I. MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

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

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

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

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

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

With kind regards,

Antony Burgmans,

Chairman of the Supervisory Board of TNT Express N.V.
II. REPORT OF THE SUPERVISORY BOARD

KEY MATTERS IN 2012

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

SUPERVISION BY THE SUPERVISORY BOARD

Strategy

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

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

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

Corporate responsibility

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

Risk management

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

MEETINGS OF THE SUPERVISORY BOARD

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

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

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

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

COMMITTEES OF THE SUPERVISORY BOARD

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

INTERNAL ORGANISATION

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

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

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

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

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

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

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

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

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

Attendance

<table>
<thead>
<tr>
<th></th>
<th>Supervisory Board meetings</th>
<th>Audit Committee meetings</th>
<th>Remuneration Committee meetings</th>
<th>Nomination Committee meetings</th>
<th>Additional Adhoc Supervisory Board meetings</th>
<th>AGM &amp; EGM</th>
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<tbody>
<tr>
<td>Mr Burgmans</td>
<td>8/8</td>
<td>-</td>
<td>4/4</td>
<td>1/1</td>
<td>17/17</td>
<td>2/2</td>
</tr>
<tr>
<td>Mr Gunning</td>
<td>8/8</td>
<td>5/5</td>
<td>-</td>
<td>1/1</td>
<td>15/17</td>
<td>2/2</td>
</tr>
<tr>
<td>Ms Harris</td>
<td>8/8</td>
<td>5/5</td>
<td>4/4</td>
<td>-</td>
<td>17/17</td>
<td>2/2</td>
</tr>
<tr>
<td>Mr King</td>
<td>7/8</td>
<td>-</td>
<td>4/4</td>
<td>1/1</td>
<td>15/17</td>
<td>1/2</td>
</tr>
<tr>
<td>Mr Levy</td>
<td>8/8</td>
<td>5/5</td>
<td>4/4</td>
<td>-</td>
<td>16/17</td>
<td>2/2</td>
</tr>
<tr>
<td>Ms Scheltema</td>
<td>8/8</td>
<td>5/5</td>
<td>-</td>
<td>-</td>
<td>15/17</td>
<td>2/2</td>
</tr>
<tr>
<td><strong>Total % Attendance</strong></td>
<td><strong>98%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>93%</strong></td>
<td><strong>92%</strong></td>
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FINANCIAL STATEMENTS AND PROFIT APPROPRIATION

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

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

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

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

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

COMPLIANCE

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

A WORD OF THANKS

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

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

Hoofddorp, 18 February 2013
III. CORPORATE GOVERNANCE

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

GENERAL

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

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

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

4 Brazil reports directly to the Executive Board.
6 Company Wide Controls.
SUPERVISORY BOARD

A. (Antony) Burgmans
(1947, Dutch) Chairman
Initial appointment 2011
Current term of office 2011-2015
Non-executive board member of BP plc. (UK); chairman of the supervisory board of Intergamma B.V.; member of the supervisory boards of AkzoNobel N.V., AEGON N.V., SHV Holdings N.V. and Jumbo Supermarkten B.V.; and former chairman and CEO of Unilever N.V. and plc.
− Chairman of the Nominations Committee
− Member of the Remuneration Committee

L.W. (Tex) Gunning
(1950, Dutch)
Initial appointment 2011
Current term of office 2011-2014
Member of the executive committee of AkzoNobel N.V.; member of the supervisory board of Royal FrieslandCampina N.V.; former Business Group president of Unilever N.V. and plc.; former chairman and CEO of Vedior N.V.
− Member of the Audit Committee
− Member of the Nominations Committee

M. E. (Mary) Harris
(1966, British)
Initial appointment 2011
Current term of office 2011-2015
Non-executive director at J. Sainsbury plc.; member of the supervisory board of Unibail-Rodamco; and former member of the supervisory board of TNT N.V.
− Chairman of the Remuneration Committee
− Member of the Audit Committee

R. (Roger) King
(1940, American)
Initial appointment 2011
Current term of office 2011-2014
Non-executive director of Orient Overseas International Limited and Sincere Watch Limited; former member of the supervisory board of TNT N.V.; former president and CEO of Sa Sa International Holdings Limited; former chairman and CEO of DDS System-Pro Holdings Limited; former MD and COO of Orient Overseas International Limited and former non-executive director of Arrow Electronics, Inc.
− Member of the Remuneration Committee
− Member of the Nominations Committee

S. (Shemaya) Levy
(1947, French) Vice-Chairman
Initial appointment 2011
Current term of office 2011-2013
Member of the supervisory boards of Segula Technologies Group, AEGON N.V. and the PKC Group (Finland); former member and vice-chairman of the supervisory board of TNT N.V.; former member of the supervisory boards of Nissan and Renault Finance, Renault Spain and Safran; and former CEO of Renault Industrial Vehicles Division and executive vice-president and CFO of Renault Group.
− Chairman of the Audit Committee
− Member of the Remuneration Committee

M. (Margot) Scheltema
(1954, Dutch)
Initial appointment 2011
Current term of office 2011-2013
Non-executive Director of Lonza Plc (Switzerland); vice-chairman of the supervisory board of Triodos Bank; member of the audit committee and supervisory board of ASR Verzekeringen; member of the supervisory boards of Schiphol Group, Energy Research Centre of the Netherlands, Stichting Rijksmuseum and Warmtebedrijf Rotterdam N.V.; external member of the audit committee of Stichting Pensioenfonds ABP and member of the board of World Press Photo.
− Member of the Audit Committee
General
The Supervisory Board supervises the policies of the Executive Board and the general course of affairs of TNT Express. The Supervisory Board also advises the Executive Board. At least once a year, the Executive Board must inform the Supervisory Board of the main aspects of the strategic policy, general and financial risks, corporate responsibility policy and the management and auditing systems of TNT Express. A number of important resolutions of the Executive Board are subject to approval by the Supervisory Board pursuant to the Articles of Association of TNT Express.

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

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

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

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

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

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

Committees of the Supervisory Board
TNT Express’ Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Nominations Committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch Corporate Governance Code. The terms of reference of these committees can be viewed on TNT
Express’ corporate website (www.tnt.com/corporate). The powers of the committees are based on a mandate from the Supervisory Board, which does not include the right to decision making.

**Audit Committee**

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

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

**Remuneration Committee**

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

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

**Nominations Committee**

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

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

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

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

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

**Jeroen Seyger**  
Appointment a.i. to Executive Board 2012

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

**General**

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

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

**Appointment and removal**

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

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

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

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

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

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

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

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

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

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

**PREVENTION OF INSIDER TRADING**
The members of the Supervisory Board, the Executive Board and other senior management of TNT Express are subject to the TNT Express Policy on Prevention of Insider Trading. This policy sets forth rules of conduct to prevent trading in financial instruments of TNT Express when in possession of inside information. Transactions in TNT Express shares carried out by the Supervisory Board or Executive Board members are notified to the Dutch Authority for Financial Markets in accordance with Dutch law.
The Supervisory Board has adopted a policy concerning the ownership of transactions in securities other than financial instruments of TNT Express by the Executive Board and the Supervisory Board. This policy is incorporated in the by-laws of the Executive Board and the Supervisory Board and requires that each member of the Executive Board and Supervisory Board give periodic notice of any changes in his or her holding of securities in Dutch listed companies. A member of the Executive Board or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these internal notification requirements.

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

<table>
<thead>
<tr>
<th>Year ended at 31 December</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Bot CEO a.i.</td>
<td>25,360</td>
</tr>
<tr>
<td>Mr Seyger CFO a.i.</td>
<td>4,553</td>
</tr>
<tr>
<td><strong>Total current members</strong></td>
<td><strong>29,913</strong></td>
</tr>
<tr>
<td>Ms Lombard</td>
<td>34,214</td>
</tr>
<tr>
<td><strong>Total former member</strong></td>
<td><strong>34,214</strong></td>
</tr>
</tbody>
</table>

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

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

FOUNDATIONS OF TNT EXPRESS’ CORPORATE GOVERNANCE

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

Internal control over financial reporting

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

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

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

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

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

Integrity

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

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

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

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

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

Legal

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

Human Resources

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

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

Business Control

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

Internal Audit

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

External Auditor

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

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

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

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

DUTCH CORPORATE GOVERNANCE CODE

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

Best practice provision II.2.8

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

Best practice provision IV.1.1

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

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

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

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

SHAREHOLDERS

General meetings of shareholders

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

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

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

Agenda

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

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

Admission to and voting rights at the meeting

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

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

Dissolution and liquidation

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

Change to the rights of shareholders

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

Major shareholders

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

THE FOUNDATION

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

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

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

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

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

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

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

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

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

REMUNERATION POLICY 2012

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

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

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

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

European reference group

1. Adecco SA 11. Marks and Spencer Plc
4. British Airways Plc 14. PPR SA
5. Bunzl Plc 15. Rentokil Initial Plc
6. Delaize SA 16. SAS AB
7. DSV A/S 17. Securitas AB
8. First Group Plc 18. Serco Group Plc
10. Kuehne and Nagel International AG 20. Tui AG

Companies included in the peergroup of the 2011 benchmark.

Remuneration policy 2012: base salary

The base salary component of the remuneration package is set at a median level when compared to the peer group benchmark data. The base salary policy permits the adjustment of salaries annually in line with the average increase in the collective labour agreements applicable to employees of the large European entities of TNT Express.
Remuneration policy 2012: variable income

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

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

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

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

The focus areas for the 2012 short-term incentive are:
- 60% financial targets, comprising:
  - 70% EBIT
  - 30% net cash flow from continuing operations
- 40% non-financial targets (equally weighted), comprising:
  - Customers: client satisfaction
  - Employees: management development and engagement of employees
  - Sustainability: environment and health and safety

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

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

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

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

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Achievement</th>
<th>% of allocation that vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>V</td>
<td>Delivery max. 16.67% of allocation</td>
</tr>
<tr>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>V</td>
<td>Delivery max. 16.67% of allocation</td>
</tr>
<tr>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>V</td>
<td>Delivery max. 50.00% of allocation</td>
</tr>
<tr>
<td></td>
<td>V</td>
<td>Maximum 100% of allocation</td>
</tr>
</tbody>
</table>

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

**Remuneration policy 2012: pension**

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

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

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

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

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

The existing pension scheme for Mr Seyger (final pay scheme for employees with an employment contract before 1 January 2007) remained applicable during the period of his ad interim appointment.
The main features of this pension scheme are:
- retirement age at 62 years and 11 months;
- pensionable income based on final pay;
- annual accrual rate for the old-age pension of 1.75%;
- offset for state pension at fiscal minimum; and
- no employee contribution for the year 2012.

Remuneration policy 2012: severance
The contractual severance payments for the members of the Executive Board are summarised as follows:
- As policy, severance payments other than those related to a change of control are equal to one year’s base salary or a maximum of two years’ base salary in the first four-year term if one year is considered to be unreasonable. In the contract of Mr Bot, the severance payment for situations other than a change of control is limited to one year’s base salary. Mr Seyger has no specific severance clause in his (senior management) contract.
- Severance payments in case of a change of control are equal to the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two for Mr Bot and multiplied by one for Mr Seyger.

Remuneration policy 2012: other
In the contracts of the members of the Executive Board, a ‘claw-back’ clause is included. This clause will apply in case an erroneous variable remuneration payout has occurred.

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

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

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

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

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

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

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

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

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

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

Variable income 2012

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

Short-term incentive

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

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

<table>
<thead>
<tr>
<th>Target</th>
<th>Focus area</th>
<th>Weighting</th>
<th>Performance</th>
<th>Payout in % of base salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>60%</td>
<td>EBIT</td>
<td>70%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>60%</td>
<td>Net Cash</td>
<td>30%</td>
<td>+</td>
<td>9%</td>
</tr>
<tr>
<td>40% non-financial</td>
<td>Customers</td>
<td>33.3%</td>
<td>+</td>
<td>3.34%</td>
</tr>
<tr>
<td>40% non-financial</td>
<td>Employees</td>
<td>33.3%</td>
<td>√ -</td>
<td>1.67%</td>
</tr>
<tr>
<td>40% non-financial</td>
<td>Sustainability</td>
<td>33.3%</td>
<td>√ -</td>
<td>1.67%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>15.68%</td>
</tr>
</tbody>
</table>

The payout on the non-financial targets is halved due to a below 95% EBIT performance.

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

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

Bonus/matching plan

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

Long-term incentive

At the Annual General Meeting of Shareholders held in April 2012, due to the UPS offer, the Supervisory Board announced the suspension of the launch of the new TNT Express 2012 performance share plan for the Executive Board and senior management. It was also announced that, at the discretion of the Supervisory Board, the 2013 grant of performance shares may include compensating elements for the delay.
Total remuneration 2012
The table below summarises the 2012 compensation elements of the members of the Executive Board. For detailed disclosure on the remuneration of the individual members of the Executive Board, refer to note 18 of the consolidated financial statements.

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Base salary</th>
<th>Temporary allowance</th>
<th>Other periodic paid compensation</th>
<th>Pension costs</th>
<th>Accrued for short-term incentive</th>
<th>Accrued for long-term incentive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bernard Bot1</td>
<td>2012 500,000</td>
<td>62,500</td>
<td>52,258</td>
<td>134,582</td>
<td>114,876</td>
<td>0</td>
<td>864,216</td>
</tr>
<tr>
<td>Chief Executive Officer a.i.</td>
<td>2011 479,167</td>
<td>0</td>
<td>48,431</td>
<td>117,298</td>
<td>64,507</td>
<td>182,951</td>
<td>892,354</td>
</tr>
<tr>
<td>Jeroen Seyger2</td>
<td>2012 53,479</td>
<td>67,243</td>
<td>8,877</td>
<td>11,598</td>
<td>10,651</td>
<td>0</td>
<td>151,848</td>
</tr>
<tr>
<td>Chief Financial Officer a.i.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Former member</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marie-Christine Lombard3</td>
<td>2012 562,500</td>
<td>0</td>
<td>159,378</td>
<td>211,140</td>
<td>2,187</td>
<td>182,022</td>
<td>933,018</td>
</tr>
<tr>
<td>Former Chief Executive Officer</td>
<td>2011 692,500</td>
<td>0</td>
<td>230,143</td>
<td>281,520</td>
<td>2,187</td>
<td>162,022</td>
<td>1,388,372</td>
</tr>
</tbody>
</table>

1 In 2012, Mr Bot was CFO from January through 23 September. From 24 September Mr Bot was assigned CEO a.i.
2 As of 8 October 2012, Mr Seyger was assigned CFO a.i., the reported amounts relate to his income as CFO a.i.
3 Ms Lombard resigned effective 1 October 2012, the reported amounts relate to her income during the period January through September.
4 A temporary quarterly allowance is paid for the duration of the interim appointment of Mr Bot as CEO a.i. and Mr Seyger as CFO a.i.
5 Other periodic paid compensation includes company costs related to tax and social security, company car and other costs.
6 The 2011 accrued short-term incentive amount for Mr Bot includes the unwinding costs of in total €48,443 for the accelerated vesting of the TNT N.V. bonus/matching shares.
7 The 2011 accrued long-term incentive amounts include the unwinding costs for the accelerated vesting of the TNT N.V. performance shares of in total €129,541 for Mr Bot and in total €106,078 for Ms Lombard.

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

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

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

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

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

<table>
<thead>
<tr>
<th>Committees</th>
<th>Base fee</th>
<th>Additional meeting fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman Audit</td>
<td>60,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Member Remuneration</td>
<td>45,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Chairman Nominations</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Member</td>
<td>1,500</td>
<td></td>
</tr>
</tbody>
</table>

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

The members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with TNT Express. Moreover, the members of the Supervisory Board do not receive any severance payments in the event of termination or removal by the Annual General Meeting of Shareholders. TNT Express does not grant loans, including mortgage loans or guarantees, to any member of the Supervisory Board.
For detailed disclosure on the remuneration of the individual members of the Supervisory Board, refer to note 18 of the consolidated financial statements.
VI. RISK MANAGEMENT

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

RISK MANAGEMENT FRAMEWORK

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

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

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

Risk factors

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

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

Although TNT Express believes that the risks and uncertainties described in the following pages are the most material risks and uncertainties, other risks might be present. All of these factors are contingencies which may or may not occur. Additional risks and uncertainties not presently known to TNT Express or that it currently deems immaterial may also have a material adverse effect on its business, results of operations or financial condition. The sequence in which these risks are presented in no way reflects any order of importance, chance or materiality.
<table>
<thead>
<tr>
<th>Specific Risks</th>
<th>Inherent Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Requiring short/medium-term management</strong></td>
<td><strong>Requiring continuous monitoring</strong></td>
</tr>
<tr>
<td><strong>Strategic Risks</strong></td>
<td><strong>Operational Risks</strong></td>
</tr>
<tr>
<td>– Fluctuations of trade flow</td>
<td>– Downturn in the macroeconomic circumstances for emerging markets</td>
</tr>
<tr>
<td>– Shifts in customer preferences or shipping patterns</td>
<td>– Loss of critical employees and inability to attract and retain talent</td>
</tr>
<tr>
<td>– Integration challenges of acquisitions</td>
<td></td>
</tr>
<tr>
<td>– Impairment of goodwill or additional costs associated with closure of certain operations</td>
<td></td>
</tr>
<tr>
<td>– Ineffective cost reduction measures</td>
<td></td>
</tr>
<tr>
<td>– Intensifying competition in the CEP market</td>
<td></td>
</tr>
<tr>
<td>– Negative impact of a takeover bid</td>
<td></td>
</tr>
<tr>
<td><strong>Legal &amp; Regulatory Risks</strong></td>
<td><strong>Financial Risks</strong></td>
</tr>
<tr>
<td>– Change in shareholder base of TNT Express or TNT Airways</td>
<td>– Loss of S&amp;P/Moody’s targeted credit rating or inability to achieve targeted S&amp;P/Moody’s credit rating</td>
</tr>
<tr>
<td>– Failure by subcontractors to meet social security obligations/fiscal requirements</td>
<td>– Break-up or a change in the composition of the Eurozone and its currency</td>
</tr>
<tr>
<td></td>
<td>– Fluctuations in currency and interest rates</td>
</tr>
<tr>
<td></td>
<td>– Changes in tax liability as a result of changes in tax laws</td>
</tr>
<tr>
<td></td>
<td>– Inability to utilise deferred tax assets</td>
</tr>
<tr>
<td></td>
<td>– Insufficient retention clause in insurance provisions</td>
</tr>
<tr>
<td><strong>Risks related to securities of TNT Express</strong></td>
<td><strong>Complexity and instability of legal and regulatory systems especially in emerging markets</strong></td>
</tr>
<tr>
<td>– Liability for TNT N.V.’s obligations that existed or originated at the time of the demerger if PostNL defaults</td>
<td>– Non-compliance with specific restrictions and regulations</td>
</tr>
<tr>
<td></td>
<td>– Unfavourable decisions by competition authorities</td>
</tr>
<tr>
<td></td>
<td>– Challenges to the concept of limited liability</td>
</tr>
<tr>
<td></td>
<td>– Classification of subcontractors as employees</td>
</tr>
<tr>
<td></td>
<td>– Unfavourable climate change regulations</td>
</tr>
<tr>
<td></td>
<td>– Misconduct of employees, subcontractors and suppliers</td>
</tr>
<tr>
<td></td>
<td>– Anti-trust violations and investigations</td>
</tr>
</tbody>
</table>

- **Operational Risks**
  - Inaccurate forecasts of future infrastructure requirements
  - Loss of or inability to engage suitable key suppliers or subcontractors
  - Limited or no back-up facilities for key infrastructure facilities
  - Accidents and incidents involving the transportation of hazardous materials and loss of confidential consignments
  - Inability to secure effective flight slot times and appropriate licences

- **Financial Risks**
  - Loss of S&P/Moody’s targeted credit rating or inability to achieve targeted S&P/Moody’s credit rating
  - Break-up or a change in the composition of the Eurozone and its currency
  - Fluctuations in currency and interest rates
  - Changes in tax liability as a result of changes in tax laws
  - Inability to utilise deferred tax assets
  - Insufficient retention clause in insurance provisions

- **Risks related to securities of TNT Express**
  - Liability for TNT N.V.’s obligations that existed or originated at the time of the demerger if PostNL defaults
  - Proportionate but significant influence of majority shareholders
STRATEGIC RISKS

Specific – strategic risks

The express business is cyclical and highly sensitive to fluctuations of trade flows, which in case of an economic downturn, could affect TNT Express’ revenue and profitability.

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

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

Changes in customer preferences or shipping patterns could result in a shift by customers from premium services to economy services, or a loss of customers which could affect TNT Express’ revenue and profitability.

Driven by economic developments, cost rationalisation, customers’ preferences or shipping patterns could shift from TNT Express’ higher-priced premium services to its slower, cheaper economy services. In addition, it may also lose customers due to negative economic developments or cost rationalisation.

The integration of acquired businesses may involve significant challenges (including costs) and could affect TNT Express’ revenue, profitability and financial position.

In the past TNT Express has made a number of acquisitions. The integration of these acquired businesses is not without execution risks. These risks are compounded in emerging markets that by nature contain higher levels of market and execution risks.

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

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

TNT Express may sell off some entities or exit certain businesses or markets, which could result in additional costs related to closure of operations, business disruption, impairment of goodwill or other contractual liabilities, and could therefore affect TNT Express’ revenue, profitability and financial position.

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

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the intended results and could affect TNT Express’ revenue and profitability.

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

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

Intensifying competition in the CEP market may put downward pressure on volumes and prices and could affect TNT Express’ revenue and profitability.

TNT Express competes with many companies and provides services on a local, regional, European and global level. Its competitors include express companies, logistics service providers, freight forwarders and air or road couriers. Intensified competition, through targeted, aggressive actions by competitors
may put downward pressure on volumes and prices. This may force down volumes and prices for TNT Express’ services.

A public offer for the shares of TNT Express could result in loss of customers, supplier contracts, partnership, divestment or investment opportunities and employees, and could distract management in the execution of the company’s strategy. It could also delay the implementation of restructuring projects. This could affect TNT Express’ revenue, profitability and service quality.

A public bid for TNT Express could have an impact on TNT Express’ ability to execute its strategy, attract and retain customers, enter into supplier contracts and conclude partnership, investment or divestment opportunities due to uncertainty. Employees could also decide to leave TNT Express due to this uncertainty and management could be distracted from the day-to-day management of the company. Certain restructuring or other projects could also be affected.

Inherent – strategic risks

TNT Express derives a significant portion of its revenue from its international operations and is subject to the risks of conducting operations in emerging markets. A downturn in these markets could affect TNT Express’ revenue, profitability and financial position.

As TNT Express has significant international operations, it is exposed to changing economic, political and social developments beyond its control. Emerging markets are typically more volatile than mature markets, and any downturn in these markets is typically more pronounced than those in the developed world.

The loss of critical employees and the inability to attract and retain talent could have an adverse effect on TNT Express’ business.

Successful execution of TNT Express’ strategy is not possible without talented and engaged employees that have the right skills and experience. Employees are essential in our operations and service to customers. TNT Express’ plans may not be achieved if it fails to attract and retain essential employees.

TNT Express is committed to attracting, developing and engaging key employees.

OPERATIONAL RISKS

Specific – operational risks

TNT Express may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and affect its profitability.

TNT Express must make on-going investments in infrastructure such as aircraft, vehicles and depots. Infrastructure investments are based on forecasts of future capacity requirements. Forecasts for future requirements might not be accurate and may result in a mismatch between investment and actual requirements.

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

The loss of key suppliers and subcontractors or an inability to engage suitable suppliers or subcontractors could have a significant impact on TNT Express’ operations and thereby affect its revenue and profitability.

TNT Express’ business model depends upon the extensive use of key suppliers and subcontractors. For instance, TNT Express uses many commercial aircraft as part of its global network operations. The insolvency, bankruptcy or unavailability of a key supplier or subcontractor, could affect TNT Express’ operations and thereby affect its revenue and profitability.

TNT Express depends on a number of infrastructure facilities for which it has limited or no comparable back-up facilities. In addition, the business depends on the availability and security of a bespoke IT infrastructure. In the event of operational disruptions at one or more of these facilities and/or an IT failure, the revenue and profitability of TNT Express could be affected.

A portion of TNT Express’ infrastructure is concentrated in key locations. An example of this is its air express hub in Liège, Belgium. The operation of TNT Express’ facilities is prone to a number of risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as aircraft crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure.

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

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

**TNT Express’ reputation, as well as its profitability could be affected by fatalities as a result of road traffic accidents, air crashes, incidents resulting from the transport of hazardous materials and loss of confidential consignments.**

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

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

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

**Inability to secure effective flight slot times and appropriate licences may result in significant changes to TNT Express’ operations and could limit its flexibility in operating its business and affect its revenue and profitability.**

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

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

**Inherent – operational risks**

_A terrorist attack and increased anti-terrorism requirements could impose substantial additional security costs on TNT Express and thus affect its profitability._

Escalating concerns about global terrorism and perceived insufficient levels of aviation security have caused governments and airline operators around the world, either to adopt or contemplate adopting stricter disciplines that will increase operating costs, especially for the transportation industry. Therefore, TNT Express makes significant investments in aviation security equipment. The enhanced rules and regulations or other future security requirements for air cargo carriers, could have a negative impact on service quality and impose material additional costs.
TNT Express’ operations and employees are subject to risks related to natural disasters and extreme weather events that could affect both revenue and profitability.

TNT Express’ operations and employees could potentially be affected by extreme weather events. This could force airports, airspace and road networks to close and thereby create significant delays in both air and road operations.

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

Increases to the prices of fuel and energy may affect TNT Express’ revenue and profitability.

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

Health epidemics and other outbreaks of contagious diseases, including pandemic influenza could affect TNT Express’ revenue and profitability.

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

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

LEGAL AND REGULATORY RISKS

Specific – legal and regulatory risks

Changes in the shareholder base of TNT Express or in the domicile of TNT Airways could impact TNT Express’ ability to secure and maintain traffic rights in certain countries and the use of airports, which could in turn affect its revenue and profitability.

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

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

Failure by subcontractors to meet obligations for social security and other fiscal requirements could have a significant impact on TNT Express’ ability to provide services, as well as its reputation and profitability.

In some jurisdictions, failure by subcontractors to meet obligations for social security and other fiscal requirements could result in the hiring company becoming liable. If TNT Express is held liable for its subcontractors’ breach of social security or fiscal obligations, its profitability could be affected. Even if there are no direct financial consequences, the reputation of TNT Express could be damaged.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Global concern about climate change could lead to governmental actions or unfavourable regulations that require TNT Express to reduce CO₂ emissions by its air and road fleet. For example, many local governments are imposing regulations to limit both the volume of road traffic and emissions in city centres. Such action or regulation could affect TNT Express’ air and road transport as well as those of
its subcontractors. In addition, TNT Airways has been subject to the requirements and obligations of the EU Emissions Trading Scheme, since 1 January 2012.

**Employee, subcontractor and supplier misconduct could result in financial losses, loss of clients and fines or other sanctions imposed by the national and local governments (and other regulators) of the countries in which TNT Express does business.**

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

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

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

**Anti-trust violations and investigations could result in fines that affect TNT Express’ reputation, revenue and profitability.**

Acts of or involvement in price-fixing and/or anti-competitive behaviour by staff or involvement in industry-wide investigations may result in fines or other sanctions.

**FINANCIAL RISKS**

**Specific – financial risks**

**TNT Express targets a BBB+/Baa1 credit rating. Lower ratings may increase financing costs and harm its ability to finance operations and acquisitions, which could negatively affect revenue and profitability.**

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

**A break-up or a change in the composition of the Eurozone and its currency could negatively affect TNT Express’ ability to finance its operations and negatively impact its financial exposures.**

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

**Currency and interest rate fluctuations could affect TNT Express’ revenue, profitability and equity.**

TNT Express operates and sells its services globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the euro (TNT Express’ reporting currency). The exchange rates between foreign currencies and the euro may fluctuate. In addition, a portion of TNT Express’ borrowings and financial assets incur floating interest rates. The main
sensitivities on revenue and costs can be derived from geographical segmentation as provided in the additional notes to the financial statements presented in chapter 5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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