local or governmental authorities as well as potentially large civil and criminal liabilities. This could negatively affect the group'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 fleet of aircraft and trucks, TNT is involved in activities which 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 one of the company's aircraft or vehicles could cause significant loss of life and property and could adversely affect TNT's reputation and share price.

TNT may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and negatively affect the group's revenues and profitability.
In order to maintain market position and future growth, TNT must make large on-going investments in infrastructure such as aircraft, trucks, and depots. Infrastructure investments are based on forecasts of future capacity requirements. It may be difficult to forecast accurately for future requirements, since they are based on a large number of factors, including factors beyond the direct control of TNT management such as general economic conditions and changes in governmental regulation. As a consequence, there may be a mismatch between investment and actual requirements. If TNT underestimates the group's future capacity requirements, the company will not be able to meet the needs of customers and could lose business, market share, revenues and profits. If TNT overestimates future needs, or if major contracts are cancelled by customers, the company may experience costly excess capacity and this could adversely affect profitability.

Restructurings of operations and other measures taken to reduce costs, including forced employee lay-offs, may not achieve the results intended and may adversely affect TNT's employee relations, reputation, revenues and profitability.
From time to time TNT restructures, redesigns or integrates various aspects of the company's operations in an effort to achieve cost savings, flexibility and other efficiencies. Restructuring of operations and other cost reducing measures may not achieve the results intended and may invoke restructuring and other costs and changes to TNT that adversely affect revenues and profitability. New initiatives as described in TNT Post's Master Plans may require forced employee lay-offs which may damage TNT's employee relations and reputation in the employment market. If TNT is not able to reach agreement with trade unions on these Master Plans, profitability could suffer due to delays in or not reaching planned savings.

Generic Operational Risks

Strikes, work stoppages and work slowdowns by TNT's employees and the terms of new collective labour agreements could negatively affect TNT's revenues and profitability.

The success of TNT's business also depends upon avoiding strikes, work stoppages and slowdowns by TNT's employees. Industrial action by large trade unions or even relatively small, but key groups of TNT's employees, such as airline pilots, could seriously disrupt the 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 crossing picket lines established by other trade unions of other companies. The collective labour agreement, affecting approximately 57,000 employees in the Netherlands, is subject to a renewal in April 2008. If TNT is not able to renew this agreement or other key agreements with its employees, and a strike, work stoppage or work slowdown occurs, 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, work rules less flexible than those of TNT's competitors, and 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.

Increased security and anti-terrorism requirements could impose substantial additional costs on TNT, especially at TNT Express.
As a result of increased concerns about global terrorism and aviation security, governments and airline operators around the world are adopting or are considering adopting stricter security requirements that will increase operating costs for businesses, including those in the transportation industry. For example, in October 2006 the EU adopted new rules enhancing many of the security requirements for air cargo on both passenger and cargo aircraft. It is not possibel to fully determine the effect that these new rules or changed policies will have on TNT's cost structure or its operating results. It is reasonably possible, however, that these rules or other future security requirements for air cargo carriers could impose material costs on TNT.

TNT faces risks related to health epidemics and other outbreaks of contagious diseases, including pandemic influenza, avian influenza and SARS.
TNT's business could be adversely affected by the effects of avian influenza, SARS or another epidemic or outbreak. Since 2005 the World Health Organisation and other health monitoring bodies have reported outbreaks of a highly pathogenic avian influenza, caused by the H5N1 virus, in certain regions of Asia and Europe and there have been reports on the occurrences of avian influenza in various parts of China, Indonesia, Thailand and other South-east Asian countries, including some confirmed human cases. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected China, Hong Kong, Taiwan, Singapore, Vietnam and certain other South-east Asian countries, would also have similar adverse effects. These outbreaks of contagious diseases, and other adverse public health developments would have a material adverse effect on TNT's business operations. These could include the company'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 travel or shipment restrictions would severely disrupt TNT's business operations and adversely affect the group's financial condition and results of operations. TNT has implemented measures to develop written preventive procedures and contingency plans to mitigate any future outbreak of avian influenza, SARS or any other epidemic but the impact of any outbreak is difficult to gauge and these plans may not be fully effective.

TNT's operations and earnings are subject to risks related to the impact of climate change.
TNT believes that concern about climate change will lead to government action that will require the company to further manage emissions from its ground and air fleet. As such, there is a risk to future operations and a compliance risk for existing facilities and TNT's fleet, if the company is not able to demonstrate adequate emissions management. Realisation of these risks could have an adverse impact on operational performance and the group's financial position.

Legal and Regulatory Risks

Specific Legal and Regulatory Risks

Minimum wage legislation in Germany for the Postal sector could adversely affect TNT's ability to grow its Mail business outside the Netherlands.
On 21 January 2008, two subsidiaries of TNT Post Germany instituted preliminary legal proceedings with the Administrative Court (*Verwaltungsgericht*) in Berlin to obtain an injunctive relief (*einstweiligen Anordnung*) to suspend the generally binding minimum wage in the postal services sector as adopted by the Federal Ministry of Labour and Social Affairs on 28 December 2007. TNT has taken the position that this minimum wage is unconstitutional.

In view of fair competition in the postal market, the generally binding validity of the minimum wage agreement of the employers' association for postal services is unacceptable to TNT Post since it would seriously jeopardise the liberalisation of the German mail market and TNT's ability to build a sustainable profitable business. Similar barriers in national mail markets elsewhere could severely hamper TNT's successful implementation of its strategy in the European mail market.

The further liberalisation of the Dutch and EU postal markets could adversely affect TNT's revenues and profitability.
The process of liberalisation of the postal market within the Netherlands, which began in the late 1980s, is continuing. This presents a number of risks to TNT's Mail business. Pursuant to the EU Postal Directive, as of 1 January 2006 the restriction that reserved the provision of letters up to 100 grammes exclusively to TNT (the reserved postal services) was reduced to 50 grammes. On 13 April 2006 the Dutch government decided to fully liberalise the postal market in the Netherlands in 2008 on the condition that there is a "level playing field" with the British and German postal markets. The Dutch government also agreed upon the proposal for a new Dutch Postal Act. The proposal for a new Dutch Postal Act followed the vision of the Dutch Minister of Economic Affairs on the postal market in the Netherlands, which was published in 2004. As discussed in greater detail in chapter 10 of this annual report, this new Dutch Postal Act addresses a number of issues that are directly

relevant to TNT's business, including price controls and the scope of the mandatory postal services. On 5 June 2007 the Dutch Second Chamber of Parliament adopted the new Postal Act. The Act will have to be approved by the Dutch First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms with the postal markets of Germany and the United Kingdom. In December 2007, the Dutch Minister of Economic Affairs made use of a so-called 'emergency-brake procedure' when liberalisation as of 1 January 2008 was postponed for at least three months. The Minister based his decision on two arguments. First, the lack of clarity about the level playing field with Germany (the effects of the introduction of a minimum wage in the German postal sector are still unknown. In addition, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics). Second, in the Netherlands, new postal operators and the trade unions have been given more time to reach an agreement on employment conditions. Any of these risks adversely affect TNT's business, revenues or profitability. The new Dutch Postal Act may adversely affect TNT's business, revenues and profitability. For example, a possible expanded role for OPTA, the Supervisory Authority for Post and Telecommunications in the Netherlands, in controlling TNT's price determination for competitors might have an adverse effect on TNT's competitive position.

Recently the European Parliament adopted a political compromise of the European Council of Ministers to amend Directive 97/67/EC as amended by Directive 2002/39/EC. The European Parliament confirmed liberalisation as of January 2011. Derogation is given to 11 Member States to open up their market as of January 2013. The model that is now confirmed by the European Parliament and the European Council of Ministers abolishes the reserved area as a financing mechanism for mandatory postal services, but allows for a wide variety of other methods, such as tendering, public funds and compensation funds. The model also leaves the Member States the discretionary powers to decide upon the scope of the mandatory postal services. The new EU Postal Directive may adversely affect TNT's European Mail Networks business. For example, if the new EU Postal Directive provides for insufficient guarantees, Member States can abuse national USO regulation to protect their national operators. TNT's Mail business could therefore be adversely affected by transposition and implementation of the EU Postal Directive into national postal legislation as well as by non-postal national legislation that might in practice affect the emergence of competition in the postal market. An example of this is the introduction of an artificially high minimum wage in the German postal sector that could effectively function as a barrier to competition. The next steps in the process towards a new EU Postal Directive are the formal adoption by the European Council of Ministers in second reading, the signing of the amended EU Postal Directive, and publication in the Official Journal of the European Communities. These steps are expected to take place in the coming months.

Generic Legal and Regulatory Risks

Unfavourable decisions of 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 Focus on Networks, from time to time TNT seeks alliances with or acquires shares in companies that complement the company's strategy, or TNT divests 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 not be able to implement a transaction as contemplated in compliance with any restrictions or conditions imposed by the Directorate General of Competition (DG Competition) of the European Commission or national competition authorities, and 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 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 the company's compliance or non-compliance with applicable laws and regulations, or whether other regulatory activities will have a material adverse effect on the company's business, revenues and profitability.

For example, in the TNT Express businesses, the division operates various types of aircraft throughout Europe and it started a direct service between Europe and China in January 2007. As a result, TNT is required to comply with a wide variety of international and national laws and regulations. In some of the markets in which the company 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 constituencies.

In addition, as the provider of time sensitive delivery services, the TNT Express business needs to secure adequate and effective flight time slots from airport coordination (or other local) authorities in all the countries and airports TNT operates into and out from. The timing or limited availability of these slots could have an impact on the efficient operations of the TNT 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 for the case where TNT would be obligated to purchase slots from third parties to maintain its service levels.

TNT relies on night-time operations at the air Express hub in Liège, Belgium for some of its international Express business. A curtailment of night-time take-offs and landings at any of

TNT's key facilities, such as Liège, would likely harm the division's business. Some governments have imposed stringent new security measures on air carriers that could result in additional operating costs. TNT's 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 to meet customer needs or may increase the costs of providing these services. In the TNT Mail business in the Netherlands, from time to time discussions come up as to whether or not TNT should provide access to the company's mail boxes as a collecting point for TNT's competitors. At present competitors focus on large volume clients and do not compete in the consumer market. A change in this view of competitors and support of this view by the regulator could negatively affect TNT's costs and profitability.

The legal concept of limited liability for loss or damage of goods carried by TNT is increasingly being challenged and this may result in increased exposure to claims.
TNT transports goods under the conditions of the international conventions in respect of the carriage of goods by air (the Warsaw Convention) and by road (the CMR Conventions). These conventions contain provisions that limit TNT's liability in the event that TNT looses or damages shipments belonging to the company's 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 by its insurance arrangements. However, if this trend continues it could definitely result in significantly higher insurance costs and thus in increased financial exposure and adversely affect TNT's profitability.

Determination that subcontractors were to be considered TNT employees would affect the company's current business model, causing operating expenses to rise and net income to suffer.
In various jurisdictions, TNT uses subcontractors to perform aspects of the group's business, 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.

TNT is exposed to various global and local risks that may have a material adverse effect on the group's financial condition and results of operations.
TNT operates around the globe and provides a worldwide service with facilities in many countries, which means that the company is confronted with complex legal and regulatory requirements in many jurisdictions. These include tariffs, trade barriers and requirements relating to withholding taxes on remittances and other payments. TNT's international operations are also exposed to local business risks and challenges. The group faces potential difficulties in staffing and managing local operations, succession coverage of key individuals and talent management. TNT is exposed to the credit risks of local customers and distributors. In many of the jurisdictions in which the company operates, in particular emerging markets such as China, India, Brazil and Russia, aspects of the developing legal system (including the ability to enforce contracts, an independent and experienced judiciary, and similar factors) create an uncertain environment for investment and business activity. These risks and complexities will increase in the pursuit of the Focus on Networks strategy 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 the groups financial condition and results of operations.

Employee misconduct could result in financial losses, the loss of clients and fines or other sanctions by the governments of the countries in which TNT does business.
TNT may be unable 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, or a breach of confidentiality. The precautions taken by TNT to prevent and detect this activity may not be effective. Investigations of suspected fraudulent activity could expose TNT to additional sanctions if an investigation is ineffective or hampered by local legal restrictions. As a result of employee misconduct, TNT could incur fines and penalties imposed by governments in the countries in which it does business. Any such fines or penalties could lead to adjustments to the financial statements and resulting liabilities which 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.

TNT's strategic objectives could be subject to political debate and adverse outcome.
Political decision making could have an adverse influence on TNT's ability to achieve its Focus on Networks strategy and carry out its operations effectively. Postal regulation is often subject to fierce political debate. For instance, the liberalisation of the Dutch postal market seems to go hand-in-hand 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 Germany and the United Kingdom 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 like China and India, modernisations of postal regulatory frameworks have a tendency to lead to stricter policies towards mail and express services.

Financial Risks

Specific Financial Risks

A downgrade in TNT's credit rating may increase TNT's financing costs and harm TNT's ability to finance its operations and acquisitions, which could negatively affect revenues and profitability.
A downgrade in TNT's credit rating may negatively affect the company's ability to obtain funds from financial institutions, retail investors and banks and increase financing costs by increasing the interest rates of outstanding debt or the interest rates at which TNT is able to re-finance 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 / "A-2" short-term with a negative outlook (such ratings having been issued by S&P on 10 March 2006). On 27 March 2006 Moody's Investors Service downgraded the issuer and senior unsecured debt ratings of TNT N.V. to "A3" from "A2", and the CP rating of TNT Finance B.V., a 100% owned and guaranteed finance subsidiary of TNT, to Prime-2 from Prime-1. The Moody's outlook for the ratings has been stable since.

Generic Financial Risks

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 of 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 serious competition and, in the longer term, the continuing liberalisation of the Dutch mail regulatory regime. 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 prices for TNT's services down and thus cause TNT's revenues and profitability to decrease.

The trends towards 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.

A sustained economic downturn could adversely affect TNT's business and financial condition.
Developments and trends in the world economy may have a material adverse effect on TNT's financial condition and/or results of operations. Because the Express delivery business has high fixed costs and greatly depends on high volume to recover such costs, a global economic downturn could have a material adverse effect on the results of TNT's Express delivery business, and this would adversely affect the results of TNT as a whole. In addition, a continued economic downturn could lead to TNT's customers asking for price reductions that could adversely affect margins. A slow economy may also result in a continued decline in demand for direct mail in the Netherlands.

TNT is exposed to currency and interest rate fluctuations that could have an adverse effect on the company's results and financial condition as well as on the comparability of TNT's financial statements.
Part of TNT's total revenues and operating expenses as well as assets and liabilities are denominated in currencies other than the euro. For the year 2007, for example, around 30% of revenues and 27% of asset book value is held in countries outside of mainland Europe. 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.

Management has set up a Group Policy to require 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 FX derivatives with the Group Treasury department, whereby a financing company operated by the Group Treasury department, as 'in-house bank' trades these FX derivatives back-to-back with external banks.

At an earnings level, the most significant exposures are against the US dollar and the British pound, whereby TNT was a net payer of both currencies. If the euro, on average over the year, had weakened/strengthened 25% against the US dollar compared to the average FX rate for the year, then the 2007 profit before income tax would, with all other variables held constant, have been approximately €15-20 million lower/higher. Similarly, if the euro on average, would have weakened/strengthened 25% against the British pound with all other variables held constant, the profit before income tax would have been €20-25 million lower/higher.

In terms of a revaluation of foreign currency assets and liabilities as at 31 December 2007, the exposures are smaller. If as at 31 December 2007, the euro had weakened/strengthened 25% against the US dollar with all other variables held constant, the profit before income tax would have been €1 million higher. If at 31 December 2007, the euro had weakened/strengthened 25% against the British pound with all other variables held constant, the profit before income tax would have been €1 million lower.

The main sensitivities on revenues can be derived from the geographical segmentation as provided in the additional notes to the financial statements.

Currently no net investment hedges are outstanding. However, significant acquisitions and local debt is 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 leases are against 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 worst case interest cost over a seven year period as a percentage of EBITDA with a statistical 97.5% level of confidence. As at 31 December 2007, if interest rates on borrowings had been 1% lower/higher with other variables held constant, the profit before income tax would have been €3 million lower/higher. Equity would be impacted by €36 million due to the outstanding interest rate swaps.

Although TNT generally enters into hedging arrangements and other contracts in order to attempt to reduce the company's exposure to currency and interest fluctuations, these measures may be inadequate or may subject TNT to increased operating or financing costs. See also note 31 to the consolidated financial statements.

A decline in the value of the euro could reduce the value of any investment in TNT and any dividends received.

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 US dollar equivalent of the euro price of TNT's euro-denominated shares, TNT's non-listed American Depositary Receipts (ADRs) and the US 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 euro on TNT's ADRs.

A downturn in capital markets may decrease the value of investments made in these markets for TNT's pension schemes and a decline in interest rates may increase the fair value of TNT's pension liabilities, which in turn could require significant additional funding by TNT.

TNT's main Dutch 'defined benefit pension scheme' has total assets of over €4 billion, some of which are funded by investments held in equities with a view to benefiting from capital appreciation. The value of these securities may be volatile and a downturn in the capital markets could significantly reduce the value of these assets. In addition a decline in interest may increase the fair value of TNT's pension liabilities. Should the coverage ratio of assets divided by liabilities fall below the minimum funding requirements prescribed by De Nederlandsche Bank (DNB), into which the Independent Supervisory Authority for Pensions and Insurance was merged during 2004, 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, TNT's liabilities would substantially increase, or both, TNT might be required to make large payments into the funds, which would adversely affect liquidity over a number of years.

Changes in markets and TNT's business plans have resulted and may in the future result in substantial write-downs 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) has resulted, from time to time, in significant impairments, and TNT may in the future be required to recognise additional impairment charges. Events in the markets where TNT conducts its businesses, including 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, have resulted and may result in further substantial impairment write-downs of intangible or other assets at any time in the future.

In addition, TNT has been and may be required in the future to recognise increased depreciation and amortisation charges if it is determined that the useful lives of TNT's fixed assets are shorter than originally expected. Such changes would have the effect of reducing net income.

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 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.

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. Improved risk management then has an immediate positive financial effect. TNT's total self insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via reinsurance. During 2007, TNT's total annual retention cap on these losses was €6 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 adjust TNT's insurance protection to the ever changing legal and regulatory environment in which it operates and all insurance policies are therefore tailor-made to TNT's unique requirements. In addition, current insurance arrangements also need to support strategic developments and the changing risk profile of the company.

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TNT N.V.
P.O. Box 13000
1100 KG Amsterdam
The Netherlands

Telephone + 31 20 500 6000
Fax + 31 20 500 7000
Website group.tnt.com
Chamber of Commerce Amsterdam
Reg. No. 27168968

Text —
www.englishworks.de
Mark C. Gray

Data handling and consultancy —
www.dhv.com
DHV Sustainability Consultants

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Anton Corbijn

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We welcome feedback on this report:
tnt.communication@tnt.com