Building on Strengths

Annual Report 2011
INTRODUCTION AND FINANCIAL AND CORPORATE RESPONSIBILITY HIGHLIGHTS

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

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

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

As required by EU regulation, as of 2005 the consolidated financial statements of TNT Express N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

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

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

#### Financial

<table>
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<tr>
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<th>2010</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7,053</td>
<td>7,246</td>
<td>2010</td>
<td>13</td>
</tr>
<tr>
<td>Operating income</td>
<td>180</td>
<td>(105)</td>
<td>2010</td>
<td>2.90</td>
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<tr>
<td>Adjusted operating income (non-GAAP)</td>
<td>323</td>
<td>(225)</td>
<td>2010</td>
<td>92.8</td>
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<tr>
<td>Profit/(loss) for the period</td>
<td>69</td>
<td>(272)</td>
<td>2010</td>
<td>1,119</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>241</td>
<td>191</td>
<td>2010</td>
<td>77,478</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(171)</td>
<td>(189)</td>
<td>2010</td>
<td>3.1%</td>
</tr>
<tr>
<td>Net debt</td>
<td>01 January 2011 (7)</td>
<td>31 December 2011 7</td>
<td>2010</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>2011</td>
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#### Corporate responsibility

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<th>2010</th>
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<tr>
<td>Fatal accidents</td>
<td>13</td>
<td>11</td>
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<td>Lost time accidents per 100 FTEs</td>
<td>2.90</td>
<td>2.71</td>
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<tr>
<td>CO₂ efficiency index</td>
<td>92.8</td>
<td>92.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions (own operations: scope 1 and 2) (ktonnes)</td>
<td>1,119</td>
<td>1,191</td>
<td></td>
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</tr>
<tr>
<td>Employees</td>
<td>01 January 2011 78,507</td>
<td>31 December 2011 77,478</td>
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<tr>
<td>Absenteeism</td>
<td>3.1%</td>
<td>3.0%</td>
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<tr>
<td>Customer satisfaction score</td>
<td>2010 92%</td>
<td>2011 92%</td>
<td></td>
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</tr>
</tbody>
</table>

(in € millions)

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

### Segment information

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

(in € millions)
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CAUTIONARY NOTE WITH REGARD TO ‘FORWARD-LOOKING STATEMENTS’

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

You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this annual report and are neither predictions nor guarantees of future events or circumstances. TNT Express does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.
### CHAPTER 1 OVERVIEW 2011 AND STRATEGY

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I. MESSAGE FROM THE CEO

HIGHLIGHTS 2011

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

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

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

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

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

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

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

All these achievements have been made thanks to the dedication of our people and the trust of customers that work with us as their supply chain partner, delivering their business to their customers.
However, despite our efforts and against the backdrop of a weakening economic environment, our financial performance has suffered. This calls for a new strategy that builds on our strengths, optimises our operations and secures new business opportunities.

**BUILDING ON STRENGTHS**

*Where we come from…*

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

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

*…and where we are going*

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

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

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

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

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

**LOOKING FORWARD**

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

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

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

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

Marie-Christine Lombard  
CEO and chairman of the Executive Board
II. OUR EXECUTIVE BOARD

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

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

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

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

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

- Revenue growth: 2.7%
- Reported loss for the period attributable to the equity holders of the parent: €270 million
- Total dividend: €0.044 per share
- Net debt: €7 million

FINANCIAL HIGHLIGHTS

<table>
<thead>
<tr>
<th>Year ended at 31 December</th>
<th>Reported 2011</th>
<th>variance %</th>
<th>2010</th>
<th>Adjusted (non-GAAP) 2011</th>
<th>variance %</th>
<th>2010</th>
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<tbody>
<tr>
<td>Total revenues</td>
<td>7,246</td>
<td>2.7</td>
<td>7,053</td>
<td>7,251</td>
<td>2.8</td>
<td>7,053</td>
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<tr>
<td>Other income</td>
<td>7</td>
<td>(41.7)</td>
<td>12</td>
<td></td>
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<tr>
<td>Operating income</td>
<td>(105)</td>
<td>(158.3)</td>
<td>180</td>
<td>228</td>
<td>(29.4)</td>
<td>323</td>
</tr>
<tr>
<td>as % of total operating revenues</td>
<td>(1.4)</td>
<td>2.6</td>
<td>3.1</td>
<td>4.6</td>
<td></td>
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<tr>
<td>Net financial expense</td>
<td>(45)</td>
<td>(21.6)</td>
<td>(37)</td>
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<tr>
<td>Income taxes</td>
<td>(100)</td>
<td>(75.4)</td>
<td>(57)</td>
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<td>Results from investments in associates</td>
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<td>(29.4)</td>
<td>(17)</td>
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<tr>
<td>Profit/(loss) for the period</td>
<td>(272)</td>
<td></td>
<td>69</td>
<td></td>
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<tr>
<td>Attributable to:</td>
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<td>Non-controlling interests</td>
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<td>Equity holders of the parent</td>
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<td>66</td>
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<td>Cash generated from operations</td>
<td>359</td>
<td>0.8</td>
<td>356</td>
<td></td>
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<tr>
<td>Net cash from operating activities</td>
<td>191</td>
<td>(20.7)</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net cash used in investing activities</td>
<td>(158)</td>
<td>(5.3)</td>
<td>(150)</td>
<td></td>
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<tr>
<td>Net debt</td>
<td>7</td>
<td>(7)</td>
<td></td>
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</tr>
</tbody>
</table>

(in € millions, except percentages)
EUROPE RESILIENT, FOCUS ON RECOVERING PROFITABILITY IN AMERICAS AND ASIA PACIFIC

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

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

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

DEMERGER

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

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

REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

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

Total operating revenues

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

Volumes (consignments, kilogrammes)

<table>
<thead>
<tr>
<th></th>
<th>Year ended at 31 December</th>
<th>2011</th>
<th>2010</th>
<th>variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; MEA</td>
<td>725</td>
<td>1.0</td>
<td>718</td>
<td>1.0</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>182</td>
<td>0.0</td>
<td>182</td>
<td>0.0</td>
</tr>
<tr>
<td>Americas</td>
<td>54</td>
<td>(11.5)</td>
<td>61</td>
<td>(11.5)</td>
</tr>
<tr>
<td>(in thousands, except percentages)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year ended at 31 December</th>
<th>2011</th>
<th>2010</th>
<th>variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; MEA</td>
<td>14,661</td>
<td>2.6</td>
<td>14,288</td>
<td>2.6</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>13,391</td>
<td>(1.7)</td>
<td>13,625</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Americas</td>
<td>3,289</td>
<td>(18.2)</td>
<td>4,023</td>
<td>(18.2)</td>
</tr>
<tr>
<td>(in thousands, except percentages)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In an economic environment that weakened during the year, average consignments per day increased only by 1.0% in Europe & MEA. Average kilogrammes per day grew by 2.6%, reflecting faster growth of higher-weight International Economy products. In Asia Pacific, average consignments per day were flat year-on-year reflecting weaker Asia-Europe express demand and lower volumes in Australia. Average kilogrammes per day declined by 1.7%, as a result of a decline in international volumes and targeted growth of lower-weight-per-consignment shipments in the domestic China day-definite service. In Americas, average consignments per day and average kilogrammes per day suffered from the loss of major customers in Brazil.

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

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

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

(in € millions, except percentages)

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

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

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

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

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

**Total depreciation, amortisation and impairment costs**
Total depreciation, amortisation and impairments increased by €285 million compared to 2010 due solely to impairment charges. In 2011, impairments were taken on goodwill in South America (€209
Overview 2011 and strategy

Chapter 1

Total operating income was -€105 million in 2011. TNT Express calculates an adjusted operating income by adjusting for demerger-related costs and business one-offs. These are prepared by management to analyze the results excluding non-recurring items for a deeper understanding of the business performance. The presentation and disclosure of the adjusted operating income is not in conformity with IFRS and is unaudited.

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

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

### Adjusted operating income

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; MEA</td>
<td>356</td>
<td>9</td>
<td>15</td>
<td>380</td>
<td>380</td>
<td>380</td>
<td>284</td>
<td>4</td>
<td>9</td>
<td>371</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>-76</td>
<td>2</td>
<td>43</td>
<td>-31</td>
<td>-2</td>
<td>-33</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Americas</td>
<td>360</td>
<td>1</td>
<td>236</td>
<td>(123)</td>
<td>(2)</td>
<td>(125)</td>
<td>(39)</td>
<td>28</td>
<td>(67)</td>
<td></td>
</tr>
<tr>
<td>Other Networks</td>
<td>20</td>
<td></td>
<td>20</td>
<td></td>
<td>20</td>
<td>19</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-allocated</td>
<td>20</td>
<td></td>
<td></td>
<td>20</td>
<td>(21)</td>
<td>(14)</td>
<td>(55)</td>
<td>101</td>
<td>(156)</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>(105)</td>
<td>8</td>
<td>322</td>
<td>226</td>
<td>3</td>
<td>226</td>
<td>323</td>
<td>32</td>
<td>111</td>
<td>180</td>
</tr>
</tbody>
</table>

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

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

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

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

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

<table>
<thead>
<tr>
<th>Year ended at 31 December</th>
<th>2011</th>
<th>variance %</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income</td>
<td>21</td>
<td>(4.5)</td>
<td>22</td>
</tr>
<tr>
<td>Interest and similar expenses</td>
<td>(66)</td>
<td>(11.9)</td>
<td>(59)</td>
</tr>
<tr>
<td>Net financial expense</td>
<td>(45)</td>
<td>(21.6)</td>
<td>(37)</td>
</tr>
</tbody>
</table>

(in € millions, except percentages)

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

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

Income taxes

<table>
<thead>
<tr>
<th>Year ended at 31 December</th>
<th>2011</th>
<th>variance %</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expense/(income)</td>
<td>108</td>
<td>22.7</td>
<td>88</td>
</tr>
<tr>
<td>Deferred tax expense/(income)</td>
<td>(8)</td>
<td>74.2</td>
<td>(31)</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>100</td>
<td>75.4</td>
<td>57</td>
</tr>
</tbody>
</table>

(in € millions, except percentages)

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

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

Results from investments in associates

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

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

(in € millions, except percentages)

Net cash from operating activities

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

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

Net cash used in investing activities

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

Capital expenditure on intangible assets and property, plant and equipment

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

(in € millions, except percentages)

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

(in € millions, except percentages)

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

Capital expenditures on property, plant and equipment mainly relate to hub and depot buildings, vehicles, IT equipment and depot equipment. The capital expenditures on intangible assets mainly relate to software license and software development costs.
Proceeds from sale of property, plant and equipment
In 2011, proceeds from the sale of property, plant and equipment decreased by €19 million to €7 million (2010: 26), mainly due to a reduction in the sale of vehicles, aircraft and other depot equipment.

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

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

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

On 6 December 2006, TNT Airways N.V./S.A., an indirectly wholly owned subsidiary of TNT Express, entered into agreements with respect to the lease of two Boeing 747 freighters, which are guaranteed by TNT Express. The outstanding debts at 31 December 2011 under these finance leases with maturities of December 2016 and May 2017, respectively, were $110 million and $116 million, respectively. The annual amortisation included in the lease terms is in total around $14 million per year. The leases bear interest at the six-month interbank dollar-rate plus a credit charge that depends on TNT Express’ credit rating. The finance leases do not include financial covenants and cannot be accelerated in case of a rating downgrade, but do contain a change of control clause and other common market practice clauses. The floating interest payments in the lease are fixed via interest rate swaps for the remaining life of the leases.

Dividend proposal
The Executive Board of TNT Express has decided, with the approval of the Supervisory Board, to propose to compensate the loss out of the distributable part of the shareholders’ equity and to pay a dividend out of the distributable part of the shareholders’ equity. The proposed final dividend is €0.004 per share. The €0.04 per share interim dividend together with the proposed final dividend represents a 2011 payout of 40% of normalised net income, in line with TNT Express’ stated dividend guidelines. The final dividend is payable, at the shareholder’s election, either wholly in ordinary shares or wholly in cash. The election period is from 13 April 2012 to 2 May 2012, inclusive.

To the extent that the dividend is paid in shares, it will be paid free of withholding tax and it will be sourced from the additional paid-in capital that is recognised for Dutch dividend withholding tax purposes. The cash dividend will be paid out of the remaining additional paid-in capital. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 2 May 2012, after the close of trading on Euronext Amsterdam, based on the volume-weighted average price (‘VWAP’) of all TNT Express shares traded on Euronext Amsterdam over a three trading day period from 27 April 2012 to 2 May 2012, inclusive. The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 3% above the cash dividend. There will be no trading in the stock dividend rights.

The ex-dividend date will be 13 April 2012, the record date 17 April 2012 and the dividend will be payable as from 7 May 2012.
IV. EXECUTIVE BOARD COMPLIANCE STATEMENT

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

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

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

Directors’ responsibility statement under Dutch Corporate Governance Code

The Executive Board confirms that, in addition to adequately functioning internal controls, it is responsible for TNT Express’ risk management, integrity and compliance systems and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2011. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT Express’ external auditors.

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

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

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

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

Directors’ responsibility statement under Dutch Financial Markets Supervision Act

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

− The 2011 annual financial statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express and its consolidated companies.
− The additional management information disclosed in the 2011 annual report gives a true and fair view of TNT Express and its related companies as at 31 December 2011 and the state of affairs during the financial year to which the report relates.
− The 2011 annual report describes the principal risks facing TNT Express. This is described in detail in chapter 4.

Hoofddorp, 21 February 2012

Marie-Christine Lombard – Chief Executive Officer
Bernard Bot – Chief Financial Officer
V. STRATEGY: BUILDING ON STRENGTHS

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

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

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

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

NEW STRATEGIC AGENDA
TNT Express’ new strategic agenda is to:
- focus on Europe;
- connect Europe with the rest of the world;
- explore partnerships in domestic activities in Brazil (TNT Mercúrio) and China (TNT Hoau);
- maximise free cash flow; and
- embed corporate responsibility in all activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Based on TNT Express’ Competitor Model, incorporating various external sources
Solutions for the high-end B2C segment will leverage TNT Express’ existing dense depot and operating structure. Outsourced collection and delivery partners will ensure B2C services are delivered with minimal additional investments for TNT Express.

**Complement service portfolio with high-end road freight**

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

**Optimise operating model and reduce Europe & MEA fixed costs by €150 million by the end of 2013**

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

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

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

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

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

**Connect Europe with the rest of the world**

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

**Explore partnerships for domestic activities in Brazil and China**

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

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

In Brazil, TNT Express is a market leader in express deliveries. The Brazilian business is undergoing a turnaround following integration-related issues and domestic customer losses caused by service quality issues, which together severely impacted the profitability. By the end of the year, service quality had significantly improved, as demonstrated by operational KPIs, such as on-time delivery and customer claim levels, and the customer pipeline was healthy. The turnaround target of the second half of 2012 is reiterated.
The immediate focus remains on securing the turnaround. In parallel, TNT Express also intends to explore partnership opportunities to further strengthen its value proposition to customers and employees while reducing the company’s financial exposure.

Maximise free cash flow

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

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

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

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

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

Embed corporate responsibility in all activities

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

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

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

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

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

**Maximising operational efficiency:** Initiatives in this area focus on reducing the consumption of energy and other natural resources. TNT Express recognises that climate change and other
environmental issues shape the expectations of key stakeholders. TNT Express has set a target of a 40% improvement of the CO₂ efficiency index by 2020 (base year 2007). TNT Express works to achieve this target by continuously challenging the business and suppliers, on their use of natural resources, and by investing in clean technologies.

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

With respect to customers, TNT Express provides most of its largest customers with detailed reports on TNT Express’ CO₂ emissions related to the transport of their goods. Alternative supply chain solutions to reduce emissions are developed with these customers and are being rolled-out to an increasing number of customers.

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

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

**MEDIUM-TERM AMBITIONS AND OUTLOOK FOR 2012**

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

**Outlook for 2012**
- Major uncertainty in the economic environment, with a risk of a European recession and slowdown in Asia.
- Two-year optimisation programme in Europe & MEA targeting €150 million fixed cost reduction with related restructuring costs and write-offs of €150 million (approximately €125 million cash), in addition to an indirect cost savings programme.
- Reduction of intercontinental fixed capacity.
- Capital expenditures and working capital targets in line with medium-term ambitions.