





“Good enough is never enough. I always want to do better.”

CORYSE MELFOR

TNT Post-Team Coach

32 years old, single, 2 children

TNT POST

If you're going to try to talk Coryse into doing something, you'd better know your stuff. If you don't, you'll regret it and she'll out-manoeuvre you before you know what's happening. The point is that Coryse is extremely bright. An expert chess player, you know she's going to make the best of every situation. And she does. The amazing thing is, though, she does it entirely selflessly and with the greatest respect for others. In her role as part-time team coach, accepting people as they are and making the most of everyone's positive qualities is paramount. Things never go badly; it's just that they can be done better...

"I've been trying to work out how my work and I fit within the idea of 'All the right connections'," says Coryse. "It took me a while, but then I realised that there are basically four areas where connections come into play: between my colleagues and I, with my boss, with clients and between what we do today and how it can be done better tomorrow. I think if you handle the latter properly, the rest all falls into place – the question is how."

"My approach to improving is a system I like to call the TIPTOP system. In any working process, or on a personal level if need be, there are things we do well (the TOPS), and things that can be done better (TIPS). The idea is to maintain the TOPS of today and to make sure that you concentrate on transforming the TIPS. Then everything's TIPTOP," (she laughs). "Joking aside, it works. I like to let my colleagues suggest new ways of improving on what we do together. If they are allowed to take responsibility for their own actions,

it enhances their enjoyment and at the same time increases their devotion to the company. I think we all like to feel as if we've achieved something when we go home each day."

"Another way I like to help my team succeed is to organise team outings. We've had cooking evenings, we've been bowling. There have been lots of group events. I learnt some time ago that the trick to extracting the most out of everyone – call it positive manipulation if you have to – is first to get to know them. That is best achieved in an informal setting. They open up; you discover people's qualities and what they enjoy doing. What they're not so good at. Once you know what people are really about, you can use their positive qualities in the workplace. You know that they're going to do well in certain settings and, again, they'll feel better about themselves, the company, etc. Okay – it's a strategy. Maybe it's in my nature and why I love chess. But at the end of the day, it's the result that counts. Always do better."

CORYSE MELFOR

TNT Post, Team Coach

32 years old, single, 2 children





FINANCIAL STATEMENTS

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UNITED STATES OPINION

To the General Meeting of Shareholders of TNT N.V.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have completed an integrated audit of TNT N.V.'s 2006 consolidated financial statements and of its internal control over financial reporting as of 31 December 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, consolidated cash flow statements and consolidated statements of changes in total equity, as set out on pages 105 to 171, present fairly, in all material respects, the financial position of TNT N.V. and its subsidiaries at 31 December 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2006 in conformity with International Financial Reporting Standards as adopted by the European Union. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20-F. Information relating to the nature and effect of such differences is presented in Note 35 to the consolidated financial statements.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Report of management on Internal Control over Financial Reporting, appearing on page 66 of the 2006 Annual Report/Form 20-F, that the Company maintained effective internal control over financial reporting as of 31 December 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the applicable accounting standards. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable accounting standards, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Amsterdam, 26 February 2007
PricewaterhouseCoopers Accountants N.V.



drs. M. de Ridder RA

Note that the United States opinion set out above is included for the purposes of TNT N.V.'s Annual Report on Form 20-F for the year ended 31 December 2006 only and does not form part of TNT N.V. 2006 Annual Report.


CONSOLIDATED BALANCE SHEETS

At 31 December

	2006	variance %	2005
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Goodwill	1,573		1,626
Other intangible assets	212		212
total	1,785	(2.9)	1,838
PROPERTY, PLANT AND EQUIPMENT			
Land and buildings	823		805
Plant and equipment	342		313
Aircraft	306		221
Other	162		169
Construction in progress	45		44
total	1,678	8.1	1,552
FINANCIAL FIXED ASSETS			
Investments in associates	58		47
Other loans receivable	7		13
Deferred tax assets	211		188
Prepayments and accrued income	38		25
total	314	15.0	273
Total non-current assets	3,777	3.1	3,663
CURRENT ASSETS			
Inventory	29		29
Accounts receivable	1,561		1,471
Income tax receivable	8		78
Prepayments and accrued income	227		218
Cash and cash equivalents	297		559
total	2,122	(9.9)	2,355
Assets held for sale	409	(82.8)	2,378
Total assets	6,308	(24.9)	8,396

EQUITY			
Equity attributable to the equity holders of the parent	1,983		3,262
Minority interests	25		17
total	2,008	(38.8)	3,279
NON-CURRENT LIABILITIES			
Deferred tax liabilities	240		233
Provisions for pension liabilities	23		136
Other employee benefit obligations	57		49
Other provisions	106		105
Long term debt	1,183		1,071
Accrued liabilities	3		14
total	1,612	0.2	1,608
CURRENT LIABILITIES			
Trade accounts payable	308		320
Short term provisions	87		29
Other current liabilities	731		571
Income tax payable	280		233
Accrued current liabilities	1,136		1,126
total	2,542	11.5	2,279
Liabilities related to assets classified as held for sale	146	(88.1)	1,230
Total liabilities and equity	6,308	(24.9)	8,396

(in € millions, except percentages)

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

CONSOLIDATED STATEMENTS OF INCOME

Year ended at 31 December

	2006	variance %	2005	variance %	2004
16 Net sales	9,948		9,274		8,798
17 Other operating revenues	112		55		29
Total revenues	10,060	7.8	9,329	5.7	8,827
18 Other income	65	71.1	38	375.0	8
Cost of materials	(409)		(408)		(342)
Work contracted out and other external expenses	(4,160)		(3,582)		(3,334)
19 Salaries, pensions and social security contributions	(3,384)		(3,318)		(3,216)
20 Depreciation, amortisation and impairments	(318)		(303)		(296)
21 Other operating expenses	(578)		(608)		(537)
Total operating expenses	(8,849)	(7.7)	(8,219)	(6.4)	(7,725)
Operating income	1,276	11.1	1,148	3.4	1,110
Interest and similar income	199		117		100
Interest and similar expenses	(246)		(117)		(116)
22 Net financial (expense)/income	(47)		0		(16)
Results from investments in associates	(6)		(2)		(2)
Profit before income taxes	1,223	6.7	1,146	4.9	1,092
Income taxes	(395)		(376)		(372)
Profit for the year from continuing operations	828	7.5	770	6.9	720
Profit/(loss) from discontinued operations	(157)		(109)		32
Profit for the year	671	1.5	661	(12.1)	752
Attributable to:					
Minority interests	1	(50.0)	2	-	-
Equity holders of the parent	670	1.7	659	(12.4)	752
Earnings per ordinary share (in € cents) ¹	159.3		145.0		158.9
Earnings per diluted ordinary share (in € cents) ²	158.1		144.4		158.7
Earnings from continuing operations per ordinary share (in € cents) ¹	196.6		169.0		152.1
Earnings from continuing operations per diluted ordinary share (in € cents) ²	195.1		168.3		151.9
Earnings from discontinued operations per ordinary share (in € cents) ¹	(37.3)		(24.0)		6.8
Earnings from discontinued operations per diluted ordinary share (in € cents) ²	(37.0)		(23.9)		6.8

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

¹ In 2006 based on an average of 420,701,641 of outstanding ordinary shares (2005: 454,367,662; 2004: 473,387,568). See note 30.² In 2006 based on an average of 423,859,222 of diluted outstanding ordinary shares (2005: 456,360,619; 2004: 473,980,149). See note 30.

- the figures 16-21 in the line items of these financial statements refer to the notes to the financial statements.
- the accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS


Year ended at 31 December

	2006	variance %	2005	variance %	2004
CASH FLOWS FROM CONTINUING OPERATIONS					
Profit before income taxes	1,223		1,146		1,092
Adjustments for:					
Depreciation, amortisation and impairments	318		303		296
Share based payments	9		8		5
Investment income:					
(Profit)/loss on sale of property, plant and equipment	(61)		(38)		(5)
Interest and similar income	(199)		(117)		(100)
Foreign exchange (gains) and losses			1		2
Interest and similar expenses	246		116		114
Results from investments in associates	6		2		2
Changes in provisions:					
Pension liabilities	(124)		(121)		(256)
Other provisions	10		52		13
Changes in working capital:					
Inventory	(5)		(2)		6
Accounts receivable	(170)		(143)		(38)
Other current assets	(29)		(2)		14
Trade accounts payable	80		(85)		20
Other current liabilities excluding short term financing and taxes	34		54		13
Cash generated from operations	1,338	14.0	1,174	(0.3)	1,178
Interest paid	(199)		(80)		(85)
Income taxes paid	(282)		(125)		(403)
Net cash from operating activities	857	(11.6)	969	40.4	690
Acquisition of group companies (net of cash)	(89)		(35)		(196)
Disposal of group companies and joint ventures	1,365		(5)		
Investments in associates	(20)		(13)		(11)
Disposal of associates			3		1
Capital expenditure on intangible assets	(103)		(80)		(59)
Disposal of intangible assets	2		2		2
Capital expenditure on property, plant and equipment	(277)		(230)		(217)
Proceeds from sale of property, plant and equipment	65		43		14
Other changes in (financial) fixed assets	7		16		165
Changes in minority interests	7		(3)		2
Interest received	111		40		33
Net cash used in investing activities	1,068	507.6	(262)	1.5	(266)
Repurchases of shares	(1,747)		(473)		(151)
Other equity changes	52		16		3
Proceeds from long term borrowings	2		28		5
Repayments to long term borrowings	(53)		(2)		(16)
Proceeds from short term borrowings ¹	328		14		8
Repayments to short term borrowings	(166)		(64)		(45)
Proceeds from finance leases			6		9
Repayments to finance leases	(10)		(4)		(9)
Dividends paid	(282)		(268)		(237)
Financing relating to our discontinued operations	(276)		(21)		135
Net cash used in financing activities	(2,152)	(180.2)	(768)	(157.7)	(298)
Change in cash from continuing operations	(227)	(272.1)	(61)	(148.4)	126
CASH FLOWS FROM DISCONTINUED OPERATIONS					
Net cash from operating activities	(63)		43		268
Net cash used in investing activities	(30)		(22)		(24)
Net cash used in financing activities	36		8		(202)
Change in cash from discontinued operations	(57)		29		42
TOTAL CHANGES IN CASH	(284)		(32)		168

(in € millions, except percentages)

¹ On adoption of IAS 32 as at 1 January 2005, bank overdraft of €46 million was no longer netted off from cash and cash equivalents.

- certain items in the consolidated cash flow statements have been adjusted for non-cash movements, principally assets acquired under finance leases, foreign currency and newly consolidated and deconsolidated entities. As a result these amounts do not correspond to the differences between the balance sheet amounts for the respective items.

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY

	Issued share capital	Additional paid in capital	Cumulative translation adjustment	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
Balance at 1 January 2004	230	1,421			1,115	215	2,981	17	2,998
Profit for the year						752	752		752
Currency translation adjustment			(35)		6		(29)	2	(27)
Other					(3)		(3)		(3)
Total recognised income for the year			(35)		3	752	720	2	722
Final dividend previous year						(142)	(142)		(142)
Appropriation of net income					73	(73)			
Interim dividend current year						(95)	(95)		(95)
Repurchases of shares					(151)		(151)		(151)
Share based compensation					6		6		6
Other					6		6		6
Total direct changes in equity					(66)	(310)	(376)		(376)
Balance at 31 December 2004	230	1,421	(35)		1,052	657	3,325	19	3,344
Effect on adoption of IAS 32/39					(268)		(268)		(268)
Balance at 1 January 2005	230	1,421	(35)		784	657	3,057	19	3,076
Profit for the year						659	659	2	661
Gains/(losses) on cashflow hedges, net of tax				(12)			(12)		(12)
Currency translation adjustment			19				19		19
Total recognised income for the year			19	(12)		659	666	2	668
Final dividend previous year						(168)	(168)		(168)
Appropriation of net income					489	(489)			
Interim dividend current year						(100)	(100)		(100)
Repurchases of shares					(231)		(231)		(231)
Share based compensation					10		10		10
Other					28		28	(4)	24
Total direct changes in equity					296	(757)	(461)	(4)	(465)
Balance at 31 December 2005	230	1,421	(16)	(12)	1,080	559	3,262	17	3,279
Profit for the year						670	670	1	671
Gains/(losses) on cashflow hedges, net of tax				(9)			(9)		(9)
Currency translation adjustment			(1)				(1)		(1)
Total recognised income for the year			(1)	(9)		670	660	1	661
Final dividend previous year						(173)	(173)		(173)
Appropriation of net income					386	(386)			
Interim dividend current year						(109)	(109)		(109)
Repurchases and cancellation of shares	(27)	(176)			(1,533)		(1,736)		(1,736)
Share based compensation					13		13		13
Other			12		54		66	7	73
Total direct changes in equity	(27)	(176)	12		(1,080)	(668)	(1,939)	7	(1,932)
Balance at 31 December 2006	203	1,245	(5)	(21)	0	561	1,983	25	2,008

(in € millions)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION AND DESCRIPTION OF OUR BUSINESS

TNT N.V. (formerly called TPG N.V.) is a public limited liability company domiciled in Amsterdam, the Netherlands. The consolidated financial statements include the financial statements of TNT N.V. and its consolidated subsidiaries (hereafter referred to as “we”, “TNT”, “our” or “us”). We changed our name from TNT Post Group N.V. to TPG N.V. on 6 August 2001 and we changed our name from TPG N.V. to TNT N.V. on 11 April 2005. TNT N.V. was incorporated under the laws of the Netherlands on 29 December 1997 and is listed on the Amsterdam and New York stock exchanges. In 2006 we delisted from the London (effective 21 March 2006) and Frankfurt (effective 1 June 2006) stock exchange, as the costs and requirements for these listings are not justified by the low trading volume in our shares at both stock exchanges.

On 6 December 2005 we announced a strategy to focus on our core competency of providing delivery services by expertly managing delivery networks and our intention of selling the logistics business. On 23 August 2006 we announced that we have signed a Sale and Purchase Agreement on the sale of the logistics business. On 4 November 2006 we completed the sale of the logistics division to affiliates of Apollo Management L.P. On 30 October 2006 we announced the decision to divest our freight management business. On 16 November 2006 we signed a Sale and Purchase Agreement to sell our freight management business to French logistics service provider Geodis SA. On 5 February 2007 we completed the sale.

We refer to Note 8 for further information on the sale of logistics and freight management.

Our logistics division was reported as discontinued operations/assets held for sale as at 31 December 2005. In our statement of income for 2006, 2005 and 2004 we have presented the net result of our discontinued logistics business on a separate line ‘Profit/(loss) from discontinued operations’.

Our freight management business is reported as discontinued operations/assets held for sale. Consequently, in our statement of income for 2006, 2005 and 2004 we have presented the net result of our discontinued freight management business on a separate line ‘Profit/(loss) from discontinued operations’. We have restated the comparative figures for the 2005 and 2004 statements of income and cash flow to reflect the presentation of the freight management business as a discontinued operation.

Based on our refined strategy we manage our business through two divisions: express and mail. The express division provides demand door-to-door express delivery services for customers sending documents, parcels and freight worldwide. The mail division primarily provides services for collecting, sorting, transporting and distributing domestic and international mail.

The consolidated financial statements have been authorised for issue by our Board of Management and our Supervisory Board on 26 February 2007 and are subject to adoption at the annual general meeting of shareholders on 20 April 2007.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of TNT have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). For TNT, there are no differences between the IFRS as adopted by the EU and the IFRS as issued by the International Accounting Standards Board (IASB). The IASB has issued certain International Financial Reporting Standards or amendments thereon, and the IFRIC has issued certain interpretations, each of which, when adopted, could affect our consolidated financial statements. Where relevant for TNT we have stated the Standards and/or amendments and/or interpretations in ‘Recent IFRS pronouncements’ including the potential impact.

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

The policies set out below have been consistently applied to all the years presented except for those relating to the recognition and measurement of financial instruments. We have made use of the exemption available under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, to only apply IAS 32, *Financial Instruments: Disclosure and Presentation*, and IAS 39, *Financial Instruments: Recognition and Measurement*, from 1 January 2005. The policies applied to financial instruments for 2004 and further are disclosed separately hereafter. The application of IAS 32 and IAS 39 as of 1 January 2005 has led to a decrease in equity of €268 million compared to previously used GAAP. The decrease in equity relates to:

- €259 million relating to our commitment to purchase our ordinary shares from the State of the Netherlands on 5 January 2005. This transfer of legal ownership was included in equity. As required under IAS 32 the amount was classified as a financial instrument and included in other current liabilities;
- €9 million being the estimated fair value of the put option for the 49% shares in TNT Arvil.

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

Consolidation

Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements include the financial statements of TNT N.V. and its group companies. A complete list of subsidiaries, associates and joint ventures included in our consolidated financial statements is filed for public review at the Chamber of Commerce in Amsterdam. This list has been prepared in accordance with the provisions of article 379 (1) and article 414 of Book 2 of the Dutch Civil Code.

As the financial statements of TNT N.V. are included in the consolidated financial statements, the corporate statements of income are presented in an abridged form (article 402 of Book 2 of the Dutch Civil Code).

SUBSIDIARIES

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

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Our subsidiaries' accounting policies have been changed where necessary to ensure consistency with our policies.

ASSOCIATES

An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and

financial policy decisions TNT has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

Our share in the results of all significant associates is included in the consolidated statements of income using the equity method. The carrying value of our share in associates includes goodwill on acquisition and includes changes to reflect our share in net earnings of the respective companies, reduced by dividends received. Our share in non-distributed earnings of associates is included in other reserves within shareholders' equity. When our share of any accumulated losses exceeds the acquisition value of the shares in the associates the book value is reduced to zero and the reporting of losses ceases, unless we are bound by guarantees or other undertakings in relation to the associate.

JOINT VENTURES

A joint venture is a contractual arrangement whereby we and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which we participate with other party(ies) are proportionately consolidated. In applying the proportionate consolidation method, our percentage share of the balance sheet and income statement items are included in our consolidated financial statements.

Foreign currency translation

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates, and all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

Foreign currency transactions are translated into euros, the functional currency, using the exchange rates at the dates of the transactions or at an average exchange rate for accounting purposes. Accounts receivable, liabilities, cash and cash equivalents denominated in foreign currencies are translated into euro at the rate of exchange at the balance sheet date or at the forward exchange rate if a forward contract has been entered into.

Exchange rate differences are included in the statements of income under interest and similar income or interest and similar expenses.

FROM 1 JANUARY 2005

Foreign exchange gains and losses resulting from the settlement of transactions, including foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied. Foreign exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to the cumulative translation adjustment on consolidation. When a foreign

operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible assets

GOODWILL

The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

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

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

OTHER INTANGIBLE ASSETS

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Apart from software, other intangible assets mainly include customer lists, assets under development, licences and concessions.

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

An impairment review is performed whenever a triggering event occurs. An intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairments are reversed if and to the extent that the impairment no longer exists.

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs and the

non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units.

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

Financial instruments

FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

We use derivative financial instruments as part of an overall risk-management strategy. When used, these instruments are applied as means of hedging exposure to foreign currency risk, interest rate risk and commodity risk connected to anticipated cash flows or existing assets and liabilities. We do not hold or issue derivative financial instruments for trading purposes.

Gains and losses from foreign currency forward exchange contracts that are hedging anticipated cash flows are deferred in other assets or other liabilities and recognised in the statements of income, or as adjustments of carrying amounts, when the hedged transaction occurs. If an anticipated cash flow does not occur or is expected not to occur, the foreign currency forward exchange contract is terminated and any result is recognised in interest and similar income or interest and similar expenses.

The net exposures of derivative financial instruments are revalued at the prevailing spot exchange rate. Realised and unrealised gains and losses resulting from hedges of on-balance sheet foreign currency exposure are included in interest and

similar income or in interest and similar expenses offsetting the revaluation of the underlying on-balance sheet items. Foreign currency gains and losses on derivative financial instruments used to hedge our net investments in foreign operations are recorded in equity, net of taxes.

Premium or discounts arising at the inception of foreign currency derivatives are amortised over the life of the contract and included in interest and similar income or interest and similar expenses. Payments and receipts on interest rate swaps are recorded on an accruals basis. If interest rate swaps are terminated early, the gain or loss on interest is recorded within interest and similar income or interest and similar expenses.

FROM 1 JANUARY 2005

Financial instruments are accounted for in accordance with IAS 32 and IAS 39. We classify financial assets and liabilities into the following categories: derivatives, loans and receivables, held-to-maturity investments, available-for-sale financial assets and borrowings.

Derivative financial instruments are recorded at fair value on our balance sheets. Derivatives not designated as hedges must be adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in a separate component in shareholders' equity until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income.

We document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. We also document the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (for example, when the forecasted sale that is hedged takes place). However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset or liability.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which we have no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where we have the positive intention and ability to hold to maturity.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date. The trade-date is the date on which we commit to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statements of income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), we establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

We assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses on equity instruments recognised in the income statement are not reversed through the equity.

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Inventory

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value less any provision required for obsolescence. Historical cost is based on weighted average prices.

Accounts receivable

FROM 1 JANUARY 2004 TO 31 DECEMBER 2004

Accounts receivable are stated at nominal value net of an allowance for doubtful receivables. Loans receivable from associated companies due within one year are included in accounts receivable.

FROM 1 JANUARY 2005

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents. Bank overdrafts are not netted off from cash and cash equivalents.

Assets held for sale and discontinued operations

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

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

Equity

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

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

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

Provisions for pension liabilities

POST-EMPLOYMENT OBLIGATIONS

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

Cumulative actuarial gains and losses are recognised for the portion that these exceed the higher of 10% of the obligation and 10% of the fair value of plan assets (corridor approach). The excess is recognised over the employees' expected average remaining service lives.

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

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

Pension costs for defined contribution plans are expensed in the consolidated statements of income when incurred.

Other employee benefit obligations

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

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

Other provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recorded for restructuring, retirements, onerous contracts and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Provisions for onerous contracts are recorded when the

unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first. The provision recorded for restructuring largely relates to termination benefits. Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognise termination benefits when we have committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present values.

Trade accounts payable

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

Income taxes

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

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

Revenue recognition

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

Revenues of delivered goods and services are recognised when:

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

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

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers, goods are delivered or work is completed, using the percentage of completion method, based on services provided.

NET SALES

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

OTHER OPERATING REVENUES

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

Other income

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

Profit-sharing and bonus plans

We recognise a liability and an expense for cash settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments. We recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments

Share based payment transactions are transactions in which we receive benefits from our employees in consideration for our equity instruments. The fair value of the share based transactions is recognised as an expense (employee costs) and a corresponding increase in equity over the vesting period. The fair value of employee share based payments is calculated using the Monte Carlo model. The equity instruments granted do not vest until the employee completes a specified period of service. The amount recognised is adjusted over the vesting period for changes in the estimate of the number of securities that will be issued but not for changes in the fair value of those securities. Therefore, on vesting date the amount recognised is the exact number of securities that can be issued as of that date, measured at the fair value of those securities at grant date.

Interest income and expense

Interest income and expense are recognised on a time-proportion basis using the effective interest method.

Operating leases

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

Dividend distribution

Dividend distribution to our shareholders is recognised as a liability in our financial statements in the year in which the dividends are approved by our shareholders.

Accounting principles relating to the consolidated cash flow statements

The cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow

statements. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of group companies are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

In 2006 we have improved the format of the consolidated cashflow statement to conform to a more transparent presentation of cashflows from both continued and discontinued operations on the face of the consolidated cashflow statement. In 2005 the cashflows from discontinued operations were presented in the note on discontinued operations in the consolidated financial statements. The cashflows from discontinued operations relating the operating, investing and financing activities have now been summarised after the cashflows from continued operations on the face of the cashflow statement. The reconciliation of the cash and cash equivalent balances to the changes in cash according to the cashflow statements has now been presented in note 27 to the consolidated financial statements.

Segment reporting

We identify our primary reporting segments based on our assessment of risks and rates of return which are affected predominantly by differences in our products and services. As a result of this assessment, we have identified two reportable segments: express and mail. The secondary reporting format is geographically based. Business relations between the companies within the segments of TNT are transacted at arm's length prices.

RECENT IFRS PRONOUNCEMENTS

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

Amendments to published standards effective in 2006

IAS 19 (*Amendment*), *Employee Benefits*, is mandatory for accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As TNT does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

During 2006 the IASB and IFRIC issued:

- IFRIC 7 *Applying the Restatement Approach* under IAS 29, *Financial Reporting in Hyperinflationary Economies* and IFRIC 8 *Scope of IFRS 2* (effective for annual periods beginning on or after 1 May 2006) and;

- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006) and;
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRS 7 *Financial Instruments: disclosures*.

We are currently evaluating the impact of adoption of these IFRS' and IFRIC's as of 1 January 2007, but do not anticipate a material impact on our financial statements. These standards have not been adopted before the effective date.

During 2005 the IASB issued several amendments to IAS 39, *Financial Instruments: Recognition and Measurement*. The amendments relate to (a) the hedge accounting provisions, (b) the fair value option, (c) the requirements for financial guarantee contracts. All amendments have 1 January 2006 as the effective date. The adoption of the stated amendments did not have had a material impact on our financial statements.

In December 2004, the IFRIC issued IFRIC 4, *Determining whether an Arrangement contains a Lease*. IFRIC 4 provides guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17, *Leases*. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. IFRIC 4 is effective as at 1 January 2006. The adoption of IFRIC 4 did not have a material impact on our financial statements.

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

The preparation of our financial statements, in accordance with IAS 1, *Presentation of Financial Statements*, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Our estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

In determining impairments of intangible assets, tangible fixed assets and goodwill, management must make significant judgements and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the company's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

Property, plant and equipment

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

Impairment of receivables

The risk of uncollectibility of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectibility risk, which is taken into account when assessing the overall risk of uncollectibility. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

Employee benefits

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, and future healthcare costs. We consult with outside actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For a discussion of the current funded status and a sensitivity analysis with respect to pension plan assumptions, refer to note 10.

Restructuring

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

Accrued current liabilities

We also have to estimate the deferred revenues from stamps sold but not yet used by our customers. We use a seasonal

model based on historical figures in order to account for the seasonal effects in sales from stamps (for example, sales for Christmas greetings in November and December). In 2006 we have defined a more refined method of calculating the deferred revenue related to the sale of stamps in 2006. In accordance with IAS 8 the change in accounting estimate was recognised in the income statement for the period. The impact was an additional gain of €18 million (pre-tax) and was recognised in Other operating expenses.

Income taxes

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

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

Accounting for discontinued operations

Accounting for discontinued operations requires the use of significant assumptions and estimates, such as the assumptions used in the fair value calculations as well as the estimated costs to sell. We have evaluated the assets held for sale of our discontinued logistics and freight management operations as a disposal group in performing our impairment analysis.

Contingent liabilities

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against us. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

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

FINANCIAL RISK MANAGEMENT

Our activities expose us to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. All of these risks arise in the normal course of business. In order to manage the risk arising from these exposures, we utilise a variety of foreign exchange, interest rate and commodity forward contracts, options and swaps to hedge certain exposures.

The following analyses provide quantitative information regarding our exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

We use derivative financial instruments solely for the purpose of hedging exposures. We enter into contracts related to derivative financial instruments for periods commensurate with our underlying exposures and do not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes, or to take speculative positions.

Foreign currency exchange risk

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, our functional and reporting currency. Our treasury department matches and manages the intragroup and external financial exposures. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to currency fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs.

The main four currencies of our external hedges are the British pound, US dollar, Chinese yuan and Australian dollar. Significant acquisitions are usually funded in the currency of the underlying assets.

The main 2006 exchange rates are shown below:

	Year end closing ¹	Annual average ²
British pound	0.6715	0.6805
US dollar	1.3170	1.2654
Chinese yuan	10.2793	10.0676
Australian dollar	1.6691	1.6705

¹ Source: European Central Bank, reference rate on the last day of the year.

² The annual average is calculated as the 12-months' average of the month-end closing rates of the European Central Bank.

The potential loss in fair value on our foreign currency hedging instruments from an adverse 10% change in quoted foreign currency exchange rates would have been approximately €3 million, €54 million and €69 million for 2006, 2005 and 2004 respectively.

Commodity risk

We lease and own a fleet of vehicles and aircrafts to facilitate domestic and international delivery of mail, parcel and logistics activities. We are exposed to the risk of an increase in the prices of refined fuels, principally jet and diesel gasoline, which is used in the transportation of the goods we carry. We may enter into derivative financial instruments to hedge our expected consumption.

Although we are of the opinion that a majority of the increases in price risks can be passed on to our customers, we may use a combination of options, swaps and futures contracts to provide some protection against rising fuel and energy prices.

At 31 December 2006, we had no outstanding fuel contracts but we may enter into such contracts in the future.

Credit risk

Credit risk represents the loss that we would incur if counterparties with whom we enter into financial transactions are unable to fulfil the terms of the agreements. We attempt to minimise our credit risk exposure by only transacting to financial institutions that meet established credit guidelines. We continually monitor the credit standing of financial counterparties and reassess such exposures.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, we attempt to maintain flexibility in funding by keeping committed credit lines available. A downgrade in our credit rating may negatively affect our ability to obtain funds from financial institutions and banks and increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt. Furthermore, other non TNT specific adverse market conditions could also turn out to have a material adverse effect on our results and financial condition.

Interest rate risk

Part of our borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on our results and financial condition in any given reporting period.

Although we generally enter into hedging arrangements and other contracts in order to attempt to reduce our exposure to interest rate fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs. Our debt instruments, including debt associated with capital leases that bear interest at fixed rates of interest are exposed to fluctuations in fair value resulting from changes in market interest rates. The potential positive fair value effect from a hypothetical 10% increase from current market interest rates would have been approximately €32 million, €15 million and €11 million for 2006, 2005 and 2004, respectively. This analysis assumes a parallel shift in each currency's yield curve of interest rates.

NOTES TO THE CONSOLIDATED BALANCE SHEETS

INTANGIBLE ASSETS: 1,785 MILLION (2005: 1,838)

STATEMENT OF CHANGES IN INTANGIBLE ASSETS	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10% - 35%	0% - 35%	
Historical cost	3,280	282	120	3,682
Accumulated amortisation and impairments	(855)	(173)	(11)	(1,039)
Balance at 31 December 2004	2,425	109	109	2,643
CHANGES IN 2005				
Additions	26	63	17	106
Disposals	(5)	(1)		(6)
(De)consolidation		(1)	5	4
Transfers to assets held for sale	(812)	(12)	(10)	(834)
Internal transfers/reclassifications		18	(18)	
Amortisation and impairments		(49)	(16)	(65)
Exchange rate differences	(8)	1	(3)	(10)
Total changes	(799)	19	(25)	(805)
Historical cost	2,139	335	103	2,577
Accumulated amortisation and impairments	(513)	(207)	(19)	(739)
Balance at 31 December 2005	1,626	128	84	1,838
CHANGES IN 2006				
Additions	99	83	20	202
Disposals	(9)	(1)		(10)
(De)consolidation			31	31
Transfers to assets held for sale	(144)	(3)	(68)	(215)
Internal transfers/reclassifications		11	(11)	
Amortisation and impairments	(1)	(57)	(5)	(63)
Exchange rate differences	2			2
Total changes	(53)	33	(33)	(53)
Historical cost	2,086	402	58	2,546
Accumulated amortisation and impairments	(513)	(241)	(7)	(761)
Balance at 31 December 2006	1,573	161	51	1,785

(in € millions, except percentages)

Intangible assets as at 31 December 2006 of €211 million related to our discontinued freight management business are included in assets held for sale. €215 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2006 and does not reflect the movements (mainly related to foreign exchange effects) during 2006. Intangible assets as at 31 December 2005 of €895 million related to our discontinued logistics business are included in assets held for sale. €834 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2005 and does not reflect the movements (mainly related to foreign exchange effects) during 2005.

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

For our impairment review purposes, all goodwill, including goodwill generated from the acquisition of TNT and GD

Express Worldwide, is allocated to the applicable cash generating units (CGUs), based on the revenue as at the date of acquisition. Of the total goodwill balance of €1,573 million, we have allocated €1,248 million to our Express Europe CGU, €197 million to our combined CGU European Mail Networks, €95 million to our other express CGUs and €33 million to our other mail CGUs. The recoverable amount of a CGU is determined based on value in use calculations by using the discounted cash flow model. These calculations use cash flow projections based on financial budgets approved by management covering a period of 9 years (express) or 10 years (mail). TNT's management has demonstrated that its cash flow projections have been reliable in the past. The value beyond the explicit forecast period is calculated assuming a constant cashflow as from the final year (0% growth).

We determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with

the forecasts included in industry reports. The discount rates used in the CGU valuations vary from 7.0% to 8.0% (pre-tax) to reflect specific risks relating to the relevant segments.

Software balance includes internally generated software with a book value of €121 million at 31 December 2006 (2005: 103). Other intangible assets relate to customer lists of €35 million (2005: 75) and software under construction of €16 million (2005: 8). Of the additions in software, €54 million related to

selfproduced software and €29 million related to purchased software.

The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2007: €18 million, 2008: €27 million, 2009: €17 million, 2010: €11 million, 2011: €8 million and after 2011: €131 million. We do not conduct fundamental research and development. Therefore we do not incur fundamental research and development costs.

○ 2 PROPERTY, PLANT AND EQUIPMENT: 1,678 MILLION (2005: 1,552)

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT	Land and buildings	Plant and equipment	Aircraft	Other	Construction in progress	Total
Depreciation percentage	0% - 10%	4% - 33%	4% - 10%	7% - 25%	0%	
Historical cost	1,524	1,239	372	706	47	3,888
Accumulated depreciation and impairments	(564)	(775)	(128)	(497)		(1,964)
Balance at 31 December 2004	960	464	244	209	47	1,924
CHANGES IN 2005						
Capital expenditure	24	52		70	87	233
Acquisitions		1		4		5
Disposals	(2)	(6)	(1)	(8)		(17)
Exchange rate differences	9	3	3	5		20
Net additions/disposals	31	50	2	71	87	241
Depreciation and impairments	(61)	(90)	(25)	(79)		(255)
Transfers to assets held for sale	(161)	(148)		(48)	(1)	(358)
Transfers and reclassifications	36	37		16	(89)	
Total changes	(155)	(151)	(23)	(40)	(3)	(372)
Historical cost	1,360	933	375	584	44	3,296
Accumulated depreciation and impairments	(555)	(620)	(154)	(415)		(1,744)
Balance at 31 December 2005	805	313	221	169	44	1,552
CHANGES IN 2006						
Capital expenditure	43	75	111	70	118	417
Acquisitions	2	4		2		8
Disposals	(12)	(6)	(3)	(6)		(27)
Exchange rate differences	3	(1)	2			4
Net additions/disposals	36	72	110	66	118	402
Depreciation and impairments	(59)	(92)	(25)	(79)		(255)
Transfers to assets held for sale	(13)			(8)		(21)
Transfers and reclassifications	54	49		14	(117)	
Total changes	18	29	85	(7)	1	126
Historical cost	1,385	877	477	500	45	3,284
Accumulated depreciation and impairments	(562)	(535)	(171)	(338)		(1,606)
Balance at 31 December 2006	823	342	306	162	45	1,678

(in € millions, except percentages)

Property, plant and equipment as at 31 December 2006 of €25 million related to our discontinued freight management business and our other assets held for sale is included in assets held for sale. €21 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2006 and does not reflect the movements during 2006. Property, plant and equipment as at 31 December 2005 of €345 million related to our discontinued logistics business

and our other assets held for sale is included in assets held for sale. €358 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2005 and does not reflect the movements during 2005.

Historical cost refers to, amongst others, the then current value of the property, plant and equipment contributed by the former parent Royal PTT Nederland N.V. to our company

upon incorporation on 1 January 1989. The calculation of the depreciation expense on these assets takes into account the useful life that had already elapsed at that date. The book value at 31 December 2006 of these assets contributed to our company on 1 January 1989 is €74 million (2005: 100), net of accumulated depreciation of €176 million (2005: 221).

Aircraft and (spare) engines are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease

term to estimated residual values of 20%. Depending on the type of aircraft, the depreciation term varies from 10 to 25 years. Spare parts are depreciated to their estimated residual value on a straight line basis over the remaining estimated useful life of the associated aircraft or engine type. All 44 aircrafts (2005: 43) are operated by the express business.

Finance leases included in the property, plant and equipment balance as at 31 December 2006 are:

	Land and buildings	Plant and equipment	Aircraft	Other	Total 2006	Total 2005
Under finance lease	26	15	110	40	191	84
Express	16	15	110	4	145	10
Mail	10			36	46	74

(in € millions)

Included in land and buildings under financial lease are lease hold rights and ground rent. The book value of the lease hold rights and ground rent in mail is €10 million, comprising a historical cost of €16 million with accumulated depreciation of €6 million. The book value of the lease hold rights and ground rent in express is €16 million, comprising a historical cost of €19 million with accumulated depreciation of €3 million.

Lease hold and ground rents expiring within 1 year amount to €1 million, lease hold and ground rents between 1 and 5 years amount to €3 million, lease hold and ground rents between 5 and 20 years amount to €16 million and lease hold and ground rents between 20 and 40 years amount to €2 million. Lease hold and ground rents contracts with indefinite terms amount to €4 million.

Lease hold rights and ground rent for land and buildings are mainly in Belgium for €10 million, in the Netherlands for €10 million and in France for €6 million.

The finance leases relating to Express increased. On 6 December 2006 we entered into a 10-year finance lease agreement pertaining to the acquisition of a Boeing 747-400 ERF. The total capitalised value of the aircraft was €110 million based upon the present value of the minimum lease payments and guaranteed residual value included as part of the transaction. The lease requires semi-annual lease payments of a base amount of €4.8 million adjusted by an interest matrix that is linked to our credit rating at the time of each semi-annual payment. The lease agreement and related documents do not include an option for us to purchase the aircraft.

Land and buildings of €34 million (2005: 33) are pledged as security to third parties, by express in Germany.

We do not hold freehold office buildings for long term investments and for long term rental income purposes. The rental income is based upon incidental rental contracts with third parties for buildings which are temporarily not in use by TNT or based upon contracts which are supportive to the primary business activities of our company.

There are no material temporarily idle property, plant and equipment at 31 December 2006 (2005: 0). The historical cost of fully depreciated property, plant and equipment that is still in

use is €353 million (2005: 322) of which €175 million (2005: 150) is related to plant and equipment, €49 million (2005: 42) is related to land and buildings and €129 million is related to other (2005: 130).

○ 3 FINANCIAL FIXED ASSETS: 314 MILLION (2005: 273)

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS	Investments in associates	Other loans receivable	Deferred tax assets	Prepayments and accrued income		Total
				Financial assets at fair value	Other prepayments and accrued income	
Balance at 31 December 2004	84	21	253	5	140	503
Adoption of IAS 32/39					(3)	(3)
Balance at 1 January 2005	84	21	253	5	137	500
CHANGES IN 2005						
Acquisitions/additions	13	3	38		2	56
Disposals/decreases	(7)		(61)			(68)
Transfers to assets held for sale	(40)	(5)	(46)	(3)	(107)	(201)
(De)consolidation			1		(4)	(3)
Withdrawals/repayments	(1)	(6)		(1)	(6)	(14)
Exchange rate differences			3		1	4
Other changes	(2)				1	(1)
Total changes	(37)	(8)	(65)	(4)	(113)	(227)
Balance at 31 December 2005	47	13	188	1	24	273
CHANGES IN 2006						
Acquisitions/additions	20	1	51	16	1	89
Disposals/decreases			(26)			(26)
Transfers to assets held for sale	(3)		(3)		(1)	(7)
(De)consolidation			2		1	3
Withdrawals/repayments		(7)			(4)	(11)
Exchange rate differences			(1)			(1)
Other changes	(6)					(6)
Total changes	11	(6)	23	16	(3)	41
Balance at 31 December 2006	58	7	211	17	21	314

(in € millions)

Financial fixed assets as at 31 December 2006 of €9 million related to our discontinued freight management business is included in assets held for sale. €7 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2006 and does not reflect the movements during 2006.

Financial fixed assets as at 31 December 2005 of €160 million related to our discontinued logistics business is included in assets held for sale. €201 million included in the table above as transferred to assets held for sale represents the balance as at 1 January 2005 and does not reflect the movements during 2005.

DEFERRED TAX ASSETS

Deferred tax assets are further explained in note 23.

FINANCIAL ASSETS AT FAIR VALUE

Financial assets at fair value include our 5% equity stake in Louis Topco Limited for an amount of €15.5 million, which we obtained as part of the sale of our logistics division as at 4 November 2006. We also refer to note 8.

Also included is the fair value of a USD 139 million Interest Rate Swap of €1 million. For further disclosure on this swap, see note 13.

Financial assets at fair value include the fair value of put and call options. As agreed on 15 July 2004, on 14 October 2004, our subsidiary Royal TNT Post B.V. and Essent N.V. established a company named Cendris BSC Customer Contact B.V. in which the ordinary share capital, carrying equal voting rights, is split 51% and 49% respectively. Cendris BSC Customer Contact B.V. provides call centre activities to TNT, Essent N.V. and third parties. The terms and conditions of the shareholders agreement provide Royal TNT Post B.V. with the option to call, as of 14 October 2007, on the shares of Essent N.V. and for Essent N.V. to put, as of 14 October 2007, its shares to Royal TNT Post B.V. where the price is determined by the fair market value of the shares. As the call option is based on the fair market value of the shares, the fair market value of the call option is zero.

OTHER PREPAYMENTS AND ACCRUED INCOME

The opening balance sheet adjustment in 2005 for adoption of IAS 32/39 relates to the changed accounting policy for the 5.125% Eurobond 2008 of which €3 million relates to the issuing costs still to be amortised. These capitalised costs are included in the valuation at amortised cost and stated as part of the book value of the 5.125% Eurobond 2008.

INVESTMENTS IN ASSOCIATES

The goodwill balance included in investments in associates at 31 December 2006 is nil (2005: 1). The result from investments in associates at 31 December 2006 amounts to €-6 million (2005:-2) and is included in 'Other changes'.

Our investment in Logispring Investment Fund Holding B.V. is our most significant investment in an associate. We account for this investment using the equity method.

Key information regarding this investment (on a stand alone basis) is as follows and includes balances at 100%:

	Year ended at 31 December		
	2006	2005	2004
Non-current assets	52	41	30
Current assets	0	0	0
Equity	52	41	30
Non-current liabilities	0	0	0
Current liabilities	0	0	0
Net sales	0	0	0
Operating income	0	0	0
Profit attributable to the shareholders	(5)	(3)	(3)
Net cash from operating activities	0	0	0
Net cash used in investing activities	(16)	(13)	(10)
Net cash used in financing activities	16	13	10
Change in cash from continuing operations	0	0	0

(in € millions)

4 INVENTORY: 29 MILLION (2005: 29)

At 31 December

	2006	2005
Raw materials and supplies	9	9
Finished goods	20	20
Total	29	29

(in € millions)

Total inventory of €29 million (2005: 29) is valued at historical cost for an amount of €35 million (2005: 33) and is stated net of provisions for obsolete items amounting to €6 million (2005: 4). There are no inventories carried at net realisable value (2005: 0) and no inventories are pledged as security for liabilities as at 31 December 2006. The balance of inventories that is expected to be recovered after 12 months is €1 million (2005: 0).

No inventory as at 31 December 2006 relating to our discontinued freight management business is included in assets held for sale. Inventory as at 31 December 2005 of €22 million related to our discontinued logistics business is included in assets held for sale.

5 ACCOUNTS RECEIVABLE: 1,561 MILLION (2005: 1,471)

At 31 December

	2006	2005
Trade accounts receivable - total	1,380	1,351
Provision for impairment	(61)	(58)
Trade accounts receivable - net	1,319	1,293
Vat receivable	27	20
Accounts receivable from associates		2
Other	215	156
Total	1,561	1,471

(in € millions)

The fair value of the accounts receivable approximates its carrying value. We have not recognised any material loss for the impairment of trade accounts receivable during the year ended 31 December 2006 and 31 December 2005. Other accounts receivables mainly include receivables from insurance companies, deposits and various other items. The balance of accounts receivable that is expected to be recovered after 12 months is €1 million (2005: 3).

Accounts receivable as at 31 December 2006 of €112 million related to our discontinued freight management business is included in assets held for sale. Accounts receivable as at 31 December 2005 of €695 million related to our discontinued logistics business is included in assets held for sale.

● **6 PREPAYMENTS AND ACCRUED INCOME: 227 MILLION (2005: 218)**

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. At 31 December 2006, prepayments amounted to €70 million (2005: 73). There is no balance that is expected to be recovered after 12 months (2005: 2).

Prepayments and accrued income also includes all outstanding short term foreign exchange forward contracts at fair value for an amount of €3 million (2005: 6). The fair value has been calculated at the relevant market (forward) rates at 31 December 2006. The notional principal amount of the outstanding foreign exchange forward contracts at 31 December 2006 is €282 million (2005: 482).

Prepayments and accrued income as at 31 December 2006 of €23 million related to our discontinued freight management business is included in assets held for sale. Prepayments and accrued income as at 31 December 2005 of €157 million related to our discontinued logistics business is included in assets held for sale.

● **7 CASH AND CASH EQUIVALENTS: 297 MILLION (2005: 559)**

Cash and cash equivalents comprise cash at bank and in hand of €234 million (2005: 325). Short term bank deposits are €63 million (2005: 234). The effective interest rate during 2006 on short term bank deposits was 3% and the average outstanding amount was €78 million with an average maturity of 1.7 days. Included in cash and cash equivalents is €74 million (2005: 140) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

Cash and cash equivalents as at 31 December 2006 of €29 million related to our discontinued freight management business are included in assets held for sale. Cash and cash equivalents as at 31 December 2005 of €104 million related to our discontinued logistics business are included in assets held for sale.

● **8 ASSETS HELD FOR SALE: 409 MILLION (2005: 2,378) LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE: 146 MILLION (2005: 1,230)**

On 6 December 2005 we announced a strategy to focus on our core competency of providing delivery services by expertly managing delivery networks and our intention of selling the logistics business. On 23 August 2006 we announced that we have signed a Sale and Purchase Agreement on the sale of the logistics business. On 4 November 2006 we completed the sale of the logistics division to affiliates of Apollo Management L.P. The logistics division was shown as an asset held for sale as at 31 December 2005.

On 30 October 2006 we announced, as part of the strategy to focus on our core competency, the decision to divest our freight management business. On 16 November 2006 we

signed a Sale and Purchase Agreement to sell our freight management business to French logistics service provider Geodis SA. On 5 February 2007 we completed the sale. The freight management business is shown as an asset held for sale as at 31 December 2006.

The combined assets and liabilities as held for sale for 2005 and 2006 are specified below:

At 31 December

BALANCE SHEETS	2006	2005
Intangible assets	211	895
Property, plant and equipment	25	345
Financial fixed assets	9	160
Current assets	164	978
Total assets	409	2,378
Deferred tax liabilities	6	30
Provisions for pension liabilities	4	107
Other non-current liabilities	2	133
Current liabilities	134	960
Total liabilities	146	1,230

(in € millions)

The assets and liabilities as at 31 December 2006 relates to the decision taken to divest our freight management business. The assets and liabilities held for sale as at 31 December 2005 largely relates to our logistics business.

All inter-company balances as at 31 December 2006 and 31 December 2005 between our discontinued business and our continuing business have been eliminated.

As at 31 December 2006, assets of €409 million include €11 million of assets held for sale in the mail segments and €6 million in the express segment are not related to our discontinued freight management business. The difference between the remaining assets of €392 million and liabilities of €146 million consists of a combination of equity and financing from TNT.

As at 31 December 2005, assets of €2,378 million include €12 million of assets held for sale in the express and mail segments and are not related to our discontinued logistics business. The difference between the remaining assets of €2,366 million and liabilities of €1,230 million consists of a combination of equity and financing from TNT.

As at 31 December 2006 the total guarantees for our discontinued freight management business amounted to €32 million, of which €12 million related to corporate guarantees and €20 million to bank guarantees. All the guarantees of the discontinued business were financial guarantees.

The combined statements of income of our discontinued operations for the last three years are shown below:

	Year ended at 31 December		
	2006	2005	2004
Net sales	3,769	4,331	3,847
Other operating revenues	8	14	13
Total revenues	3,777	4,345	3,860
Other income	(24)	(98)	
Total operating expenses	(3,698)	(4,253)	(3,721)
Operating income	55	(6)	139
Net financial (expense)/income	(63)	(69)	(62)
Results from investments in associates	(45)		(1)
Profit/(loss) before taxes	(53)	(75)	76
Income taxes	(17)	(34)	(47)
Profit/(loss) for the year	(70)	(109)	29
Post-tax result disposal assets held for sale	(87)		
Profit attributable to minority interests			(3)
Profit/(loss) from discontinued operations	(157)	(109)	32
Earnings from discontinued operations per ordinary share (in € cents)	(37.3)	(24.0)	6.8
Earnings from discontinued operations per diluted ordinary share (in € cents)	(37.0)	(23.9)	6.8

(in € millions, except per share data)

Inter-company revenues and related expenses of €55 million have not been eliminated in our statements of income related to our discontinued business. Net interest expense of €52 million (2005: 53; 2004: 49) related to debt, as part of our cash management strategy, that can be allocated to our discontinued business has been included in the statements of income. The

statements of income also include costs related to shared services of €18 million (2005: 23; 2004: 14) directly attributable to our discontinued business.

The combined cash flows relating to our discontinued operations are as follows:

	Year ended at 31 December		
	2006	2005	2004
Net cash from operating activities	(63)	43	268
Net cash used in investing activities	(30)	(22)	(24)
Net cash used in financing activities	36	8	(202)
Change in cash from discontinued operations	(57)	29	42
Cash at the beginning of the year	136	101	60
Exchange rate differences	(2)	6	(1)
Change in cash from discontinued operations	(57)	29	42
Cash divested with sale Logistics business	(48)		
Cash at the end of the year	29	136	101

(in € millions)

Hereafter the separate statements of income and cash flow statements for the logistics business are shown.

It should be noted that the 2006 figures for the logistics business are as of and through 4 November 2006 and are therefore not fully comparable to 2005 and 2004.

Year ended at 31 December

STATEMENT OF INCOME LOGISTICS DIVISION	2006	2005	2004
Net sales	2,925	3,542	3,568
Other operating revenues	8	14	13
Total revenues	2,933	3,556	3,581
Other income	(24)	(98)	
Total operating expenses	(2,866)	(3,475)	(3,448)
Operating income	43	(17)	133
Net financial (expense)/income	(54)	(63)	(60)
Results from investments in associates	(45)		(1)
Profit/(loss) before taxes	(56)	(80)	72
Income taxes	(10)	(31)	(44)
Profit/(loss) for the year	(66)	(111)	28
Post-tax result disposal assets held for sale	(87)		
Profit attributable to minority interests			(3)
Profit/(loss) from discontinued operations	(153)	(111)	31

(in € millions)

2006 DISCONTINUED LOGISTICS BUSINESS

On 4 November 2006 TNT completed the sale of the logistics division to affiliates of Apollo Management L.P. The total transaction value was €1,480 million on a cash and debt free basis. Taking into account deductions by the buyer for finance leases, pension and other employee benefits, and various costs for separation and rebranding, we received proceeds of €1,335 million, of which €15.5 million was received in the form of a 5% equity stake in Louis Topco Limited.

In 2006 discontinued logistics operations resulted in an operating income of €43 million. Included in this income is a €35 million loss in respect of a provision for onerous contracts. In the first quarter of 2006 the remainder of our French operations was sold to the French cargo transport operator Malherbe and Pierre-Michel Mendy/ Groupe Lapegue resulting in a total loss of €26 million, recorded in 'Other income'. The loss in 2006 of €45 million on 'Result from investments in associates' relates mainly to a €43 million asset impairment in respect of TNT's 20% equity interest in Global Automotive Logistics SAS.

The post-tax transaction loss on disposal assets held for sale of the logistics business amounts to €87 million and includes various deal related expenses and the portion of our

cumulative translation adjustment that relates to our divested logistics business resulting in a charge of €12 million. For 2006 the total loss from discontinued operations related to the logistics business amounted to €153 million.

2005 DISCONTINUED LOGISTICS BUSINESS

The total amount of our results from discontinued logistics operations for 2005 includes the results of the sale of the majority of our French operations to Norbert Dentressangle and to Malherbe amounting to a loss of €102 million, pre-tax. The result of the sale was recorded in 'Other income'.

Year ended at 31 December

CASH FLOW STATEMENTS LOGISTICS DIVISION	2006	2005	2004
Net cash from operating activities	(79)	28	250
Net cash used in investing activities	(29)	(19)	(22)
Net cash used in financing activities	53	19	(216)
Change in cash from discontinued operations	(55)	28	12
Cash at the beginning of the year	104	71	60
Exchange rate differences	(1)	5	(1)
Change in cash from discontinued operations	(55)	28	12
Cash at the end of the year	48	104	71

(in € millions)

Hereafter the separate statements of income and cash flow statements for the freight management business are shown.

Year ended at 31 December

STATEMENT OF INCOME FREIGHT MANAGEMENT BUSINESS	2006	2005	2004
Net sales	844	789	279
Other operating revenues			
Total revenues	844	789	279
Other income			
Total operating expenses	(832)	(778)	(273)
Operating income	12	11	6
Net financial (expense)/income	(9)	(6)	(2)
Results from investments in associates			
Profit/(loss) before taxes	3	5	4
Income taxes	(7)	(3)	(3)
Profit/(loss) for the year	(4)	2	1
Post-tax result disposal assets held for sale			
Profit attributable to minority interests			
Profit/(loss) from discontinued operations	(4)	2	1

(in € millions)

In 2006 profit decreased by €6 million compared to 2005. This largely relates to the costs associated with the sale of freight management.

Year ended at 31 December

CASH FLOW STATEMENTS FREIGHT MANAGEMENT BUSINESS	2006	2005	2004
Net cash from operating activities	16	15	18
Net cash used in investing activities	(1)	(3)	(2)
Net cash used in financing activities	(17)	(11)	14
Change in cash from discontinued operations	(2)	1	30
Cash at the beginning of the year	32	30	
Exchange rate differences	(1)	1	
Change in cash from discontinued operations	(2)	1	30
Cash at the end of the year	29	32	30

(in € millions)

9 EQUITY: 2,008 MILLION (2005: 3,279)

Equity consists of shareholders' equity attributable to the equity holders of the parent of €1,983 million (2005: 3,262) and minority interest of €25 million (2005: 17). Equity attributable to the holders of the parent consists of the following items:

ISSUED SHARE CAPITAL

Issued share capital amounted to €203 million at 31 December 2006 (2005: 230; 2004: 230). The number of authorised, issued and outstanding shares by class of share is as follows:

At 31 December

	2006	2005	2004
Authorised	1,800,000,000	2,400,000,000	2,400,000,000
Ordinary shares	900,000,000	1,200,000,000	1,200,000,000
Preference B	899,999,999	1,199,999,999	1,199,999,999
Special share	1	1	1
Issued and outstanding	422,767,601	480,000,000	480,259,523
Ordinary shares	422,767,600	479,999,999	480,259,522
of which held by the company to cover share plans	2,884,441	3,791,438	4,979,942
of which held by the company for cancellation	27,640,543	29,460,477	7,600,000
Preference B	0	0	0
Special share	1	1	1
of which held by the company for conversion	1	0	0

AUTHORISED SHARE CAPITAL

By deed of 27 February 2006 our articles of association were amended. As of that date our authorized capital amounts to €864 million, divided into 900,000,000 ordinary shares, 1 special share and 899,999,999 preference shares B of €0.48 nominal value each. Prior to the amendment our authorised share capital amounted to €1,152 million and was divided into 1,200,000,000 ordinary shares, 1 special share and 1,199,999,999 preference shares B of €0.48 nominal value each.

FORM OF SHARES

We have ordinary shares in bearer form or in registered form. Ordinary shares in bearer form are represented by a global note held by the Dutch clearing system Euroclear Netherlands (formerly known as NECIGEF) and are transferable through Euroclear Netherlands' book entry system. Ordinary shares in registered form are transferred by means of a deed of transfer and the company's written acknowledgement of the transfer. We do not have share certificates for ordinary shares represented by the global note. ADSs represent ordinary shares in bearer form represented by the note held by Euroclear Netherlands. The special share and the preference shares B are registered.

REPURCHASE OF SHARES TO COVER SHARE PLANS

During 2006 we purchased 2,700,000 ordinary shares to cover our obligations under the existing management option plans and share grants. Per 31 December 2006 the total number of shares held is 2,884,441 (2005: 3,791,348; 2004: 4,979,942). TNT shares held by ourselves are not entitled to receive dividends nor have voting rights.

REPURCHASE OF SHARES / REDUCTION OF THE ISSUED SHARE CAPITAL BY CANCELLATION OF SHARES

Over the years 2004 – 2006 we repurchased shares for cancellation. Out of a total of 20.7 million ordinary shares purchased from the State of the Netherlands in 2004 and 2005, 259,523 shares were cancelled in 2005. Cancellation of these shares became effective on 16 June 2005 following a resolution to that effect taken by the annual general meeting held on 7 April 2005.

The cancellation of the remaining number of 20,440,477 shares became effective as per the date of the amendment of our articles of association on 27 February 2006.

Under the share buy back programme announced on 6 December 2005, we purchased 9,020,000 million ordinary shares in December 2005 and 27,201,625 million ordinary shares in the period 1 January up to 14 April 2006. On 20 April 2006 the annual general meeting of shareholders resolved to cancel the 36,221,625 ordinary shares purchased under the programme up to 14 April 2006. The cancellation of these shares became effective as of 27 June 2006. On 29 September 2006 the Extraordinary General Meeting of Shareholders resolved to cancel 570,297 ordinary shares that had been repurchased under the programme since 14 April 2006. The cancellation of these shares became effective as at 12 December 2006.

In 2006, the total number of issued and outstanding ordinary shares thus decreased by 57,232,399. At a nominal value of €0.48 per share, the cancellation equals an amount of €27 million.

We commenced a further buy back programme of €1,000 million on 6 November 2006. In total 27,640,543 million shares were repurchased during 2006. We therefore owned and held for cancellation 27,640,543 ordinary shares at 31 December 2006 (2005: 29,460,477; 2004: 7,600,000). This share buy back program was completed on 23 January 2007 with the repurchase of a total of 3,307,164 ordinary shares in 2007. A proposal to further reduce the issued share capital by cancellation of the total of 30,947,707 shares repurchased under the November 2006 announced programme will be included in the agenda of the annual general meeting of 2007. At the meeting we can not vote on the shares held by us in our own capital.

The number of shares repurchased during each month of 2006 and the average purchase price per month are set out in the table hereafter.

REPURCHASED IN:

	Number of shares purchased ¹	Average price paid per share (in €)	Total number of shares purchased as part of publicly announced plans or programmes	Approximate value of shares that may yet be purchased as part of publicly announced plans or programmes (in € million)
Plan announced on 6 December 2005 ²				
January	8,182,752	26.79	17,202,752	550
February	6,267,000	27.68	23,469,752	377
March	8,665,000	27.68	32,134,752	137
April	4,657,170	29.33	36,791,922	0
Plan announced on 3 May 2006 ³				
May	2,700,000	29.34	2,700,000	0
Plan announced on 6 November 2006 ⁴				
November	23,768,386	32.09	23,768,386	237
December	3,872,157	32.03	27,640,543	113
Total number of shares purchased in 2006	58,112,465	28.50		

¹ Between 24 May 2006 and 6 November 2006 we purchased no shares.

² This plan to repurchase up to €1 billion worth of own shares was expired upon its completion on 19 April 2006.

³ This plan to repurchase 2.7 million own shares to cover our obligation under the existing management option plans and share grants was expired upon its completion on 23 May 2006.

⁴ This plan to repurchase up to €1 billion worth of own shares was not expired 31 December 2006. The then remaining value of €113 million was repurchased in January 2007. The plan expired upon completion on 23 January 2007.

SPECIAL SHARE

On 17 November 2006, the State of the Netherlands transferred its special share in the company for free to TNT. For the background to this transaction see Note 32. The conversion of the special share into an ordinary share will also be an item for the annual general meeting of 2007 as part of a proposed amendment to the articles of association of the Company.

PREFERENCE SHARES

The Foundation Protection TNT was formed to care for our interests, the enterprises connected with us and all interested parties, such as shareholders and employees, by, among other things, preventing as much as possible influences which would threaten our continuity, independence and identity contrary to such interests. The Foundation Protection TNT is an independent legal entity and is not owned or controlled by any other legal person. Agreements have been concluded between us and the Foundation for the placement or acquisition of preference shares B.

ADDITIONAL PAID IN CAPITAL

Additional paid in capital of €1,245 million (2005: 1,421) is exempt for Dutch tax purposes.

CUMULATIVE TRANSLATION ADJUSTMENT

In 2006 the cumulative translation adjustment increased by €11 million (2005: 19). This is including an amount of €12 million, being the portion of our cumulative translation adjustment that relates to our divested logistics business. The €12 million was released from equity and charged to income.

The remainder of €-1 million (2005: 19) is the movement in exchange differences on converting foreign subsidiaries of TNT N.V. into euros. These differences are charged or credited to the cumulative translation adjustment, net of taxation.

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

HEDGE RESERVES

Movements on cash flow hedges amounted to €-9 million (2005:-12) resulting from the fair value movement on the €600 million and USD 306 million of forward starting interest swaps, net of taxes.

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

OTHER RESERVES

The other reserves of €0 (2005: 1,080) decreased by €1,080 million compared to 2005. This largely relates to the repurchase of shares in 2006. For more details on the repurchase plans announced in 2006, we refer to our description above.

The appropriation of net income from 2005 which is added to the Other reserves in 2006 amounts to €386 million (2005: 489).

In 2006 we increased our equity representing the fair value of share based transactions for an amount of €13 million (2005: 10).

The other movement of €54 million (2005: 28) includes the share grants of 2006 and 2005 and exercise rights of option plans of prior years.

RETAINED EARNINGS

The profit for 2006 has been calculated as the net income for 2006 of TNT N.V. and all its subsidiaries. The 2006 unappropriated component is €561 million (2005: 559), containing the net profit of €670 million (2005: 659) and the paid interim dividend 2006 of €109 million (2005: 100). Subject to the approval of the general meeting of shareholders, the Board of Management proposes to add €378 million (2005:386) to other reserves and to pay €183 million (2005:173) as final dividend.

● 10 PROVISIONS FOR PENSION LIABILITIES: 23 MILLION (2005: 136)

We operate a number of pension plans around the world. Most of our non-Dutch pension plans are defined contribution plans. For our non-Dutch employees we also operate other post-employment benefit plans and defined benefit plans, for which the liabilities are separately covered by private insurers and foreign pension funds.

Our main Dutch company pension plan (main plan), which is externally funded in "Stichting Pensioenfonds TNT" (main fund), covers the employees who are subject to our collective labour agreement in the Netherlands. The majority of all our Dutch employees are subject to the collective labour agreement. The plan covers some 91,000 participants including approximately 11,000 pensioners and some 32,000 former employees. By Dutch law the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of the Nederlandsche Bank (DNB).

As of 1 January 2006 new fiscal regulations apply to the Dutch pension plans. The early retirement scheme remains in force for the employees born before 1950. The retirement date has been increased however with 3.5 months. The early retirement scheme is no longer applicable for employees born on or after 1950. Depending upon age an additional arrangement is applicable for this group:

- Employees as from the age of 39 on 1 January 2005 receive conditional additional pension benefits to be accrued over the next 15 years and provided for only if the employee will remain a participant until the retirement date or 31 December 2020;
- Employees as from the age of 50 on 1 January 2005 receive additional salary (between 2% and 10% depending upon age);
- Employees who would have been eligible for an early retirement allowance after 40 years of service, have the possibility to retire early for 50% while receiving a 90% payment.

The early retirement scheme and additional arrangements are collectively referred to as the transitional plan.

In the main plan only the employer contributes to the fund. The level of contribution is based upon actuarial recommendations. The total contribution to the main pension fund amounted to €87 million in 2006 (2005: 145) and is estimated to be €101 million in 2007. The benefits for the transitional plans amounted to €107 million in 2006 (2005: 98) and are estimated at €97 million for 2007.

The main fund runs an actively managed investment portfolio. The main fund uses asset and liability management studies that generate future scenarios to determine its optimal asset mix. During 2006, the dynamic weight of equity investments increased to 48.4%, the dynamic weight of fixed interest investments decreased to 37.9% and the weight of real estate and alternative investments increased to 13.2%. The plan assets may from time to time include investment in TNT's own financial instruments through indirect holdings by mutual funds. However, these indirect holdings are an immaterial share of the total plan assets. The plan assets do not include property occupied by or other assets used by TNT.

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

The liabilities of our main plan and transitional plan cover approximately 92.3% of our liabilities for post-employment benefits and the assets cover approximately 92.3% of our total plan assets. The return on plan assets was 8.5% in 2006 (2005: 12.7%).

At 31 December

	Actual mix		Strategic mix	
	2006	2005	2007	2006
Equities	48.4%	47.5%	45%	45%
Fixed interest and Inflation linked Bonds	37.9%	44.6%	40%	40%
Real estate and alternative investment	13.2%	7.9%	15%	15%
Cash	0.5%			
Total	100.0%	100.0%	100%	100%

HISTORICAL RETURNS

	2006	10-year average	Average since plan inception
Equities	15.2%	10.6%	9.0%
Fixed interest and Inflation linked Bonds	0.0%	5.9%	7.3%
Real estate and alternative investment	18.5%	10.2%	7.5%
Total	8.5%	7.8%	8.2%

PENSION COSTS RECOGNISED IN THE STATEMENTS OF INCOME

Inherent to the valuation of our pensions and the determination of our pension cost are key assumptions which include: employee turnover, mortality rates and retirement ages, discount rates, expected long term returns on plan assets, pension increases and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions

giving rise to a different pension liability, which would be reflected as an additional profit or expense in our statement of income, in the next year.

In 2006, our expense for post-employment benefit plans was €120 million (2005: 149). Total cash contributions for pensions in 2006 amounted to €230 million (2005: 264) and are expected to amount to approximately €210 million in 2007.

STATEMENT OF CHANGES IN PROVISIONS FOR PENSION LIABILITIES

	Balance at 1 January 2006	Transfer to discontinued businesses	Employer pension expense	Contributions/ Other	Balance at 31 December 2006
Provision for pension liabilities	(78)	3	(111)	222	36
of which main pension plan in the Netherlands	377		(12)	87	452
of which transitional plan in the Netherlands	(480)		(86)	107	(459)
of which other pension plan	25	3	(13)	28	43
Other post-employment benefit plans	(58)		(9)	8	(59)
Total post-employment benefit plans	(136)	3	(120)	230	(23)

(in € millions)

The provision for pension liabilities including liabilities related to other post-employment benefit plans as at 31 December 2006 of €4 million, related to our discontinued freight management business and is included in liabilities related to assets classified as held for sale. €3 million included in the table above as transferred to discontinued business, represents the balance as at 1 January 2006 and does not reflect the movements during 2006.

The funded status of our pension plans at 31 December 2006 and 2005 and to the employer pension expense for 2006 and 2005, is presented in the table below.

PENSION DISCLOSURES	2006	2005 ¹
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	(5,398)	(4,887)
Transfer to discontinued businesses	3	44
Service costs	(171)	(160)
Interest costs	(237)	(235)
Other movements	(3)	13
Amendments/foreign currency effects	4	18
Prior service costs/termination benefit costs		(55)
Curtailments/settlements	12	45
Actuarial (loss)/gain	221	(353)
Benefits paid	196	172
Benefit obligation at end of year	(5,373)	(5,398)
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	4,216	3,693
Transfer to discontinued businesses		(45)
Actual return on plan assets	405	490
Contributions	243	264
Amendments/foreign currency effects		(14)
Benefits paid	(196)	(172)
Fair value of plan assets at end of year	4,668	4,216
FUNDED STATUS AS AT 31 DECEMBER		
Funded status	(705)	(1,182)
Unrecognised net actuarial loss	732	1,094
Unrecognised prior service costs	9	10
Pension liabilities	36	(78)
Other employee benefit plans	(59)	(58)
Provisions for pension liabilities	(23)	(136)
COMPONENTS OF EMPLOYER PENSION EXPENSE		
Service costs	(171)	(160)
Interest costs	(237)	(235)
Expected return on plan assets	346	301
Amortisation of actuarial loss	(58)	(54)
Curtailment gain	11	
Other costs	(2)	7
Employer pension expense	(111)	(141)
Other post employment benefit plan expenses	(9)	(8)
Total post employment benefit expenses	(120)	(149)
WEIGHTED AVERAGE ASSUMPTIONS AS AT 31 DECEMBER		
Discount rate	4.7%	4.3%
Expected return on plan assets	7.9%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	2.0%	2.0%

(in € millions, except percentages)

¹ All 2005 balances include balances related to our discontinued freight management business.

Our pension costs are affected by the discount rate used to measure pension obligations and the expected long-term rate of return on plan assets. Management reviews these and other assumptions every year. Measurement date for our post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions. The impact of changes on the annual pension expense can be found in the table 'change in assumptions' hereafter. If actual results differ from those assumed, this will generate actuarial gains or losses. These are amortised over the remaining average service lives of employees if they exceed the 10%-corridor.

The discount rate is based on the long-term yield on high quality corporate bonds, including a correction for the duration-mismatch based on the yield curve used by Dutch pension funds as published by DNB.

The duration of the available corporate bonds index (AA 10+) is around 12. The duration of the pension liabilities is around 18. The yield on these bonds is corrected for this duration-mismatch.

Management considers various factors to determine the expected return on plan assets. The expected return is based on the current long-term rates of return on bonds and applies to these rates a suitable risk premium for the different asset components. The premium is based on the plan's asset mix, historical market returns and current market expectation.

Returns are linked to the strategic objective of the Stichting Pensioenfonds TNT, as annually reported in the Asset Liability Management study of the main fund. This main fund controls 92.3% of our total plan assets. Ultimately the long-term objective is to protect the assets from erosion of purchase power, and to provide long-term growth of capital without excessive exposure to risk. The duration of the plan liabilities determines the investment strategy. The assets are managed by outside investment managers. Active management strategies are utilised in an effort to realize investment returns in excess of market indices. This programme provides a reasonable expectation that returns can be achieved that exceeds indexed funds. The main fund establishes the investment policy and strategy, including the selection of investment managers, setting long term strategic targets and monitoring. The strategic asset mix is a target and not a limitation. The fund may approve components of the asset mix above or below targeted range. The fund may decide to rebalance or change the asset mix periodically.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The majority of the defined benefit obligation relates to participants in the Netherlands. In the Netherlands the average life expectancy of men after retiring at the age of 65 is 16.9 years (2005: 16.4). The equivalent expectancy for women is 21.3 years (2005: 20.8).

Funded status defined benefit plans

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the other defined benefit pension plans. Included in the provision for pension liabilities are other employee benefits for the unfunded defined benefit Trattamento di Fine Rapporto ("TFR") in Italy of €59 million (2005: 58).

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

At 31 December

	2006	2005
Present value of funded benefit obligations	(4,551)	(4,530)
Fair value of plan assets	4,668	4,216
Unfunded status	117	(314)
Present value of unfunded benefit obligations	(822)	(868)
Unrecognised liability	741	1,104
Other employee benefit plans	(59)	(58)
Liability in the balance sheet	(23)	(136)

(in € millions)

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

CHANGE IN ASSUMPTIONS

	%-change in assumptions	change in employer pension expense
Employer pension expense		(111)
Discount rate	+ 0.5%	39
Expected return on plan assets	+ 0.5%	21
Rate of compensation increase	+ 0.5%	(20)
Rate of benefit increase	+ 0.5%	(69)
Employer pension expense		(111)
Discount rate	(0.5)%	(64)
Expected return on plan assets	(0.5)%	(22)
Rate of compensation increase	(0.5)%	21
Rate of benefit increase	(0.5)%	50

(in € millions, except percentages)

The table below shows the defined benefit obligation, fair value of plan assets and experience adjustments thereon for the current annual period and previous four annual periods. The experience adjustment is the difference between the expected and actual position at the end of the year, excluding the effect of changes in assumptions. The experience adjustment of the defined benefit obligation can not be reliably determined for previous years.

At 31 December

	2006	2005	2004	2003	2002
Defined benefit obligation	(5,373)	(5,398)	(4,887)	(3,727)	(3,306)
Experience adjustment gain/(loss)	(0.4%)				
Fair value of plan assets	4,668	4,216	3,693	3,277	2,833
Experience adjustment gain/(loss)	1.2%	4.7%	0.4%	2.3%	(16.9%)
Unfunded status	(705)	(1,182)	(1,194)	(450)	(473)

(in € millions, except percentages)

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

Amounts expensed in the consolidated statements of income related to defined contribution plans were €35 million (2005: 26).

Year	Expected benefits as at 31 December 2006
2007	179
2008	202
2009	215
2010	231
2011	244
2012-2016	1,203

(in € millions)

○ 11 OTHER EMPLOYEE BENEFITS: 57 MILLION (2005: 49)

	Other employee benefit obligations
Balance at 31 December 2005	49
Additions	13
Withdrawals	(5)
Total changes	8
Balance at 31 December 2006	57

(in € millions)

No other employee benefits as at 31 December 2006 were transferred to liabilities related to assets classified as held for sale.

Other employee benefits consist of provisions related to jubilee payments €32 million (2005: 33), long-service benefits €14 million (2005: 11), long term disability benefits €2 million (2005: 5) and other employee benefits of €9 million.

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

○ 12 STATEMENT OF CHANGES IN OTHER PROVISIONS: 193 MILLION (2005: 134)

STATEMENT OF CHANGES IN OTHER PROVISIONS	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2005	43	52	39	134
of which included in other provisions (non-current)	29	45	31	105
of which included in short term provisions	14	7	8	29
CHANGES IN 2006				
Additions	33	104	10	147
Withdrawals	(25)	(40)	(9)	(74)
(De)consolidation			(2)	(2)
Transfers to liabilities related to assets classified as held for sale			(1)	(1)
Reclassification	2		(2)	
Other/releases	(8)		(3)	(11)
Total changes	2	64	(7)	59
Balance at 31 December 2006	45	116	32	193
of which included in other provisions (non-current)	26	58	22	106
of which included in short term provisions	19	58	10	87

(in € millions)

Provisions as at 31 December 2006 of €1 million related to our discontinued freight management business is included in assets held for sale. €1 million included in the table above as transferred to liabilities related to assets classified as held for sale represents the balance as at 1 January 2006 and does not reflect the movements during 2006.

Provisions for restructuring include provisions related to employee related restructuring projects in the express division for €4 million and in the mail division for €41 million. Restructuring in our mail division includes projects for mail activities in the Netherlands. During the year approximately 528 (2005: 430) employees were made redundant through such reorganisations, as a result of a combination of efficiency improvements and the impact of restructuring of the operations of our customers. Of the employees made

redundant during the year, paid via the restructuring provisions, 152 (2005: 360) related to mail, 376 (2005: 70) related to employees in express.

Provisions for claims and indemnities include provisions for insurance claims from third parties with respect to our ordinary business activities as well as indemnities and disputes related to the sale of our discontinued operations. More detailed information relating to these provisions is not provided since such information is expected to prejudice our position with respect to these indemnities and disputes.

Other provisions consists of onerous contracts and dilapidation provisions.

The estimated utilisation in 2007 is €87 million, in 2008 €15 million, 2009 €9 million and 2010 and beyond €82 million.

13 LONG TERM DEBT: 1,183 MILLION (2005: 1,071)

At 31 December

CARRYING AMOUNTS AND FAIR VALUE OF LONG TERM DEBT

	2006		2005	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Euro Bonds	1,004	1,060	1,009	1,094
Finance leases	146	143	24	24
Other loans	14	14	31	31
Interest rate swaps	19	19	7	7
Total long term debt	1,183	1,236	1,071	1,156

(in € millions)

Long term debt as at 31 December 2006 of €1 million related to our discontinued freight management business is included in liabilities relating to assets classified as held for sale. Long term debt as at 31 December 2005 of €61 million related to our discontinued logistics business is included in liabilities relating to assets classified as held for sale.

The table below sets forth the carrying amounts of interest-bearing long term liabilities (including the current portion) during each of the following five years and thereafter:

TOTAL BORROWINGS	Euro Bonds	Finance leases	Other loans	Interest rate swaps	Short term bank debt	Total
2007		12	326	4	41	383
2008	633	12	6	11		662
2009		11	1			12
2010		11	2			13
2011		15	1			16
Thereafter	371	97	4	8		480
Total borrowings	1,004	158	340	23	41	1,566
of which included in long term debt	1,004	146	14	19		1,183
of which included in other current liabilities		12	326	4	41	383

(in € millions)

EUROBOND

The fair value of long term interest bearing debt, net of current portion, has been estimated by calculating the discounted value of the loan portfolio using an estimated yield curve, appropriate for the contract terms in effect at the end of the year. The carrying amounts of current portion of long term debt approximate their fair value.

In 2001, TNT N.V. issued a €1 billion 5.125% Eurobond 2008. In 2005 €354 million of the €1 billion 5.125% Eurobond 2008 was exchanged for €386 million of a new 10-year 3.875% Eurobond 2015. At the time of the exchange, the 2015 bond was increased with an additional €14 million to an outstanding total amount of €400 million. After the exchange the nominal value of the 5.125% Eurobond is €646 million, and the nominal value of the 3.875% Eurobond amounts to €400 million.

The total €1,046 million (2005: 1,046) of Eurobonds is measured at amortised cost of €1,015 million (2005: 1,011). A fair value adjustment of positive €11 million (2005: 2) has been reflected in the amortised cost value to adjust the amortised cost value to the carrying amount of €1,004 million (2005: 1,009).

FINANCE LEASES

Total debt on finance leases consist of financial lease contracts on buildings (depots), trucks and airplanes. The net market value of the long term portion of these leases amounted to €143 million.

INTEREST RATE SWAPS

TNT has €500 million (2005: 500) of interest rate swaps outstanding for which we receive fixed interest and pay floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of our 5.125% December 2008 Eurobond. The market value of these instruments amounted to negative €11 million as at 31 December 2006 (2005: -2).

In December 2004, we entered into €500 million of forward starting interest rate swaps whereby we will receive floating interest and pay fixed interest. These flows of interest exchanges under the forward starting interest rate swaps will start per December 2008 and will end in June 2015. Due to the June 2005 exchange for the new 3.875% 2015 Eurobond, we have decided to unwind €400 million of outstanding forward starting interest rate swaps whereby we paid the market value of €12 million. Because the forward starting interest rate swap has been designated as a cash flow hedge, the market value will stay in equity until December 2008 and will be straight-line amortised to income until December 2015.

The nominal value of the remaining forward starting interest rate swap agreed upon in December 2004 and starting per December 2008 amounts to €100 million.

In June 2006, we entered into another €500 million of forward starting interest rate swaps whereby we will receive floating interest and pay fixed interest. These flows of interest exchanges under the forward starting interest rate swaps will start per December 2008 and will end in June 2015.

The market value of the above mentioned long term outstanding forward starting interest rate swaps totaling €600 million, amounts to €8 million as at 31 December 2006 (2005: 5). As all forward starting swaps have been designated as cash

flow hedges, the market value movements have been included in equity.

In 2006 we entered into USD 445 million of (forward starting) interest rate swaps whereby we will receive floating interest and pay fixed interest. These interest rate swaps act as a hedge against the cash flow interest rate risk of future lease terms with respect to the new acquired Boeing 747's. In December 2006 a USD 152 million forward starting interest rate swap was unwound whereby we paid the market value of €5 million. Because the swap has been designated as a cash flow hedge, the market value will remain in equity and will be straight-line amortised to income over the lease term of the related Boeing 747-400 ERF.

The market value of the remaining USD 293 million (forward starting) interest rate swaps amounted to net €3 million negative as at 31 December 2006. The fair value of the swaps is being classified under other financial fixed assets €1 million and other current liabilities €4 million. As the swaps have been designated as cash flow hedges, the market value movements have been included in equity.

COMMITTED FACILITIES

At 31 December 2006 TNT had the following committed facilities:

- Multicurrency Revolving Credit Facility of €1,000 million;
- Multicurrency Revolving Credit Facility of €600 million.

14 OTHER CURRENT LIABILITIES: 731 MILLION (2005: 571)

At 31 December

	2006	2005
Short term bank debt	41	65
Current portion of long term debt	342	148
Total current borrowings	383	213
Taxes and social security contributions	150	137
Expenses to be paid	29	62
Other	169	159
Total	731	571

(in € millions)

Other current liabilities as at 31 December 2006 of €25 million related to our discontinued freight management business is included in liabilities relating to assets classified as held for sale. Other current liabilities as at 31 December 2005 of €398 million related to our discontinued logistics business is included in liabilities relating to assets classified as held for sale.

TOTAL CURRENT BORROWINGS

Other short term debt relates to drawn commercial paper of €287 million, short term bank facilities of €37 million, the fair value of a USD 154 million forward starting interest rate swap of €4 million (for further disclosures, see note 13 Long Term Debt) and the current portion of long term bank deposits of €14 million.

As at 31 December 2005 other short term debt mainly includes a €129 million bilateral bullet loan maturing in 2006 with a fixed interest of 2.54% and is included in current portion of long term debt.

There are no balances of 31 December 2006 that are expected to be settled after 12 months (2005: 70).

OTHER

Other includes shares repurchased under the share buy back program, but not being paid during 2006 of €6 million (2005: 17).

Other also includes a fair value of €6 million (2005: 31) relating to all outstanding short term foreign exchange forward contracts. Of the €6 million (2005: 31) an amount of €0 million (2005: 0) qualifies for hedge accounting and has been included directly in equity. The fair value has been calculated against the relevant market (forward) rates at 31 December 2006. The notional principal amount of the outstanding foreign exchange forward contracts at 31 December 2006 is €621 million (2005: 794).

15 ACCRUED CURRENT LIABILITIES: 1,136 MILLION (2005: 1,126)

At 31 December

	2006	2005
Amounts received in advance	88	99
Expenses to be paid	731	669
Vacation/vacation payments	167	177
Terminal dues	66	79
Other accrued current liabilities	84	102
Total	1,136	1,126

(in € millions)

Amounts received in advance include €45 million (2005: 59) for stamps which were sold but not yet used.

An amount of €51 million is expected to be settled after 12 months (2005: 45).

Accrued current liabilities as at 31 December 2006 of €51 million related to our discontinued freight management business is included in liabilities relating to assets classified as held for sale. Accrued current liabilities as at 31 December 2005 of €292 million related to our discontinued logistics business is included in liabilities relating to assets classified as held for sale.

NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME**16 NET SALES: 9,948 MILLION (2005: 9,274; 2004: 8,798)**

The net sales of mail and express relate to the trading activities of these reportable segments, arising from rendering services. Net sales allocated by geographical area in the country or region in which the entity records sales is detailed in note 34.

activities and mainly include rental income of temporarily leased-out property, passenger/ charter revenues, aircraft maintenance and engineering income and custom clearance income.

17 OTHER OPERATING REVENUES: 112 MILLION (2005: 55; 2004: 29)

Other operating revenues relate to the sale of goods and rendering of services not related to our normal trading

18 OTHER INCOME: 65 MILLION (2005: 38; 2004: 8)

Other income in 2006 mainly includes net proceeds from the sale of group companies of €24 million (2005: 12 million) and the sale of property, plant and equipment for €37 million (2005: 26; 2004: 8) and other income of €4 million.

19 SALARIES, PENSIONS AND SOCIAL SECURITY CONTRIBUTIONS: 3,384 MILLION (2005: 3,318; 2004: 3,216)

Year ended at 31 December

	2006	2005 ¹	2004 ¹
Salaries	2,823	2,756	2,599
Share based payments	9	8	5
Pension charges:			
Defined benefit plans	120	149	188
Defined contribution plans	35	26	21
Social security charges	397	379	403
Total	3,384	3,318	3,216

(in € millions)

¹ The numbers for 2005 and 2004 have been adjusted for comparative purposes.

Included in salaries in 2004 was a positive effect from the settlement for future wage guarantees which resulted in a €134 million refund from an insurance company.

LABOUR FORCE	2006	2005 ¹	2004 ¹
Employees ²			
Express	54,060	48,845	46,502
Mail	84,731	76,619	81,129
Non-allocated	431	836	430
Total at year end	139,222	126,300	128,061
Employees of joint ventures ³	6,691	6,315	6,735
Number of external agency staff at year end	38,546	40,674	12,818
FTE's year average ⁴			
Express	49,858	44,847	42,876
Mail	42,691	41,724	43,825
Non-allocated	424	822	417
Total year average	92,973	87,393	87,118
FTE's of joint ventures ^{3,4}	5,368	4,940	5,336

1 The numbers for 2005 and 2004 have been adjusted for comparative purposes.

2 Including temporary employees on our payroll.

3 These numbers represent all employees and fte's in the joint ventures.

4 FTE's (full-time equivalents) are monthly calculated based on the total hours worked divided by the local standard week or local contracts. The yearly average is calculated by summing the monthly numbers and dividing the result by twelve.

At the end of 2006, 6,691 people (2005: 6,315; 2004: 6,735) were employed by joint ventures, of whom 4,824 (2005: 4,562; 2004: 4,964) were on the payroll of Dutch companies, primarily Postkantoren B.V. and 1,867 (2005: 1,753; 2004: 1,771) were on the payroll of companies outside the Netherlands.

In 2006 the average number of average full-time employee equivalents in the mail division was 42,691. This was a increase of 2.3% compared to last year and was mainly caused by the addressed mail expansion of european mail networks of around 2,900 FTE, especially in Germany and the UK. This is partly offset by the decrease in mail Netherlands of around 2,000 FTE, resulting from several efficiency initiatives.

The 11.2% increase of average full-time employee equivalents in express was caused by organic growth as well as the acquisition of TG+ and Speedage.

The total number of employees in our discontinued freight management business was 2,293 as at 31 December 2006, 2,286 as at 31 December 2005 (2004: 2,317). The FTE average was 2,248 in 2006, 2,244 in 2005 (2004: 2,260).

Our operations in logistics were sold during 2006. The total number of employees in discontinued logistics business was 35,285 as at 31 December 2005 (2004: 37,046). The FTE average was 33,436 in 2005 (2004: 36,360). The total number of employees of joint ventures in our discontinued logistics business was 1,666 as at 31 December 2005 (2004: 2,244).

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD
Over 2006, the accrued remuneration of the current members of the Supervisory Board, excluding VAT, amounted to €556,000 (2005: 524,897; 2004: 345,437). The remuneration of the individual members of the Supervisory Board is set out in the table below:

SUPERVISORY BOARD COMPENSATION	Base compensation	Other payments ¹	Total remuneration
J.H.M. Hommen	60,000	6,500	66,500
R.J.N. Abrahamsen	45,000	20,500	65,500
J.M.T. Cochrane	45,000	12,500	57,500
R. Dahan	45,000	9,000	54,000
V. Halberstadt	45,000	18,000	63,000
G. Kampouri Monnas	45,000	10,500	55,500
R. King ²	31,500		31,500
W. Kok	45,000	10,500	55,500
S. Levy	45,000	10,500	55,500
R.W.H. Stomberg	45,000	6,500	51,500
Total	451,500	104,500	556,000

(in €)

1 Payments relating to number of Supervisory Board committee meetings attended.

2 Appointed per 20 April 2006.

No options or shares were granted to members of the Supervisory Board and none of the members of the Supervisory Board accrued any pension rights with our company.

REMUNERATION OF MEMBERS OF THE BOARD OF MANAGEMENT

In 2006 the total remuneration of the Board of Management consisted of:

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

In the paragraphs below the 2006 values of each of these remuneration elements will be reported per Member of the Board of Management.

Until 4 November 2006, the Board of Management consisted of five members. As from 4 November 2006, the date of

divestment of the logistics division, the Board of Management consists of four members. As announced earlier, Jan Haars has resigned as CFO at the end of March. As per the closure of the Annual General Meeting of Shareholders on 20 April 2006, the Supervisory Board appointed Henk van Dalen as new member of the Board of Management. Henk van Dalen joined TNT on 1 April 2006 as Chief Financial Officer.

TOTAL REMUNERATION

In 2006, the remuneration, including pension and social security contributions, of the current and the former members of the Board of Management amounted to €9,947,362 (2005: 9,784,714).

In 2006, Dave Kulik received a special incentive award of €1,6 million for the successful completion of the sale of the logistics division. Jan Haars received a final severance payment of €60,812. The other part of his severance payment was reported in 2005.

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

COMPENSATION & BENEFITS BOARD OF MANAGEMENT	Base salary	Other periodic paid compensation ¹	Accrued short term incentive	Accrued long term incentive	Severance payments	Pension related costs	2006 Total	2005 Total
Peter Bakker	900,000	61,074	741,067	353,658		121,825	2,177,624	1,911,788
Henk van Dalen ²	450,000	361,109	378,000	40,842		314,968	1,544,919	
Harry Koorstra	600,000	51,623	507,639	177,617		113,725	1,450,604	1,429,495
Marie-Christine Lombard	600,000	440,736	484,914	206,775		276,000	2,008,425	1,676,571
Total current members	2,550,000	914,542	2,111,620	778,892		826,518	7,181,572	5,017,854
Jan Haars	125,000	1,438			60,812		187,250	2,974,984
Dave Kulik ³	508,000	79,211	1,600,000			391,329	2,578,540	1,791,876
Total former members	633,000	80,649	1,600,000		60,812	391,329	2,765,790	4,766,860
Total Board of Management	3,183,000	995,191	3,711,620	778,892	60,812	1,217,847	9,947,362	9,784,714

(in €)

¹ Includes company costs related to tax and social security, company car and other costs. For Marie-Christine Lombard this relates also to additional tax costs for special incentive for performance in 2005, paid out in 2006. For Henk van Dalen this also includes a compensation for the loss of long term incentive rights at former employer.

² In service per 1 April 2006.

³ Includes special short term incentive for successful completion of divestment Logistics.

Base salary

In 2006 the members of the Board of Management did not receive a general increase in base salary.

Other periodic paid compensation

According to the employment agreement of Henk van Dalen an amount of €1,300,000 will be paid as compensation for the loss of existing long term incentive rights with his former employer. This amount will become payable in four equal annual installments, provided he is still employed by the company on the payment dates. In 2006 Henk van Dalen received a compensation of €325,000 included in other periodic paid

compensation of €361,109. In above table, the amount of other periodic paid compensation for Henk van Dalen does not include the one-off cost allowances of €81,000 related to moving costs.

Variable compensation

In the table below the total variable compensation granted in 2006 to the members of the Board of Management is expressed as a percentage of base salary. For this purpose the costs of the rights on matching shares, share options and rights on performance shares were calculated using the Monte Carlo method and a weighted probability analysis provided by Hewitt Associates.

PERCENTAGE VARIABLE COMPENSATION BOARD OF MANAGEMENT

	Accrued short term incentive	Accrued long term incentive	Total variable compensation	as % of base pay
Peter Bakker	741,067	353,658	1,094,725	122%
Henk van Dalen	378,000	40,842	418,842	93%
Harry Koorstra	507,639	177,617	685,256	114%
Marie-Christine Lombard	484,914	206,775	691,689	115%
Total	2,111,620	778,892	2,890,512	

(in €, except percentages)

ACCRUED SHORT TERM INCENTIVE

Since 2002, we account for bonus payments on the basis of the accrued bonuses for the performance of the year reported. In 2006, an amount of €1,922,279 was paid to the members of the Board of Management for performance over 2005.

For 2006 both express and mail exceeded their economic profit targets. The 2006 performance on earnings from continuing operations also exceeded the set targets. The bonus for the members of the Board of Management is paid out partly in cash and partly in shares, see also below the paragraph “share matching plan”. In the table below the amount of

€1,953,000 reflects the accrued bonuses for performance over 2006 and the amount of €158,620 reflects the accrued costs for the rights on matching shares that were granted in 2006, 2005, 2004 and 2003. The costs for the rights on matching shares related to the matching shares granted in 2006 for the performance over 2005, amounted for Peter Bakker to €15,990 and for Harry Koorstra and Marie-Christine Lombard €11,699.

The 2006 accrued short term incentive amounts for the members of the Board of Management are accrued as set out below:

SHORT TERM INCENTIVE BOARD OF MANAGEMENT

	Accrued for 2006 performance	as % of base pay	Accrued for matching shares ¹	Accrued short term incentive	as % of base pay
Peter Bakker	675,000	75%	66,067	741,067	82%
Henk van Dalen	378,000	84%		378,000	84%
Harry Koorstra	450,000	75%	57,639	507,639	85%
Marie-Christine Lombard	450,000	75%	34,914	484,914	81%
Total	1,953,000		158,620	2,111,620	

(in €, except percentages)

¹ Includes costs for matching shares granted in 2006 and previous years.

Share matching plan

In 2006, the short term incentive related to the realisation of targets over 2005 for the Board of Management amounted to €1,772,279 (2005: €2,288,333). Of this amount, 75% (€1,329,209) was paid in cash and 25% (€443,070) was paid in shares.

The number of shares involved is calculated by dividing the 25% of the bonus by the share price on the day of grant. The day of grant is the day following the announcement of the first quarter results. If at least 50% of the shares are retained for a period of three years, the company will match the amount of shares on a one-to-one basis. In compliance with the Dutch corporate

governance code, the members of the Board of Management may not sell their matching shares before the earlier of five years from the date of grant or the end of the employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the grant of these shares is exempted. These bonus shares are held in a trust by our share administrator.

All members of the Board of Management participated in the scheme for the bonus earned during their membership of the Board of Management. Their current matching entitlement is set out in the following table:

BONUS-RELATED MATCHING RIGHTS BOARD OF MANAGEMENT ¹	Year	Number of matching rights on shares					Remaining years in contractual life
		Outstanding as at 1 Jan 2006	Granted during 2006	Exercised during 2006	Forfeited during 2006	Outstanding as at 31 Dec 2006	
Peter Bakker	2003	7,042		7,042			
	2004						
	2005	8,211				8,211	1.3
	2006		4,159			4,159	2.3
Henk van Dalen	2006						
Harry Koorstra	2003	5,523		5,523			
	2004	2,602				2,602	0.3
	2005	5,474				5,474	1.3
	2006		3,043			3,043	2.3
Marie-Christine Lombard	2005	4,562				4,562	1.3
	2006		3,043			3,043	2.3
Total current members		33,414	10,245	12,565		31,094	
Jan Haars	2003	4,062			4,062		
	2004						
	2005	4,562			4,562		
Dave Kulik	2003	3,880		3,880			
	2004	1,863		1,553	310		
	2005	5,028		2,514	2,514		
	2006		2,132	356	1,776		
Total former members		19,395	2,132	8,303	13,224		
Total Board of Management		52,809	12,377	20,868	13,224	31,094	

¹ The matching rights of the (former) members of the Board of Management include the matching rights granted before appointment to the Board of Management.

In 2006 the average price on exercise for matching shares for the (former) members of the Board of Management was €29.68.

ACCRUED LONG TERM INCENTIVE

The maximum numbers of options and performance shares that can vest are disclosed in this report (150% of base allocation

share options and 120% of base allocation performance shares). In the table below the costs of the total share options and rights on performance shares granted to the members of the Board of Management are expressed as a percentage of base salary. For the calculation of the costs of the granted long term incentive, the Monte Carlo method is used as well as a weighted probability analysis provided by Hewitt Associates:

LONG TERM INCENTIVE BOARD OF MANAGEMENT

	Share options granted in 2003-2004	Rights on performance shares granted in 2003-2006	Accrued long term incentive	as % of base pay
Peter Bakker	85,848	267,810	353,658	39%
Henk van Dalen		40,842	40,842	9%
Harry Koorstra	42,924	134,693	177,617	30%
Marie-Christine Lombard	41,261	165,514	206,775	34%
Total	170,033	608,859	778,892	

(in €, except percentages)

The costs of the granted performance shares in 2006 amounted for Peter Bakker: €81,679, for Henk van Dalen and Harry Koorstra: €40,842 and for Marie-Christine Lombard: €74,810.

Vesting of the long term incentive

The vesting of the long term incentive, the share options and the performance shares, depends on the company's performance on total shareholder return. Our relative total shareholder return over the period from 1 January 2003 through 31 December 2005 governs the share option grant and performance share grant for 2003. Our relative total shareholder return over the period from 1 January 2004

through 31 December 2006 governs the share option grant and performance share grant for 2004. Our relative total shareholder return over the period from 1 January 2005 through 31 December 2007 governs the performance share grant for 2005. Our relative total shareholder return over the period from 4 May 2006 through 3 May 2009 governs the performance share grant for 2006.

Based on the total shareholder return vesting percentages, the next table shows the actual vesting of the 2003 and 2004 share options as well as the 2003 and 2004 performance shares. For the grants after 2004 it shows what would vest if the performance period ended on 31 December 2006.

VESTING PER YEAR END ACCORDING TO TSR PERFORMANCE SCHEDULES	Year	Share options		Performance shares	
		Vesting % of base allocation relating to TSR performance schedule	Vesting as per 31 Dec 2006	Vesting % of base allocation relating to TSR performance schedule	Vesting as per 31 Dec 2006
Peter Bakker	2003	75%	30,000	75%	7,373
	2004	100%	60,000	100%	10,846
	2005			110%	42,671
	2006			75%	20,039
Henk van Dalen	2006			75%	10,020
Harry Koorstra	2003	75%	15,000	75%	4,916
	2004	100%	30,000	100%	5,423
	2005			110%	21,335
	2006			75%	10,020
Marie-Christine Lombard	2003	75%	9,000		
	2004	100%	30,000	100%	5,423
	2005			110%	21,335
	2006			75%	22,520
Total			174,000		181,921

Long term incentive/share option plan

The table below summarises the status of the number of outstanding options of our ordinary shares granted to the

Board of Management. During 2006 all members of the Board exercised options.

OPTIONS BOARD OF MANAGEMENT ¹	Year	Number of options				Amounts in €		Remaining years in contractual life
		Outstanding as at 1 Jan 2006	Exercised during 2006	Forfeited during 2006	Outstanding as at 31 Dec 2006	Exercise price	Share price on exercise date	
Peter Bakker	2001	20,000	20,000			23.66	27.20	
	2002	30,000	30,000			22.24	27.20	
	2003	60,000	30,000	30,000		13.85	31.84	
	2004	90,000		30,000	60,000	18.44		5.3
Harry Koorstra	2001	20,000	20,000			23.66	27.29	
	2002	15,000	15,000			22.24	27.24	
	2003	30,000	15,000	15,000		13.85	32.00	
	2004	45,000		15,000	30,000	18.44		5.3
Marie-Christine Lombard	2001	9,000	9,000			23.66	27.12	
	2002	6,750	6,750			22.24	27.12	
	2003	18,000	9,000	9,000		13.85	31.82	
	2004	45,000		15,000	30,000	18.44		5.3
Total current members		388,750	154,750	114,000	120,000			
Jan Haars	2002	15,000	15,000			18.41	27.32	
	2003	30,000	15,000	15,000		13.85	27.93	
	2004	45,000		45,000		18.44		
Dave Kulik	2001	10,000	10,000			23.66	27.15	
	2002	7,500	7,500			22.24	27.15	
	2003	18,000		9,000	9,000	13.85		0.3
	2004	45,000		15,000	30,000	18.44		0.3
Total former members		170,500	47,500	84,000	39,000			
Total Board of Management		559,250	202,250	198,000	159,000			

¹ The options of the (former) members of the Board of Management include the options granted before appointment to the Board of Management.

Long term incentive/performance share plan

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

RIGHTS ON PERFORMANCE SHARES BOARD OF MANAGEMENT	Year	Number of rights on performance shares					Remaining years in contractual life
		Outstanding as at 1 Jan 2006	Granted during 2006	Exercised during 2006	Forfeited during 2006	Outstanding as at 31 Dec 2006 ¹	
Peter Bakker	2003	11,795		7,373	4,422		
	2004	13,015			2,169	10,846	0.3
	2005	46,550				46,550	1.3
	2006		32,062			32,062	2.3
Henk van Dalen	2006		16,032			16,032	2.3
Harry Koorstra	2003	7,863		4,916	2,947		
	2004	6,507			1,084	5,423	0.3
	2005	23,275				23,275	1.3
	2006		16,032			16,032	2.3
Marie-Christine Lombard	2004	6,507			1,084	5,423	0.3
	2005	23,275				23,275	1.3
	2006		36,032			36,032	2.5
Total current members		138,787	100,158	12,289	11,706	214,950	
Jan Haars	2003	7,863		4,916	2,947		
	2004	6,507			6,507		
	2005	23,275			23,275		
Dave Kulik	2004	6,507		4,971	1,536		
	2005	23,275		9,698	13,577		
	2006		16,032	1,893	14,139		
Total former members		67,427	16,032	21,478	61,981		
Total Board of Management		206,214	116,190	33,767	73,687	214,950	

¹ The years 2005 and 2006 are on the basis of 120% of base allocation being the maximum number of rights on performance shares that can vest under the performance schedule.

The 2006 performance shares grant for Marie-Christine Lombard includes an additional one-off grant of 20,000 shares.

In 2006 the average price on exercise for performance shares for the (former) members of the Board of Management was €29.01.

Pensions

Peter Bakker, Harry Koorstra and Henk van Dalen are

participants in a defined benefit scheme, which provides an annual benefit of 70% of pensionable salary, assuming 35 years of service. Marie-Christine Lombard participates in a defined contribution pension scheme. The pensionable age of all members of the Board of Management is 65 year. The accrued benefits and the transfer values (for participants in a defined benefit scheme) of the members of the Board of Management are as follows:

BENEFITS AND TRANSFER VALUE DEFINED BENEFIT PLANS BOARD OF MANAGEMENT	Age at 31 Dec 2006	Type of pension scheme ¹	Defined benefit obligation at 1 Jan 2006	Defined benefit obligation at 31 Dec 2006 ²	Service costs	Accrued benefits at 31 Dec 2005	Accrued benefits at 31 Dec 2006	Changes in accrued benefits during 2006
Peter Bakker	45	DB	2,606,519	2,348,646	121,825	251,861	269,845	17,984
Henk van Dalen ³	54	DB		531,118	314,968		42,949	42,949
Harry Koorstra	55	DB	4,783,845	4,138,283	113,725	310,345	321,930	11,585

(in €)

¹ DB = Defined Benefit.

² The defined benefit obligation at 31 Dec 2006 has decreased compared to the obligation at 1 Jan 2006 due to an increased interest rate.

³ The obligation relates to his time in service with TNT only. The service costs include the actuarial value of the 2006 contribution of €337,500.

The pension contribution for Marie-Christine Lombard has been increased up to €276,000 (2005: €180,000) in order to bring the benefit at retirement more in line with the current level of base salary.

According to the employment agreement of Henk van Dalen an amount of €1,350,000 will be made available to be contributed by the company to the Stichting Ondernemingspensioenfonds TPG. This amount will be contributed in four equal annual installments and will only become payable to the Stichting Ondernemingspensioenfonds TPG under the condition that he is still employed by the company on the payment dates. The amount of €314,968 service costs shown in the table above, includes one annual installment, actuarially calculated.

Performance share plan management

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

Participants will become owner of the share after a period of three years (vesting period). The plan includes market based vesting conditions such that the number of shares is dependent on TNT's Total Shareholder Return (TSR) performance relative to certain other stock indices. These conditions are included in the calculation of the fair value at grant date. This plan is similar to the stock option plan as described below with the only difference that the exercise price of performance shares is equal to zero.

- Performance shares were granted in May 2006 to about 776 TNT managers at a fair value of €18.64. These grants were part of the policy of granting rights on performance shares each year to eligible members of senior management from 2005 onwards.
- Shares will become unconditional after the third anniversary of the grant.
- The participant retains the right to be compensated when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death).

The total number of rights on performance shares for management granted in 2006 is stated below.

RIGHTS ON PERFORMANCE SHARES MANAGEMENT	Year	Number of rights on performance shares						Remaining years in contractual life
		Outstanding as at 1 Jan 2006	Discontinued operations	Granted during 2006	Exercised during 2006	Forfeited during 2006	Outstanding as at 31 Dec 2006	
Management	2005	1,210,970	366,720		10,130	56,590	777,530	1.3
	2006			627,712	260	33,844	593,608	2.3
Total		1,210,970	366,720	627,712	10,390	90,434	1,371,138	

In 2006 the average price on exercise for performance shares for the management was €29.92.

Option plan management

No options were granted in 2006. In 2005 the option plan was replaced by the performance share scheme.

The number of options granted in each of the three years that will ultimately be eligible for exercise is dependent on our total shareholder return relative to a peer group of direct competitors and a peer group of AEX companies.

Option rights were granted in accordance with the management option plan, which is approved by the Supervisory Board. This plan sets out the procedures for share option grants in more than 40 countries around the world.

The significant aspects of the plan are:

- options are granted at the average market price as traded on the Euronext Amsterdam on the date the grant is made (2004:€18.44/share),
- for options granted in 2003 and 2004 the option is exercisable between the third and eighth anniversary of the day of grant; after eight years the outstanding options are forfeited,

- for options granted prior to 2003 the option is exercisable between the third and fifth anniversary of the day of grant; after five years the outstanding options are forfeited,
- the option holder retains the right to exercise his/her option when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death), and
- the option holder loses the right to exercise his/her option when he/she leaves the company for reasons other than those mentioned above.

The exercise of options is subject to the TNT Rules concerning Inside Information.

The table below summarises the status of the number of outstanding options granted to the Board of Management and

former members of the Board of Management as well as to eligible members of senior managers in the current TNT group.

STATEMENT OF CHANGES IN OUTSTANDING OPTIONS	Year	Number of options					Amounts in €		Remaining years in contractual life
		Outstanding as of 1 Jan 2006	Discontinued operations	Exercised during 2006	Forfeited during 2006	Outstanding as at 31 Dec 2006	Exercise price	Share price on exercise date	
Board of Management (incl. former members) ¹	various	559,250		202,250	198,000	159,000			
Management	2001	640,251	198,000	366,042	76,209		23.66	26.08	
	2002	654,043	172,318	415,296	14,550	51,879	22.24	28.27	0.1
	2003	2,493,600	622,500	766,923	945,900	158,277	13.85	27.84	4.1
	2003	19,500		13,200		6,300	14.51	29.76	4.4
	2004	2,929,404	760,300	61,401	825,167	1,282,536	18.44	27.81	5.3
Total		7,296,048	1,753,118	1,825,112	2,059,826	1,657,992			

¹ The options of the (former) members of the Board of Management include the options granted before appointment to the Board of Management.

HISTORIC OVERVIEW OUTSTANDING OPTIONS

	2006		2005	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at beginning of year	7,296,048	17.63	10,717,990	19.07
Discontinued operations	(1,753,118)	17.77		
Exercised	(1,825,112)	27.37	(1,101,545)	25.09
Forfeited	(2,059,826)	16.38	(2,320,397)	22.06
Balance at end of year	1,657,992	18.08	7,296,048	17.63
Exercisable at 31 December	225,456	15.80	1,446,794	22.80

Statements of changes of outstanding options

The table above also includes the outstanding options of the members of the Board of Management and former members of the Board of Management. All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

Bonus/matching plan for senior management

Members of a select group of senior managers are paid 75% of their 2003, 2004 and 2005 and 2006 bonus in cash and 25% as a grant of TNT shares with an associated matching right in 2006 (67,107), 2005 (121,345), 2004 (107,710) and in 2003 (54,405) if at least 50% of the shares are kept for three years. We see the bonus/matching plan as part of our remuneration package for the members of our top management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. The rights on bonus and matching shares are granted in accordance with the bonus/matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- the grant of the right on bonus shares is in lieu of 25% of an individual's annual bonus payment, and bonus shares are delivered shortly after the right is granted,
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the weighted average share price on the Euronext Amsterdam on the date the grant is made (2006: €29.94/share),

- the rights on matching shares are granted for zero and the number of shares is equal to the number of bonus shares,
- the matching shares are delivered three years after the delivery of the bonus shares. One matching share is delivered for each bonus share that has been retained for three years,
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death) the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned above,

The exercise of the rights on matching shares is subject to the TNT rules concerning inside information that apply to our company. All awards under this plan are equity settled.

The table below summarises the status of the number of outstanding rights on matching shares granted to senior managers in the current TNT group:

BONUS CONNECTING MATCHING RIGHTS MANAGEMENT	Year	Number of matching rights on shares					Remaining years in contractual life
		Outstanding as at 1 Jan 2006	Discontinued operations	Granted during 2006	Exercised or forfeited during 2006	Outstanding as at 31 Dec 2006	
Management	2003	44,959	1,374		43,585		
	2004	94,786	16,341		5,174	73,271	0.3
	2005	114,304	21,938		5,590	86,776	1.3
	2006			67,107	1,211	65,896	2.3
Total		254,049	39,653	67,107	55,560	225,943	

In 2006 the average price on exercise for matching shares for the management was €29.36.

Fair value assumptions and hedging

Our share based payments have been measured using the Monte Carlo fair value measurement method. Significant assumptions used in our calculations are as follows:

	2006	2005	2004
Share price (in €)	30.05	20.71	18.44
Volatility (%)	20.89	28.35	32.39
Vesting period (in years)	3	3	3
Risk free rate (%)	3.60	2.39	4.09
Dividend yield (%)	2.29	3.13	2.90

As of 4 May 2006, the 2006 grant date the fair value of our matching shares awarded was €28.13 and the fair value of our performance shares awarded was €18.64.

As of 5 May 2005, the 2005 grant date, the fair value of our matching shares awarded was €18.62 and the fair value of our performance shares awarded was €14.11. As of 27 April 2004, the 2004 grant date, the fair value of our options awarded was €4.73, of our matching shares was €16.29 and of our performance shares awarded was €10.74.

We manage our risk in connection with the obligations we have under the existing share and option plans by purchasing shares in the market. In 2006, we purchased 2,700,000 shares at an average price per share of €29.34. In 2005, 2004 and 2003 we purchased no shares for hedging purposes.

At 31 December 2006, we held a total of 2,884,441 shares to cover share and options schemes (2005: 3,791,438), purchased at a weighted average price per share of €26.98 (2005: 22.06).

20 DEPRECIATION, AMORTISATION AND IMPAIRMENTS: 318 MILLION (2005: 303; 2004: 296)

Impairment costs for property, plant and equipment of €5 million (2005: 9; 2004: 11) are included in the depreciation expense.

	Year ended at 31 December		
	2006	2005	2004
Amortisation and impairment of other intangibles	63	51	47
Depreciation and impairment property, plant and equipment	255	252	249
Total	318	303	296

(in € millions)

21 OTHER OPERATING EXPENSES: 578 MILLION (2005: 608; 2004: 537)

The other operating expenses in express in 2006 were €286 million (2005: 281; 2004: 264) and in mail €291 million (2005: 257; 2004: 248). The operating expenses per division includes cost for shared services cost. The comparative figures for 2005 and 2004 have been adjusted to reflect the transfer of Cendris UK from mail to express.

Total advertising expenses incurred in 2006 amounted to €28 million (2005: 15; 2004: 42), €20 million in express and €8 million in mail.

Included within other operating expenses are costs incurred for services provided by our group statutory auditors, PricewaterhouseCoopers Accountants N.V.

The fees for their services can be divided into the following categories:

	Year ended at 31 December		
	2006	2005	2004
Audit fees	14	13	12
Audit related fees	9	5	3
Tax advisory fees	0	0	0
Other fees	0	1	1
Total	23	19	16

(in € millions)

Included in the table is approximately €7 million in 2006, €4 million in 2005 and €3 million in 2004 related to fees for services provided to our discontinued business.

Fees for audit services include the audit of TNT's annual financial statements, testing of internal controls and the attestation of management's assessment on internal controls, as required by the Sarbanes-Oxley Act of 2002, the review of interim financial statements, statutory audits, services associated with issuing an audit opinion on the postal concession reporting and services that only the independent auditor can reasonably provide. Fees for audit related services include employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, consultation concerning financial accounting, transition to IFRS and reporting matters not classified as audit. Audit related fees in 2005 also include consultation and review of our controls framework related to the Sarbanes-Oxley Act requirements amounting to approximately €2 million. Fees for tax services include tax compliance, tax advice, including all services performed by the independent auditor's professional staff in its tax division, except those rendered in connection with the audit. Fees for other services include financial risk management reviews and audit of corporate sustainability reports.

22 NET FINANCIAL INCOME AND EXPENSES

INTEREST AND SIMILAR INCOME: 199 MILLION (2005: 117; 2004: 100)

Interest and similar income of €199 million (2005: 117; 2004: 100) mainly relates to interest income on banks, loans and deposits of €109 million, of which €93 million relates to a gross up of interest on cash pools (fully offset by an equal amount in interest expenses), interest income on funding our discontinued business (logistics and freight management) of €73 million, and hedge income of €15 million relating to outstanding hedges.

Interest and similar income in 2005 of €117 million mainly relates to interest income on funding our discontinued business (logistics and freight management) of €74 million, interest of €21 million relating to an income tax refund, interest income on loans and deposits of €12 million and interest income of €6 million relating to outstanding hedges.

Interest and similar income in 2004 of €100 million mainly relates to interest income on funding our discontinued business (logistics and freight management) of €67 million, interest income on loans and deposits of €12 million, a one-off gain of €11 million on the unwind of a USD 435 million swap and amortisation of forward points of €3 million relating to outstanding hedges.

INTEREST AND SIMILAR EXPENSES: 246 MILLION (2005: 117; 2004: 116)

	Year ended at 31 December		
	2006	2005	2004
Interest on longterm borrowings	52	54	61
Interest added to provisions		2	1
Interest on shortterm borrowings	117	11	8
Foreign currency swaps - fair value hedges	31	23	9
Net foreign exchange transaction gains/losses		2	2
Other financial expenses	46	25	35
Total	246	117	116

(in € millions)

Interest and similar expense in 2006 of €246 million mainly relates to interest expense on bank overdrafts and bank loans of €117 million, of which €93 million relates to a gross up of interest on cash pools (fully offset by an equal amount in interest income), interest expense on long term borrowings of €52 million, interest on fundings owed to discontinued business (logistics and freight management) of €21 million, hedge costs and fair value adjustments on outstanding hedges of €31 million and interest expenses on taxes of €21 million. Relating to the

interest expenses on taxes an amount of €14 million is to be paid as at 31 December 2006.

Interest and similar expense in 2005 of €117 million mainly relates to interest on long term borrowings of €54 million, interest expense on funding from our discontinued business (logistics and freight management) of €21 million, hedge costs and fair value adjustments on outstanding hedges of €23 million and interest expense on bank overdrafts and bank loans of €7 million.

Interest and similar expense in 2004 of €116 million mainly relates to interest expenses on long term borrowing of €61 million, interest expense on funding from our discontinued logistics business of €18 million, amortisation of forward points relating to hedging instruments of €9 million and interest expense on bank overdrafts and bank loans of €10 million.

23 INCOME TAXES: 395 MILLION (2005: 376; 2004: 372)

Income taxes in the statements of income of 2006 amount to €395 million (2005: 376; 2004: 372), or 32.3%, (2005: 32.8%; 2004: 34.1%) of income before income taxes. Of the €395 million, €213 million of our total income taxes related to tax authorities outside the Netherlands.

	Year ended at 31 December		
	2006	2005	2004
Dutch statutory income tax rate	29.6	31.5	34.5
Adjustment regarding effective income tax rates other countries	0.8	(0.9)	(1.9)
Permanent differences:			
Non and partly deductible costs	1.5	1.4	0.9
Exempt income	(0.7)	(0.4)	
Other	1.1	1.2	0.6
Effective income tax rate	32.3	32.8	34.1

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the income before income taxes. In 2006, the effective income tax rate was 32.3% (2005: 32.8%; 2004: 34.1%), which is higher than the statutory corporate income tax rate of 29.6% in the Netherlands (2005: 31.5%; 2004: 34.5%).

The item "Other" in 2006 was positively impacted by 6.3% for the recognition of a tax benefit on the liquidation of the remaining relevant entities of our French business. An adverse effect of 4.0% relating to prior years was caused by agreements

and expected settlements with tax authorities in various tax jurisdictions. A further one-off adverse effect of 3.4% relates to the tax effects caused by various restructurings. Furthermore, the decrease of the Dutch corporate income tax rate to 25.5% in 2007 lead to an improvement of our deferred tax position which caused the effective tax rate to decrease by 1.9%. The remaining "Other", amounting to 1.9%, includes the adverse impact of losses.

Income tax expense consists of the following:

	Year ended at 31 December		
	2006	2005	2004
Current tax expense	396	334	341
Changes in deferred taxes (excluding acquisitions/foreign exchange effects)	(1)	42	31
Total income taxes	395	376	372

(in € millions)

In 2006, the current tax expense amounted to €396 million (2005: 334; 2004: 341). The difference between the total income taxes in the statements of income and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

In 2006 we paid income taxes for an amount of €282 million (2005: 125; 2004: 403).

The following table shows the movements in deferred tax assets in 2006.

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2005	18	6	71	93	188
Transfers to assets held for sale	0	0	(1)	(2)	(3)
Changes credited directly to equity	0	0	0	15	15
Other changes	14	2	(7)	2	11
Deferred tax assets at 31 December 2006	32	8	63	108	211

(in € millions)

Deferred tax assets at 31 December 2006 of €4 million related to our discontinued freight management business are included in assets held for sale.

For deferred tax assets an amount of €14 million is to be recovered within 12 months and an amount of €197 million is to be recovered after 12 months.

Deferred tax assets and liabilities with the same term and the same consolidated tax group are presented net in the balance sheet if we have a legally enforceable right to offset the recognised amounts.

Out of the total "other" deferred tax assets of €108 million (2005: 93; 2004: 104) an amount of €61 million (2005: 42; 2004: 45) relates to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2006 amounted to €689 million (2005: 639; 2004: 602). With these losses carried forward, future tax benefits of €221 million could be recognised (2005: 203; 2004: 194). Tax deductible losses give rise to deferred tax assets at the statutory rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The

probability of the realisation is impacted by uncertainties regarding the utilisation of such benefits, for example as a result of the expiry of tax losses carried forward and projected future income. As a result we have not recognised €158 million (2005: 133; 2004: 116) of the potential future tax benefits and have recorded deferred tax assets of €63 million at the end of 2006 (2005: 70; 2004: 78).

The expiration of total accumulated losses is presented in the table below:

2007	3
2008	11
2009	9
2010	20
2011 and thereafter	224
Indefinite	422
Total	689

(in € millions)

The following table shows the movements in deferred tax liabilities in 2006:

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2005	153	62	18	233
Transfers to liabilities related to assets classified as held for sale	0	0	(2)	(2)
Changes	(8)	3	14	9
Deferred tax liabilities at 31 December 2006	145	65	30	240

(in € millions)

Deferred tax liabilities at 31 December 2006 of €6 million related to our discontinued freight management business are included in liabilities related to assets classified as held for sale.

For deferred tax liabilities an amount of €19 million is to be recovered within 12 months and amount of €221 million is to be recovered after 12 months.

Multinational groups of the size of TNT are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. We account for our income taxes on the basis of our own internal analyses, supported by external advice. We continually monitor our global tax position, and whenever uncertainties arise, we assess the potential consequences and either accrue the liability or disclose a contingent liability in our financial statements, depending on the strength of our position and the resulting risk of loss.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

○ 24 NET CASH FROM OPERATING ACTIVITIES (CONTINUING OPERATIONS): 857 MILLION (2005: 969; 2004: 690)

The net cash from operating activities decreased by €112 million from €969 million in 2005 to €857 million in 2006. After correction of the gross up in 2006 of interest paid by €89 million, due to a new set up of our cash pool structure, and fully offset by the same amount of interest received, and correction of the repayment of €162 million of taxes in 2005 relating to previous years, the net cash from operating activities would have increased by €139 million compared to 2005.

CASH GENERATED FROM OPERATIONS

The increased cash generated from operations reflects an improved profit before income taxes of €77 million compared to 2005. In 2006 profit before income taxes contributed €1,223 million, and €1,541 million if adjusted for the non-cash impact of depreciation, amortisation and impairments, an increase of €92 million or 6.3% compared to 2005 (€1,449 million).

The changes in pension liabilities of €110 million (2005: 121; 2004: 256) reflects the total non-cash charges for the defined benefit pension schemes of €120 million, lowered by our total

cash contributions of €230 million to various pension funds. The majority of the cash contributions are for our Dutch employees who fall under our collective labour agreement. Of the total cash contribution an amount of €107 million is for pensions which fall under the transitional plan of our Dutch collective labour agreement and which are directly paid by TNT (see note 10 to our consolidated financial statements). In total the cash contributions are €34 million lower than last year, mainly due to €59 million lower contributions as prescribed by the minimum funding requirements of DNB, and a reduced number of eligible employees.

In 2006 the 'other provisions' increased as a consequence of a higher provision for claims and indemnities compared to last year of €64 million. This reflects amongst others the disposal of various businesses.

In 2006 the net working capital increased by €90 million compared to an increase of €178 million in 2005. The increase is mainly a result of organic growth and acquisitions. The movements in net working capital cannot be directly reconciled to the balance sheet as a consequence of the treatment of the logistics business as a discontinued operation as at the end of 2005 and the freight management business as at 31 December 2006.

INTEREST PAID

The total cash out flow for interest paid in 2006 is €199 million. In 2006 interest paid increased by €89 million, due to new cash pool structure. This largely explains the variance in interest paid compared to 2005. Interest paid also includes interest on our long term borrowings of €53 million, interest payments of €25 million relating to an increase of short term debt, realised hedge costs on foreign exchange hedges of €17 million and interest paid on taxes of €7 million.

Interest and similar expenses in the statements of income amounted to €246 million. The difference with the interest paid can be explained mainly by interest expense of €21 million relating to our discontinued logistics and freight management business (included in financing relating to our discontinued operations), an increased accrual for interest related to late tax payments of €14 million and interest expenses relating to fair value adjustments on hedges of €9 million.

TAXES PAID

The cash outflow of the total tax payments amounted to €282 million (2005: 125; 2004: 403). The net amount of income taxes paid in 2005 includes €162 million repayments by the Dutch tax authority of taxes over previous years after it was concluded that preliminary payments were too high.

● **25 NET CASH USED IN INVESTING ACTIVITIES (CONTINUING OPERATIONS): 1,068 MILLION (2005: -262; 2004: -266)**

ACQUISITION OF GROUP COMPANIES (NET OF CASH)

In 2006, the total payments net of cash for acquisitions of group companies amounted to €89 million. Most acquisitions took place in our express division (€58 million), the largest being ARC India Private Ltd., India (€32 million), TG Plus Transcamer Gomez S.A.U., Spain (€22 million) and ISH Nocni Express, Czech Republic (€3 million). Mail acquired for a total

amount of €31 million, mainly related to PostCon Deutschland GmbH, Germany (€12 million), CBS City Briefservice GmbH, Germany (€4 million), Mail Express GmbH, Germany (€3 million), Ridas Sicherheits- und Handelsgesellschaft m.b.H., Germany (€3 million), TWM Italia Srl., Italy (€2 million) and Turbo P.O.S.T. GmbH, Germany (€1 million) (we also refer to note 28 of our consolidated financial statements).

The investments in associated companies primarily related to additional capital contributions in Logispring Investment Fund Holding B.V. and amounted to €20 million.

DISPOSAL OF GROUP COMPANIES AND JOINT VENTURES

On 4 November 2006, we completed the sale of the majority of our logistics division to Louis Topco Limited, a company formed and managed by Apollo Management International L.P. The proceeds from the transaction amount to €1,335 million.

Furthermore, the following investments have been sold during 2006:

- 100% of the outstanding shares in Cendris Document Management B.V. (€19 million),
- 100% of the outstanding shares in ID Company Fashion B.V. (€8 million),
- our 50% shareholding in Mailprofs Employment B.V. (€2 million) and
- other disposals of €1 million.

CAPITAL EXPENDITURE ON INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

In 2006, net capital expenditures on property, plant and equipment amounted to €277 million (2005: 230; 2004: 217). This is excluding the purchase of a Boeing 747 of €110 million which is funded by means of a finance lease. Of this amount, €200 million (2005: 140; 2004: 136) related to express, €74 million (2005: 80; 2004: 75) to mail and €3 million (2005: 10; 2004: 6) to non-allocated. The capital expenditures on intangible assets of €103 million (2005: 80; 2004: 59) mostly related to software. In 2006, capital expenditures were funded primarily by cash generated from operations.

PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Proceeds from the sale of property, plant and equipment in 2006 totaled €65 million (2005: 43; 2004: 14), which mainly related to the sale of several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (€44 million). In 2005 the proceeds from the sale of property, plant and equipment related to several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (€23 million) and buildings and equipment from the joint venture Postkantoren B.V. (€7 million) in the mail segment and equipment in our express operations in the United Kingdom (€4 million).

Proceeds from the disposal of intangible assets in 2006 amounted to €2 million (2005: 2; 2004: 2).

INTEREST RECEIVED

In 2006 interest received amounted to €111 million of which €89 million is due to new cash management arrangements. This largely explains the variance in interest received compared to 2005. Interest received also includes interest on short term deposits and bank balances of €12 million and realised hedge income on foreign exchange hedges of €6 million.

Interest and similar income in the statements of income amounted to €199 million. The total cash in flow for interest received is €111 million. The difference between interest income and interest received can be mainly explained by interest income of €73 million relating to our discontinued logistics and freight management business (included in financing relating to our discontinued operations) and interest income relating to fair value adjustments on hedges of €9 million, also not having a cash effect.

○ 26 NET CASH USED IN FINANCING ACTIVITIES (CONTINUING OPERATIONS): -2,152 MILLION (2005: -768; 2004: -298)

REPURCHASES OF SHARES

Under our share buy back programme announced on 6 December 2005 we purchased 27.8 million of our ordinary shares in 2006 for an amount of €769 million, of which €17 million, relating to the ordinary shares purchased in the last days of 2005, was paid in 2006. Under our share buy back programme announced on 6 November 2006 we purchased for an amount of €887 million, 27.6 million of our ordinary shares of which 18.2 million from the State of the Netherlands. As at 31 December 2006, we paid €881 million relating to 27.5 million shares with the remainder of the amount being paid in 2007.

In addition to the share buy back programmes we purchased 2.7 million ordinary shares for an amount of €79 million to cover our obligations under the existing management option plans and share grants.

TNT received cash payments of €52 million (2005: 16) for the exercise of employee stock options in 2006. The increase results from the accelerated vesting of logistics participants and an increase in the number of regular exercises.

REPAYMENTS TO LONG TERM BORROWINGS

The total repayments relating to long term borrowing of €53 million (2005: 2; 2004: 16) related mainly to repayments of bank loans. The scheduled payments on aircraft leases and other leases amount to €10 million (2005: 4; 2004: 9).

PROCEEDS FROM AND REPAYMENTS TO SHORT TERM BORROWINGS

Movements in short term liabilities resulted in a net cash inflow of €166 million (2005 (outflow): 50; 2004: 37). The total repayments to short term borrowings mainly relates tot the repayment of the bilateral bullet loan agreement maturing in 2006 of €129 million, to a decrease of bank overdrafts of €32 million and to repayments on short term leases of €4 million (2005: 47, 2004: 0) partly offset by a cash inflow relating to short term liabilities of €328 million (2005: 14; 2004: 8), of which €287 million relates to our commercial paper programme and €41 million to an increase of bank facilities.

DIVIDENDS PAID

A final cash dividend over 2005, amounting to €173 million or €0.41 per ordinary share and a cash interim dividend for 2006 of €109 million or €0.26 per ordinary share were paid in 2006.

FINANCING RELATED TO OUR DISCONTINUED OPERATIONS

In 2006 the net cash flow used in financing our discontinued logistics business and freight management amounted to €276 million (2005: 21; 2004: -135). This mainly relates to the repayment of €215 million of the Canadian dollar denominated, syndicated facility that was signed in May 2001 before completion of the sale of our logistics business to Apollo.

○ 27 RECONCILIATION TO CASH AND CASH EQUIVALENTS

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the balance sheet.

	Year ended at 31 December				
	2006	variance %	2005	variance %	2004
Cash at the beginning of the year	663	4.7	633	34.7	470
Adoption of IAS 32/39 per 1 January 2005 ¹			46		
Cash from divested Logistics business	(48)				
Exchange rate differences	(5)		16		(5)
Total change in cash (as in consolidated cash flow statements)	(284)		(32)		168
Cash at the end of the year	326	(50.8)	663	4.7	633
of which discontinued business	(29)		(104)		
Cash at the end of the year as reported	297	(46.9)	559	(11.7)	633

(in € millions, except percentages)

¹ On adoption of IAS 32 as at 1 January 2005, bank overdraft of €46 million was no longer netted off from cash and cash equivalents.

ADDITIONAL NOTES

28 BUSINESS COMBINATIONS

Summary of principal acquisitions in the year 2006

Company name	Segment	Month acquired	% owner	Acquisition Cost	Goodwill on Acquisition
TG Plus Transcamer Gomez S.A.U.	Express	January	100%	22	34
ARC India Private Ltd.	Express	September	100%	33	23
PostCon Deutschland A.G.	Mail	October	99%	22	17
Mail Express GmbH	Mail	January	100%	6	6
Turbo P.O.S.T. GmbH	Mail	April	74%	4	4
CBS City briefservice GmbH	Mail	April	100%	4	4
Ridas Sicherheits- und Handelsgesellschaft m.b.H.	Mail	November	100%	3	3
Other acquisitions (including remaining shares)				16	8
Total				110	99

(in € millions)

Additions in 2006 include €99 million (2005: 26) of goodwill arising from the acquisition of interests in newly acquired group companies and from extending our interests in group companies acquired in prior years. Our acquisitions in 2006 have generally centered on addressing our long term strategic plans. All acquisition costs paid or to be paid, are paid in cash. Of the total acquisition costs an amount of €89 million is paid in cash in 2006. The acquisition costs shown also include an amount of €5 million of acquired cash. Furthermore the acquisition cost includes an amount of €16 million to be paid as at 31 December 2006. This reflects contingent consideration costs, of which PostCon Deutschland AG is the main acquisition involved.

In respect of the acquisition of PostCon Deutschland AG a maximum amount of €5 million is dependent on the revenue and earnings before interest and taxes realised in the business for each of the years 2006 and 2007.

The acquisition cost of TG Plus Transcamer Gomez S.A.U. of €22 million reflects the agreed enterprise value of €49 million less agreed adjustments of €27 million relating to loans, financial lease obligations and some smaller items. Loans for an amount of €23 million have been repaid by us on the moment of acquisition.

The pre-acquisition balance sheet and the opening balance sheet of the acquired businesses is summarised in the table below:

	Pre-acquisition balance sheets (unaudited)	Acquisitions
Goodwill	1	99
Other non-current assets	13	45
Total non-current assets	14	144
Total current assets	49	48
Total assets	63	192
Equity	(15)	115
Non-current liabilities	28	27
Current liabilities	50	50
Total liabilities and equity	63	192

(in € millions)

Other non-current assets include an amount of approximately €31 million relating to separately identified intangible assets with respect to 2006 acquisitions.

The largest acquisitions in 2006 relate to ARC India Private Limited, TG Plus Transcamer Gomez S.A.U. and PostCon Deutschland AG. On acquisition an amount of goodwill was recognised. The main factors that contributed to a cost that resulted in the recognition of goodwill are summarized below:

- TG Plus Transcamer Gomez S.A.U. is the third largest industrial parcel operator in Spain and a strategic fit for Express Europe.
- Acquiring Arc India Private Ltd. is in line with TNT's strategic objective to become the leading provider of express deliveries in the emerging markets in Asia, specifically India. We believe that combining Arc India Private Ltd.'s strong domestic road network with TNT's international and domestic networks will form a powerful platform for

further expansion in the fast growing Indian express market.

- In Germany, one of the key mail markets in Europe, we reinforced our position as the number one challenger in the German market for delivering addressed mail by the acquisition of PostCon Deutschland AG, the market leader in mail consolidation in Germany. Through this acquisition

we now have a solid basis for rapid growth once the postal market has been fully liberalised in Germany.

The (pre-) acquisition balance sheets in ARC India Private Ltd., TG Plus Transcamer Gomez S.A.U. and PostCon Deutschland AG are separately shown below:

BALANCE SHEETS	TG Plus Transcamer Gomez S.A.U.		ARC India Private Ltd.		PostCon Deutschland A.G.	
	Pre-acquisition (unaudited)	Acquisition	Pre-acquisition (unaudited)	Acquisition	Pre-acquisition (unaudited)	Acquisition
Goodwill		34		23		17
Other non-current assets	3	8	1	11	1	8
Total non-current assets	3	42	1	34	1	25
Total current assets	21	21	7	7	8	8
Total assets	24	63	8	41	9	33
Equity	(22)	17		32	1	25
Non-current liabilities	24	24	1	1		
Current liabilities	22	22	7	8	8	8
Total liabilities and equity	24	63	8	41	9	33

(in € millions)

ACQUIREE'S RESULTS

The total acquiree's result accounted within TNT, since acquisition date, amounts to €-14 million. This relates to TG Plus Transcamer Gomez S.A.U. for an amount of €-10 million, to Arc India Private Limited for an amount of €-2 million, to PostCon Deutschland AG for an amount of €1 million and to miscellaneous smaller items for an amount of €-3 million.

PRO-FORMA RESULTS

The following represents the pro-forma results of TNT for 2006 and 2005 as if these acquisitions had taken place on 1 January 2005. These pro-forma results do not necessarily reflect the results that would have arisen had these acquisitions actually taken place on 1 January 2005, nor are they necessarily indicative of the future performance of TNT. This calculation also includes the impact of amortisation of identified intangible assets.

Year ended at 31 December

	Pro-forma results (unaudited)		As reported	
	2006	2005	2006	2005
Total group revenues	10,114	9,493	10,060	9,329
Profit for the period from continuing operations	824	745	828	770
Profit attributable to the equity holders of the parent	666	634	670	659
Earnings per ordinary share (in € cents)	158.3	139.5	159.3	145.0
Earnings per diluted ordinary share (in € cents)	157.1	138.9	158.1	144.4

(in € millions, except per share data)

29 COMMITMENTS AND CONTINGENCIES

(No corresponding financial statement number)

At 31 December

	2006	2005
Commitments relating to:		
Financial guarantees	211	191
Operating guarantees	137	76
Rent and operating lease	909	1,251
Capital expenditure	150	16
Repurchases own shares	113	769
Purchase commitments	58	100

(in € millions)

Commitments and contingencies as at 31 December 2005 related to our discontinued logistics business amounts to €706 million. The total guarantees of freight management as at 31 December 2006 amounted to €32 million, of which €12 million related to corporate guarantees and €20 million to bank guarantees. All the guarantees of the discontinued freight management business were financial guarantees.

Of the total commitments indicated above, €662 million are of a short term nature (2005: 1,128).

FINANCIAL AND OPERATING GUARANTEES

Total guarantees at 31 December 2006 were €348 million (2005: 267). Of these guarantees, TNT issued corporate guarantees up to the amount of €183 million (2005: 99). Banks and other financial institutions issued guarantees up to the amount of €165 million (2005: 147). The obligations under the bank guarantees have been secured by our company or its subsidiaries.

Of the amount of €348 million, financial guarantees amounted to €211 million (2005: 191) and were mainly issued in connection with our obligations under lease contracts, custom duty deferment, airline cargo services, credit lines and insurance contracts. Operating guarantees amounted to €137 million (2005: 76) and were mainly issued in connection with mailing and other service performance contracts.

RENT AND OPERATING LEASE CONTRACTS

In 2006 operational lease expenses (including rental) in the consolidated statements of income amounted to €375 million (2005: 380; 2004: 304). Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

PAYABLE IN THE PERIOD	At 31 December	
	2006	2005
Less than 1 year	222	229
Between 1 and 2 years	199	210
Between 2 and 3 years	146	182
Between 3 and 4 years	102	140
Between 4 and 5 years	65	105
Thereafter	175	385
Total	909	1,251
of which guaranteed by a third party/customers		3

(in € millions)

CAPITAL EXPENDITURE

Commitments in connection with capital expenditure are €150 million (2005: 16; 2004: 33), of which €148 million is related to property, plant and equipment including €110 million which is related to aircraft and €2 million related to intangible assets. These commitments primarily related to projects within the operations of the express division.

REPURCHASE OF SHARES

Under the €1,000 million repurchase programme, announced on 6 November 2006 (also refer to note 9) we purchased shares for a total amount of €113 million after 31 December

2006. As at 23 January 2007, we have completed the repurchase programme.

PURCHASE COMMITMENTS

At 31 December 2006 we had unconditional purchase commitments of €58 million (2005: 100; 2004: 84) which were primarily related to various service and maintenance contracts. These contracts for service and maintenance relate primarily to information technology, security, salary registration, cleaning and aircraft.

CONTINGENT TAX LIABILITIES

Multinational groups the size of TNT are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. We account for our income taxes on the basis of our own internal analyses, supported by external advice. We continually monitor our global tax position, and whenever uncertainties arise, we assess the potential consequences and either accrue the liability or disclose a contingent liability in our financial statements, depending on the strength of our position and the resulting risk of loss.

In 2006, TNT continued to investigate and analyse its global tax position. As a result we currently estimate a range of €100 - €250 million to reflect the realistic range of our total contingent liability in this regard.

In early 2004 our audit committee, on behalf of our Supervisory Board, conducted an independent investigation regarding representations made to the UK tax authorities and to our independent auditors, PricewaterhouseCoopers, with respect to certain UK tax matters originally arising in the late 1990s relating to one of our UK subsidiaries. In August 2004 we submitted a report to the UK tax authorities pursuant to a procedure under UK law designed to ensure full disclosure of all relevant information to the UK tax authorities. In the first quarter of 2005 we reached a settlement with the UK tax authorities in relation to those matters without any further negative impact on our tax position in 2005.

As previously disclosed, since August 2004, we have been preparing an addendum to our original report to the UK tax authorities that cover UK tax matters that were not the subject of the original investigation. In 2006 we submitted a substantially advanced draft of available information and related tax conclusions required by the UK tax authorities and started discussions with them on these tax matters.

The major issue being discussed with the UK tax authorities concerns whether some of our non-UK subsidiaries might have been resident in the United Kingdom prior to the acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of those subsidiaries later moved to another European country. After having investigated the matter we are of the opinion that the relevant subsidiaries were never UK resident. But even if they were seen to be UK resident, we believe that the imposition of such a capital gains tax would be impermissibly discriminatory under EU law. Our opinion has been and is supported by strong external specialist advice.

We have been in discussion with the UK tax authority to come to an agreement on these issues. While to date no assessments relating to the item under discussion have been raised, the UK

tax authority will issue initial assessments, as we understand it, as a matter of procedure, before they and we can effectively continue to seek an agreed solution. TNT will appeal against the initial assessments. The amounts raised in such initial assessments could exceed the realistic range of our estimated total contingent liability as disclosed above. It is customary in the UK with respect to such initial assessments that the actual obligation for payment will be deferred during the litigation and appeal period until either an agreement is reached or a final assessment is raised. On the basis of our ongoing discussions with the UK tax authorities and the strength of our position, we currently expect either these matters to be settled in 2007 or if necessary litigation to be commenced.

In late 2005 and early 2006 our audit committee conducted an independent investigation with respect to whether illegal acts occurred in connection with certain past tax matters. Although the investigation concluded that such acts had occurred, it was determined in February 2006 that no provision or contingent liability was required as a result of this investigation.

We have also analysed the tax positions of some of our subsidiaries with respect to other countries. Our investigations and analyses concerned, among other things, the substance and implementation of tax structures set up in connection with the acquisition, in December 1996 (prior to our formation in 1998), by our former parent company of the Australian company TNT Limited through a UK subsidiary, and the integration and structuring of those and related businesses after our demerger in 1998. In early 2006 we actively discussed these structures with the relevant tax authorities and have reached an agreement on these matters.

As part of a pilot publicly announced by the Dutch Ministry of Finance, we signed a compliance covenant with the Dutch tax authorities in early 2006 to self-assess and transparently discuss our past, present and future tax issues with the Dutch tax authorities. The Dutch tax authorities have agreed, in turn, to take a clear position on such issues swiftly. In 2006 all relevant past matters presented and discussed have been concluded upon by the Dutch tax authorities and agreed with us.

We have fully accrued the expected cost in our financial statements for 2006 of all of the matters described above, whether agreed or expected to be agreed. From the extensive review to date of our global tax position, on the basis of the facts and circumstances as currently known, the advice received from external advisors and the discussions we have had with various tax authorities some of which are still ongoing, we currently believe that it is unlikely that we will incur an additional liability beyond what we have accrued to date. Our interpretation of past facts and circumstances and relevant tax laws and regulations may be open to challenge or as stated above lead to tax assessments being raised. In addition it is not certain that litigation can be avoided in all cases. However, our positions have been and are supported by strong external specialist advice, both contemporaneous and present, on the basis of which we have reached our estimates.

We currently believe that it is unlikely that we will incur an additional liability related to the above matters beyond what we have accrued to date.

We disclosed in our 2005 annual report an estimate of a realistic range to reflect our total contingent liability, including potential penalties and interest, of €150 - €550 million, based on a probability-weighted assessment of our estimated total theoretical liability. In April 2006 we disclosed that we reduced the range to €100 - €250 million which we continue to believe to be the realistic range to reflect our contingent liability. This range represents some 25-30% of the non-probability weighted estimated theoretical maximum liability - in the highly unrealistic scenario where all of our tax positions under investigation or analysis were successfully challenged, any expected initial assessments were unsuccessfully challenged by us, we and all relevant tax authorities were unable to reach any settlement whatsoever, and all of our positions were rejected by all relevant courts. We believe this is highly unlikely.

Our estimate involves a series of complex judgments about past and future events and relies on estimates and assumptions. Although we believe that the estimates and assumptions supporting our positions are reasonable and are supported by external advice, our ultimate liability in connection with these matters will depend upon the assessments raised, the result of any negotiations with the relevant tax authorities and the outcome of any related litigation.

If the actual taxes, penalties and interest imposed exceed the amounts we have accrued, it could adversely affect our financial position, results and cash flows.

CONTINGENT LEGAL LIABILITIES

Ordinary course litigation

We are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

Subcontractor suits in France

Over the years, the authorities in France have brought several criminal and civil actions relating to our express division's French operations alleging that our subcontractors or their employees should be regarded as our own unregistered employees. The actions variously seek criminal fines or the payment of social security contributions, wage taxes and overtime payments in respect of such employees. Similar actions have been brought against our competitors.

Of the cases on which we reported in our annual report in 2006, the case that pertains to fines imposed on TNT Express International SNC and its regional operations director under a ruling by the Court of Appeal in Paris has not yet been concluded. Following a rejection of our request by the French Supreme Court, we have brought this matter to the attention of the European Court of Human Rights. We obtained discharges of the other cases relating to subcontractors previously reported.

Liège court case

In Belgium, judicial proceedings were launched by people living around Liege airport to stop night flights and seek indemnification from the Walloon Region, Liege airport and its operators (including TNT). On 29 June 2004 the Liege court of appeal rejected the plaintiffs' claims on the basis of a substantiated legal reasoning. Thereupon, the plaintiffs lodged an appeal with the Belgian Supreme Court, which court may only examine pure points of law or procedural items. It does not examine facts. On 14 December 2006, the Supreme Court decided to postpone its rendering of a decision, and filed two pre-judicial questions with the European Court of Justice (ECJ). As a result, it may now take another two to three years before the outcome of the proceedings before the Supreme Court is known. Should the Supreme Court ultimately decide to cancel the 2004 judgement, the matter will be referred to another Belgian Court of Appeal for a new exchange of briefs, pleadings and ruling.

30 EARNINGS PER SHARE

(No corresponding financial statement number)

To compute diluted earnings per share, the average number of shares outstanding (excluding the special share) is adjusted for the number of all potentially dilutive shares. At 31 December 2006 we had potential obligations under stock option and share grants to deliver 4,553,308 shares (2005: 9,023,090; 2004: 10,080,990). There was no difference in the income attributable to shareholders in computing our basic and diluted earnings per share.

For calculating basic earnings per share, an average 420,701,641 ordinary shares is taken into account. For calculating diluted earnings per share an additional average number of 3,157,581 shares is to be taken into account.

The following table summarises our computation related to earnings per share and diluted earnings per share:

Year averages and numbers at 31 December

	2006	2005
Number of issued and outstanding ordinary shares	422,767,600	497,999,999
Shares held by the company to cover share plans	2,884,441	3,791,438
Shares held by the company for cancellation	27,640,543	29,460,477
Average number of ordinary shares per year	420,701,641	454,367,662
Diluted number of ordinary shares per year	3,157,581	1,992,957
Average number of ordinary shares per year on fully diluted basis in the year	423,859,222	456,360,619

31 JOINT VENTURES

(No corresponding financial statement number)

We account for joint ventures in which we and another party have equal control according to the proportionate consolidation method. Our only significant joint venture as at

31 December 2006 is the 50% interest in Postkantoren B.V. with Postbank N.V. to operate post offices in the Netherlands. Key pro rata information regarding all of our joint ventures in which we have joint decisive influence over operations is set forth below and includes balances at 50%:

Year ended at 31 December

	2006	2005	2004
Non-current assets	54	62	56
Current assets	182	200	202
Equity	56	64	60
Non-current liabilities	95	113	119
Current liabilities	85	85	79
Net sales	395	408	377
Operating income	18	16	15
Profit attributable to the shareholders	10	12	9
Net cash provided by operating activities	22	26	14
Net cash used in investing activities	(8)	(19)	(9)
Net cash used in financing activities	(14)	(7)	(22)
Changes in cash and cash equivalents	0	0	(17)

(in € millions)

○ 32 RELATED PARTY TRANSACTIONS WITH THE STATE OF THE NETHERLANDS

(No corresponding financial statement number)

THE STATE OF THE NETHERLANDS AS SHAREHOLDER

Over the years 2004 – 2006 the State of the Netherlands reduced its holding in TNT step by step to nil.

On 29 September 2004, the State of the Netherlands sold a total of 77.7 million ordinary shares in our company reducing its ownership from 34.8% to 18.6% of the then outstanding share capital. We repurchased 20.7 million of these shares. Transfer of the repurchased ordinary shares took place in two tranches. A first tranche of 7.6 million ordinary shares was transferred to us on 4 October 2004. The transfer of the remaining 13.1 million ordinary shares was completed on 5 January 2005.

On 11 July 2005, the State of the Netherlands sold a further 43.3 million ordinary shares in a private placement to ABN Amro Holding and Citigroup reducing its holding to approximately 10% of the share capital outstanding at the time. On 20 November 2006 the State of the Netherlands sold its remaining shares in TNT. 27.8 million ordinary shares were acquired by Citibank and UBS, and 18.2 million ordinary shares were repurchased by TNT.

SPECIAL SHARE

Until 17 November 2006, the State of the Netherlands held the one special share in our company. It gave the State of the Netherlands the right to approve decisions that lead to fundamental changes in our group structure, including:

- issuing shares in our capital,
- restrictions on or exclusions of the preemptive rights of holders of our ordinary shares,
- mergers, demergers and dissolutions with respect to us and Royal TNT Post B.V.,
- certain capital expenditures,
- certain dividends and distributions, and
- certain amendments to our articles of association and the articles of association of Royal TNT Post B.V.

The State of the Netherlands had committed itself to exercising the rights attached to the special share only to safeguard the general interest in having an efficient operating postal system in the Netherlands and also to protect its financial interest as a shareholder. Further restrictions to exercising the rights attached to the special share and to transferring or encumbering the special share applied.

On 28 September 2006 the European Court of Justice ruled that ownership by the State of the Netherlands of the special share is in contravention of EU law.

On 17 November 2006, the special share was transferred for free to TNT. As per that date, the special control rights attached to this share reverted to the company. At our next Annual General Meeting of Shareholders we will propose to convert the special share into an ordinary share as part of an amendment to our articles of association. As a result the rights attached to the special share will terminate at such time as the amendment to articles is effected. We agreed not to exercise the rights attached to the Special Share or sell the Special Share in the interim period.

THE STATE OF THE NETHERLANDS AS CUSTOMER

The State of the Netherlands is a large customer of ours, purchasing services from us on an arm's-length basis. In

addition, the State of the Netherlands may by law require us to provide certain services to the State of the Netherlands in connection with national security and the detection of crime. These activities are subject to strict legal scrutiny by the Dutch authorities.

THE STATE OF THE NETHERLANDS AS REGULATOR

The postal system in the Netherlands is regulated by the State of the Netherlands. See note 37 of our financial statements.

○ 33 OTHER RELATED PARTY TRANSACTIONS AND BALANCES

(No corresponding financial statement number)

The TNT group companies have trading relationships with a number of joint ventures as well as with unconsolidated companies in which we hold minority shares. In some cases there are contractual arrangements in place under which TNT companies source supplies from such undertakings, or such undertakings source supplies from TNT.

During 2006, sales made by TNT companies to its joint ventures amounted to €8 million (2005: 42; 2004: 24). Purchases of TNT from joint ventures amounted to €103 million (2005: 131; 2004: 125). The net amounts due to our joint venture entities amounted to €58 million (2005: 49; 2004: 49). As at 31 December 2006, no material amounts were payable by TNT to associated companies. All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

○ 34 SEGMENT INFORMATION

(No corresponding financial statement number)

The presentation of specific data from the consolidated financial statements is classified by divisions and geography. The primary reporting format is based on the corporate divisions. TNT distinguishes between the following corporate divisions:

- **Express business.** The express business provides demand door-to-door express delivery services for customers sending documents, parcels and freight.
- **Mail business.** The mail business provides services for collecting, sorting, transporting and distributing domestic and international mail.

In 2006 and 2005 the decision was taken to respectively divest the freight management business and the logistics business. As a consequence the discontinued business was not included in the segment information shown.

The pricing of intercompany sales is done at arms' length.

The secondary reporting format is based on geography:

- The basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located.
- Segment assets and investments are allocated to the location of the assets, except for TNT goodwill which is not allocated to other countries or regions.

PRIMARY SEGMENTATION - RESULTS

Year ended at 31 December 2006

	Express	Mail	Inter- company	Non-allocated	Total
Net sales	5,922	4,025		1	9,948
Inter-company sales	9	8	(17)		
Other operating revenues	80	32			112
Total operating revenues	6,011	4,065	(17)	1	10,060
Other income	6	58		1	65
Depreciation/impairment property, plant and equipment	(142)	(107)		(6)	(255)
Amortisation/impairment intangibles	(34)	(28)		(1)	(63)
Total operating income	580	761		(65)	1,276
Net financial income/(expense)					(47)
Results from investments in associates					(6)
Income tax					(395)
Profit/(loss) from discontinued operations					(157)
Profit for the year					671
Attributable to:					
Minority interests					1
Equity holders of the parent					670
Number of employees	54,060	84,731		431	139,222

(in € millions, except employees)

Year ended at 31 December 2005

	Express ¹	Mail ¹	Inter- company	Non-allocated	Total
Net sales	5,324	3,921		29	9,274
Inter-company sales	9	9	(18)		
Other operating revenues	30	25			55
Total operating revenues	5,363	3,955	(18)	29	9,329
Other income		26		12	38
Depreciation/impairment property, plant and equipment	(139)	(108)		(5)	(252)
Amortisation/impairment intangibles	(31)	(20)			(51)
Total operating income	476	775		(103)	1,148
Net financial income/(expense)					
Results from investments in associates					(2)
Income tax					(376)
Profit/(loss) from discontinued operations					(109)
Profit for the year					661
Attributable to:					
Minority interests					2
Equity holders of the parent					659
Number of employees	48,845	76,619		836	126,300

(in € millions, except employees)

¹ Figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.

Year ended at 31 December 2004

	Express ¹	Mail ¹	Inter-company	Non-allocated	Total
Net sales	4.933	3.841		24	8.798
Inter-company sales	6	6	(12)		
Other operating revenues	24	5			29
Total operating revenues	4.963	3.852	(12)	24	8.827
Other income		8			8
Depreciation/impairment property, plant and equipment	(136)	(109)		(2)	(247)
Amortisation/impairment intangibles	(29)	(19)		(1)	(49)
Total operating income	378	803		(71)	1.110
Net financial income/(expense)					(16)
Results from investments in associates					(2)
Income tax					(372)
Profit/(loss) from discontinued operations					32
Profit for the year					752
Attributable to:					
Minority interests					
Equity holders of the parent					752
Number of employees	46.502	81.129		430	128.061

(in € millions, except employees)

¹ Figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.

Year ended at 31 December

NON-ALLOCATED OPERATING INCOME	2006	2005	2004
Non-core disposals		12	
Business initiatives	(27)	(61)	(38)
World Food Programme	(8)	(9)	(9)
Other costs	(30)	(45)	(24)
Total	(65)	(103)	(71)

(in € millions)

2006/2005

In 2006, non-allocated operating costs amounted to €65 million (2005:103). Included in these costs is €27 million (2005: 61) for business initiatives, of which €25 million (2005: 33) relates to the continuing development of our activities in China. As a result of maturing operations, more employees were allocated to the respective express and mail businesses. As a result, the average number of full-time equivalents employed for the development initiatives decreased from 485 at the end of 2005 to 201 at year end 2006. The remaining costs for the business initiatives decreased from €28 million in 2005 to €2 million in 2006. This reduction is a result of lower costs for the rebranding of non TNT branded companies into TNT brand and the allocation of costs for a procurement initiative and a cost efficiency project for lean warehousing to the respective operations. Costs made to support the World Food Programme were €8 million (2005: 9), including costs for knowledge transfer, hands-on support, raising awareness and funds for the World Food Programme and cash donations. The other costs were €30 million (2005: 45), which represent a

decrease of €15 million compared to 2005. This decrease mainly relates to higher costs in 2005 as a consequence of the self insured part of the damage caused by major fires in three different warehouses in the United States, Spain and the United Kingdom and employer liability in the United Kingdom. Furthermore, the costs for tax investigations decreased from €23 million in 2005 to €21 million in 2006.

2005/2004

In 2005, non-allocated operating income amounted to a loss of €103 million (2004: 71). Included in these costs is €61 million (2004: 38) for business initiatives of which €33 million (2004: 20) was used to further develop our operations in China. During 2005 we strengthened the TNT China corporate headoffice, we started our domestic parcel express business, which included 75 depots at the end of the year and we launched our direct mail activities. The average number of full-time equivalents employed for this initiative was 485 at year end 2005. The remaining €28 million (2004: 18) of the business initiatives was used for several other strategic projects,

including the aim to build alliances with other organisations and postal operators, rebranding costs of non TNT branded organisations into the TNT brand and a cost efficiency project for lean warehousing. Costs made to support the World Food Programme were €9 million (2004: 9), including costs for knowledge transfer, hands-on support, raising awareness and funds for the World Food Programme and cash donations. The other costs were €45 million (2004: 24), which represent an increase of €21 million compared to 2004. This increase mainly related to costs incurred for tax investigations, which

amounted to €23 million compared to €13 million in 2004 and to costs for the self insured part of the damage caused by major fires in three different warehouses in the United States, Spain and the United Kingdom and employer liability in the United Kingdom. These costs were partly offset by the gain on the sale of Global Collect B.V. (€12 million).

PRIMARY SEGMENTATION – BALANCE SHEET INFORMATION

At 31 December 2006

	Express	Mail	Non-allocated	Total
Goodwill paid in the year	58	41		99
Intangible assets	1,480	301	4	1,785
Capital expenditure on property, plant and equipment	329	84	4	417
Property, plant and equipment	1,015	651	12	1,678
Investments in associates	1	1	56	58
Accounts receivable	1,025	415	121	1,561
Total assets ¹	4,006	1,611	691	6,308
Total liabilities ²	1,388	1,380	1,532	4,300

(in € millions)

- Identifiable assets also used for the segments have been allocated on the basis of estimated usages. The impact of our discontinued freight management business is included in the non-allocated segment.
- Includes all liabilities (non-current, current). The impact of our discontinued freight management business is included in the non-allocated segment.

The balance sheet information at 31 December 2005 is as follows:

At 31 December 2005

	Express ¹	Mail ¹	Freight Management	Non-allocated	Total
Goodwill paid in the year	5	21			26
Intangible assets	1,358	264	213	3	1,838
Capital expenditure on property, plant and equipment	140	80	3	10	233
Property, plant and equipment	832	695	9	16	1,552
Investments in associates			3	44	47
Accounts receivable	935	383	127	26	1,471
Total assets ²	3,513	2,099	406	2,378	8,396
Total liabilities ³	1,052	1,453	156	2,456	5,117

(in € millions)

- Figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.
- Identifiable assets also used for the segments have been allocated on the basis of estimated usages. The impact of our discontinued logistics business is included in the non-allocated segment.
- Includes all liabilities (non-current, current). The impact of our discontinued logistics business is included in the non-allocated segment.

SECONDARY SEGMENTS – GEOGRAPHICAL

The basis of allocation of net sales by geographical areas is the country or region in which the entity recording the sales is located.

Year ended at 31 December

	2006	2005	2004
Europe			
The Netherlands	3,633	3,671	3,637
United Kingdom	1,349	1,229	1,173
Italy	774	701	652
Germany	950	818	735
France	649	632	609
Belgium	277	297	273
Rest of Europe	1,130	866	756
Americas			
USA and Canada	74	73	81
South & Middle America	43	39	33
Africa & the Middle East	89	72	58
Australia & Pacific	442	421	404
Asia			
China and Taiwan	288	238	191
India	51	32	27
Rest of Asia	199	185	169
Total net sales	9,948	9,274	8,798

(in € millions)

The location of the total assets of our company at 31 December 2006 and the capital expenditures (including finance leases) in 2006 were as follows:

At 31 December 2006

	Intangible assets	Property, plant and equipment	Financial fixed assets	Total non-current assets	Current assets	Total assets	Capital expenditures
Europe							
The Netherlands ¹	1,005	692	104	1,801	493	2,294	108
United Kingdom	168	464		632	310	942	176
Italy	45	36	36	117	286	403	17
Germany	117	64	125	306	154	460	19
France	287	66	12	365	155	520	16
Belgium	31	202	4	237	81	318	124
Rest of Europe	67	52	8	127	322	449	22
Americas							
USA and Canada		3	1	4	18	22	2
South & Middle America	1	2	1	4	24	28	1
Africa & the Middle East	2	4		6	34	40	4
Australia & Pacific	21	70	16	107	59	166	13
Asia							
China and Taiwan	5	8		13	99	112	9
India	35	4	2	41	23	64	4
Rest of Asia	1	11	5	17	64	81	5
Total	1,785	1,678	314	3,777	2,122	5,899	520

(in € millions)

¹ Including TNT goodwill which is not allocated to other countries or regions.

For 2005, the assets and capital expenditures on property, plant and equipment can be specified as follows:

At 31 December 2005

	Intangible assets	Property, plant and equipment	Financial fixed assets	Total non-current assets	Current assets	Total assets	Capital expenditures
Europe							
The Netherlands ¹	980	756	99	1,835	789	2,624	90
United Kingdom	163	400	1	564	323	887	49
Italy	34	32	40	106	254	360	9
Germany	73	57	85	215	113	328	7
France	288	62	3	353	141	494	12
Belgium	32	94	14	140	143	283	16
Rest of Europe	241	47	2	290	253	543	21
Americas							
USA and Canada	1	3	2	6	41	47	2
South & Middle America		2	1	3	28	31	1
Africa & the Middle East							
		3		3	31	34	2
Australia & Pacific							
	20	74	19	113	67	180	12
Asia							
China and Taiwan	4	11		15	97	112	7
India	1	2	1	4	10	14	1
Rest of Asia	1	9	6	16	65	81	4
Total	1,838	1,552	273	3,663	2,355	6,018	233

(in € millions)

¹ Including TNT goodwill which is not allocated to other countries or regions.

The location of employees at year end, including temporary employees on our payroll, is as follows:

	Express	Mail	Non-allocated	2006	2005	2004
Europe						
The Netherlands	2,898	58,141	230	61,269	64,035	69,907
United Kingdom	11,822	682		12,504	11,857	11,702
Italy	3,101	1,183		4,284	4,217	4,353
Germany	5,255	15,218		20,473	17,979	16,106
France	4,687	30		4,717	4,664	4,528
Belgium	2,300	639		2,939	2,803	2,648
Rest of Europe	7,979	8,628		16,607	7,276	4,799
Americas						
USA and Canada	758	202		960	978	1,199
South & Middle America	649			649	538	701
Africa & the Middle East						
	1,506	8		1,514	1,045	1,330
Australia & Pacific						
	5,011			5,011	4,928	5,027
Asia						
China and Taiwan	2,418		201	2,619	2,461	2,250
India	2,399			2,399	668	537
Rest of Asia	3,277			3,277	2,851	2,974
Total	54,060	84,731	431	139,222	126,300	128,061

○ 35 DIFFERENCES BETWEEN IFRS AND US GAAP
(No corresponding financial statement number)

PROFIT FOR THE YEAR AND EQUITY RECONCILIATION STATEMENTS

Our consolidated financial statements are prepared in accordance with IFRS, which differ in certain respects from

generally accepted accounting principles in the United States (US GAAP).

The following tables summarise the principal adjustments, gross of their tax effects, which reconcile profit for the period and total shareholders' equity under IFRS to the amounts that would have been reported had US GAAP been applied:

	Year ended at 31 December		
	2006	2005	2004
Profit attributable to the equity holders of the parent under IFRS	670	659	752
Adjustments for:			
Employee benefits	4	(16)	61
Employment schemes: cancellation of contract			(130)
Employment schemes and group reorganisation			(11)
Real estate sale			20
Depreciation and amortisation related to discontinued logistics business	(60)	(8)	
Impact of US GAAP differences on sale of logistics business	31		
Other		(11)	(6)
Tax effect of adjustments	12	8	28
Profit attributable to the equity holders of the parent under US GAAP	657	632	714
of which related to discontinued operations	(173)	(131)	39
of which related to continuing operations	830	763	675
Earnings per ordinary share/ADS under US GAAP ¹ (in € cents)	156.2	139.1	151.9 ³
Earnings per diluted ordinary share/ADS under US GAAP ² (in € cents)	155.0	138.5	151.7 ³

(in € millions, except per share figures)

¹ In 2006 based on an average of 420,701,641 of outstanding ordinary shares/ADS (2005: 454,367,662 ; 2004: 469,955,054), which is consistent under IFRS.

² In 2006 based on an average of 423,859,222 of diluted outstanding diluted ordinary shares/ADS (2005: 456,360,619 ; 2004: 470,547,635), which is consistent under IFRS.

³ Number of shares used in calculation differ from number of shares used to calculate earnings per share under IFRS. The second tranche of shares repurchased from the State of the Netherlands were accounted for in 2004 under US GAAP and in 2005 under IFRS.

	At 31 December		
	2006	2005	2004
Total equity under IFRS	2,008	3,279	3,344
Minority interest	(25)	(17)	(19)
Equity for the equity holders of the parent under IFRS	1,983	3,262	3,325
Adjustments for:			
Employee benefits	(5)	18	34
Other long lived intangible assets	147	43	(45)
Other intangible assets amortisation	(7)	(10)	(7)
Repurchase of shares			(259)
Pension liability ¹	(539)	(587)	(454)
Depreciation and amortisation related to our discontinued logistics business		(8)	
Other	(1)	(6)	(8)
Deferred taxes on adjustments	(7)	45	36
Total equity under US GAAP	1,571	2,757	2,622

(in € millions)

¹ As at 31 December 2006 the minimum pension liability is no longer recorded as a consequence of the adoption of FAS 158. In 2006 the pension liability was increased by €500 million (net of tax) due to the adoption of this pronouncement. The impact of FAS 158 within equity was offset by an overall reduction in the pension liability in 2006, primarily due to an increase in the discount rate from 4.3% to 4.7%. The comparative figures have not been adjusted.

The following is a summary of the significant differences for our company.

EMPLOYEE BENEFITS

As permitted under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, at the date of transition to IFRS we have elected to recognise all cumulative actuarial gains and losses and as permitted under IAS 19, *Employee Benefits*, the unrecognised prior year service costs for all our defined benefit pension plans. For US GAAP purposes the actuarial gains and losses continue to be recognised under the corridor approach while unrecognised prior year service costs are recognised during the future service periods of the active employees. This has resulted in a lower pension expense of €15 million, €10 million and €16 million under US GAAP than under IFRS in 2006, 2005 and 2004, respectively. In 2006, the lower pension expense is partially offset by a curtailment gain of €11 million under IFRS that is not recognised in the statements of income under US GAAP because this is fully offset by unrecognised losses. The curtailment relates to an efficiency incentive of Mail Netherlands and the sales of the logistics business and Cendris Document Management.

In 2005 employee benefits include expenses of €26 million related to payments expected to be made to certain employees on reaching a specific number of years of service. As permitted under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, at the date of transition to IFRS, we recorded a liability with a corresponding adjustment to shareholders' equity as at that date. For US GAAP purposes, we have included the amount in the income statement resulting in a difference in the profit for the period between IFRS and US GAAP.

Under IFRS, we have accounted for certain defined benefit obligations in Italy by using the actuarial present value of the vested benefits to which an employee is currently entitled to, but based on the employee's expected date of separation or retirement. As permitted under Emerging Issues Task Force (EITF) No. 88-1, *Determination of Vested Benefit Obligation for Defined Benefit Plan*, we have accounted for these obligations using the nominal value of the vested benefits to which the employee is entitled to if an employee separates immediately. The majority of the differences related to such obligations no longer exist as of 31 December 2006 due to the sale of the logistics division.

EMPLOYMENT SCHEMES

In the past, we recognised a liability for future wage guarantees, which did not qualify as a liability under US GAAP. This difference resulted in reconciliation to US GAAP shareholders' equity. As at 1 January 2001, after approval of our labour unions and central works council, we transferred the liability to an insurance company. As a result, the obligation for future wage guarantees was settled in full in December 2001. For US GAAP we recognised the transfer payment to the insurance company as a deposit asset that was charged to our statements of income based on the wage guarantees paid by the insurance company of €11 million in 2004.

Following the outcome of an unfavourable court decision with regard to the timing of the deductibility of the settlement amount paid for fiscal filing purposes in October 2004, we have decided to unwind the contract in accordance with the

resolutive condition in the contract as per 23 December 2004. For IFRS purposes the termination of the contract led to a repayment by the insurance company (for an amount of €134 million) which was accounted for as a reduction in our salary costs. For US GAAP purposes however, we have unwound the deposit asset (with a remaining balance of €130 million at the moment of termination of the contract). Due to the cancellation of the contract the reconciling item relating employee schemes no longer exists as per 31 December 2004.

REAL ESTATE SALES

Due to timing differences when to account for gains on sale of real estate between IFRS and US GAAP, there is a difference in the statements of income in 2004 of €20 million caused by the fact that for certain real estate transactions in prior years, the legal ownership was not transferred until 2004, resulting in a book profit under US GAAP (already accounted for in prior years under IFRS at the moment the economic risk was transferred). There were no such differences in 2006 and 2005.

DISCONTINUED OPERATIONS

As a result of our December 2005 announcement to focus on our core competency of providing delivery services, we presented assets and liabilities of our discontinued logistics business as long lived assets to be disposed of by sale and presented our profit (loss) for the period from our discontinued logistics business as profit (loss) from discontinued operations. As required under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, we have not depreciated or amortised, since 6 December 2005, our assets held for sale. On 4 November 2006 we have sold our logistics business.

In 2005 IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, required us to classify non-current assets or a disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. We met all the criteria as required under IFRS 5 for such classification.

The position of the SEC is that in the event shareholder approval is required, management is not considered having authority to dispose of an asset, a requirement in accordance with US GAAP to treat such assets as being held for sale. Accordingly, under US GAAP this criteria was not met until 29 September 2006. The French logistics business met all criteria and was presented as discontinued operations in 2005 and the remainder of the logistics business was presented as part of continuing operations, whose assets continued to be depreciated.

At 29 September 2006 the Extraordinary General Meeting of Shareholders approved the sale of the remaining logistics division. Due to the approval, the US GAAP statements of income have been restated in to reflect the entire logistics division as discontinued operations.

Depreciation and amortisation from 1 January 2006 to 29 September 2006 and from 6 December 2005 to 31 December 2005 for our discontinued logistics business, other than the French activities that we sold during 2005, amounted to €60 million and €8 million, respectively. These amounts are included as reconciling items between IFRS and US GAAP.

On 4 November 2006 we completed the sale of the logistics division to affiliates of Apollo Management L.P. Under IFRS we recognised a loss on disposal of €87 million. Under US GAAP, we recognised a loss of €56 million. The difference is a result of a smaller loss due to differences in the valuation of assets and liabilities between IFRS and US GAAP offset by the release of a larger negative currency translation adjustment of €69 million.

During 2006 we accelerated the vesting of equity awards pertaining to our logistics business employees. This resulted in a remeasurement of such awards under US GAAP and recognition of €2 million additional compensation expense compared to IFRS.

OTHER LONG LIVED INTANGIBLE ASSETS, BUSINESS COMBINATIONS AND IMPAIRMENT OF GOODWILL

As permitted under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, we have not adjusted business combinations that took place prior to the 1 January 2004 transition date. Prior to 1 January 2004, goodwill on business combinations differed under our previous GAAP and under US GAAP mainly due to differences related to recognition of identifiable and separable intangible assets and recognition of certain provisions such as restructuring provisions. In addition, we continued to amortise goodwill under our previous GAAP until the adoption of IFRS.

We adopted SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, for business

combinations initiated after 30 June 2001. Effective 2002, the provisions of SFAS No. 142 were applied to goodwill and other intangible assets acquired prior to 30 June 2001. Since the adoption of SFAS No. 141 and SFAS No. 142 goodwill is no longer amortised, but tested, at least annually, for impairment.

The differences identified within our reconciliation of total equity pertaining to other long lived intangible assets are due to the reasons noted above as well as differences in our assessment of impairment based upon the requirements of our previous GAAP and IFRS compared to US GAAP.

Under IFRS and under US GAAP, we amortise identifiable and separable intangible assets over their estimated useful lives. Prior to 1 January 2004, we were not required to separate out intangible assets from goodwill resulting in a different carrying value and related amortisation between IFRS and US GAAP for separately identifiable intangible assets. The relating gross carrying amount was €20 million and the accumulated amortisation was €7 million as at 31 December 2006. The impact of such amortisation has resulted in a reduction of profit of €3 million in 2006, 2005 and 2004; including €1 million in 2006 and €2 million in 2005 and 2004, respectively, related to our discontinued logistics business. These differences are included in the 'other' line item on our reconciliation of profit under IFRS to US GAAP.

The changes in the carrying amount of goodwill for the year ended 31 December 2006 are as follows:

	Express	Mail	Total
Balance as at 1 January 2006	1,345	266	1,611
Additions	56	42	98
Disposals		(9)	(9)
Internal transfers/reclassifications	45	(24)	21
Exchange rate differences	5	(6)	(1)
Balance as at 31 December 2006	1,451	269	1,720

(in € millions)

REPURCHASE OF SHARES

On 29 September 2004 we announced that the State of the Netherlands sold a total of 77.7 million ordinary shares in our outstanding share capital. We repurchased 20.7 million shares for a per share price of €19.74 of the total amount of shares sold by the State of the Netherlands. Transfer of the repurchased ordinary shares has taken place in two tranches. The first tranche of 7.6 million shares was transferred to us on 4 October 2004. The transfer of the remaining 13.1 million shares was completed on 5 January 2005 and repurchased for €259 million.

Under IFRS, the first tranche of 7.6 million shares representing an amount of €150 million, was accounted for in the balance sheet as a debit against equity. Related transaction costs (€1 million) have been debited against equity both under IFRS and under US GAAP.

The transfer of the legal ownership for the second tranche took place on 5 January 2005. Under US GAAP (SFAS 150,

Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity), the second tranche (of 13.1 million shares) classifies as a financial instrument that should be accounted for as a liability rather than as equity. Therefore, we have reclassified an amount of €259 million (including €1 million interest costs) from equity to liabilities in our balance sheet as per 31 December 2004. Under IFRS the second tranche was presented as a commitment not appearing in the balance sheet as we only adopted the requirements of IAS 32 and IAS 39 effective 1 January 2005. We do not expect any reconciling items on subsequent share repurchase programmes.

MINIMUM PENSION LIABILITY/IAS 158

Until the end of 2005 US GAAP required us to record a minimum pension liability in the event the accumulated benefit obligation (ABO) exceeds the fair value of the pension plan assets, with a corresponding reduction in shareholders' equity net of deferred taxes. Under IFRS, such a minimum pension liability is not required.

As at 31 December 2005 and 2004, the ABO amounted to €5,194 million and €4,643 million, respectively. For certain of our pension plans in the Netherlands, in Germany, and in the United States the ABO exceeded plan assets, requiring us to record a minimum pension liability. The increase in the ABO was mainly due to a decrease in interest rates.

In September 2006 the FASB issues Financial Accounting Standard 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* – an amendment of FASB Statements No. 87, 88, 106, and 132(R) (FAS 158). FAS 158 requires companies to fully recognize an asset or liability for the overfunded or underfunded status of their benefit plans in the financial statements for years ending after 15 December 2006. The pension asset or liability equals the difference between the fair value of the plan's assets and its benefit obligation. The benefit obligation is measured as the projected benefit obligation for pension plans and as the accumulated postretirement benefit obligation for other postretirement benefits. The impact of the company's net funded status is to be recorded in equity as a component of accumulated other comprehensive income, net of tax. The impact of this standard for the year ended December 2006 resulted in a decrease in Accumulated other comprehensive income of €500 million (net of deferred tax assets of €171 million) an increase in plan assets of €135 million and an additional provision for pension liabilities of €807 million in our financial statements under US GAAP. The impact of the adoption of FAS 158 within equity was offset by an overall reduction in the pension liability in 2006 primarily due to an increase in the discount rate from 4.3% to 4.7%. As of 31 December 2006 the amount of unrecognised pension expense within accumulated other comprehensive income was €539 million, net of tax. The amounts in accumulated other comprehensive income expected to be recognised as components of net periodic benefit costs in 2007 are an amortised prior service cost credit of €39 million, offset by an amortised net actuarial loss of €37 million.

SHARE BASED PAYMENTS

Prior to 1 January 2006, Statement of Financial Accounting Standards no. 123, *Accounting for Stock-based Compensation* (SFAS 123), encouraged, but did not require, companies to record compensation cost for stock based compensation plans at fair value. During 2004, we chose to continue to account for stock based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion no. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations. This resulted in the €6 million difference between the 2004 IFRS and US GAAP profit attributable to shareholders included within the 'other' line item on our reconciliation of profit attributable to shareholders.

As all options were granted at an exercise price that equals the average price on the Amsterdam Stock Exchange on the day of grant, no charges would have been recorded in the 2002, 2003 and/or 2004 income statements. If the company had elected to recognise compensation expense based on the fair value at the grant dates in accordance with FAS 123, the company's net income and net income per share would have decreased to the pro forma amounts indicated in the following table:

Year ended at 31 December

	2004
Profit attributable to the equity holders of the parent	
As reported	752
As adjusted	744
Earnings per ordinary share and per ADS	
As reported (in € cents)	158.9
As adjusted (in € cents)	157.2
Earnings per ordinary share and per ADS	
As reported (in € cents)	158.7
As adjusted (in € cents)	157.0

(in € millions, except per share data)

Significant assumption used in our calculation of fair value is as follows:

Year ended at 31 December

	2004
Risk free interest rate (%)	3.07
Dividend (in € cents per share)	57.0
Volatility (%)	21.7
Life of the option (in years)	8
Vesting period (in years)	3

These pro forma results are not an indicator of future performance. Prior to 1 January 2002, we calculated the fair value of options granted to senior managers and members of the Board using the binomial method, American style with dividend. From 1 January 2002 until 31 December 2004, we calculated the fair value of these options using the Black Scholes model. The use of the Black Scholes model, rather than the binomial pricing model, did not have a material effect on the compensation expense or on the pro forma profit or per share amounts disclosed.

Effective 1 January 2005, as permitted by FASB Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, we have elected to measure our share based payments using a fair value method. We have used the modified-prospective method wherein we have recognised share based employee compensation as if the fair value based accounting method had been used to account for all employee awards granted, modified, or settled since 1 January 1994 and not yet vested. When all of our share based awards vest over a three year period, this meant fair valuing all awards issued on or after 1 January 2002. Under IFRS, as permitted by IFRS 1, *First-time Adoption of International Financial Reporting Standards*, we were required to fair value share based awards issued after 7 November 2002 resulting in a €1 million difference in the income statement in 2005 between IFRS and US GAAP.

In December 2004, the FASB issued a revised version of SFAS 123, *Share based payments*, Revised 2004 (SFAS 123(R)). The SEC has issued Staff Accounting Bulletin No. 107 relating to the adoption of SFAS 123(R). SFAS 123(R) requires us to measure all employee share based compensation awards using a fair value method, estimate award forfeitures, and record such expense in our consolidated statements of income. This

statement supersedes APB Opinion No. 25, *Accounting for Stock issued to Employees*. The provisions of this statement were effective 1 January 2006. Effective 1 January 2005, our share based payments for all future awards are measured using the Monte Carlo fair value measurement method. The adoption of SFAS 123(R) did not have an impact on our financial statements.

Other differences

SALE AND LEASEBACK TRANSACTIONS

Under IFRS, if a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall be deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, any loss is generally recognised immediately. Recognition of gain is based on whether sale price is at, below or greater than fair value.

US GAAP has more specific accounting criteria for sale and leasebacks under SFAS No. 28, *Accounting for Sales with Leasebacks*, SFAS No. 66, *Accounting for Sales of Real Estate*, and SFAS No. 98, *Accounting for Leases* (SFAS No. 98). Under SFAS No. 98, a seller-lessee is required to make a determination whether the transaction qualifies for sale and leaseback accounting. Where sale and leaseback transactions do not qualify for sale and leaseback accounting, they are required to be accounted for as finance leases.

Under US GAAP, gains on transactions qualifying as sale and leasebacks are recognised based on the degree to which the seller-lessee retains the right to use the real estate through the leaseback. Where the seller-lessee retains substantially all of the use of the property, the gain on the sale transaction is required to be deferred and amortised over the lease term. Where the seller-lessee retains only a minor use of the property, any profit or loss generally is recognised at the date of sale. If the seller-lessee retains more than a minor part but less than substantially all of the use of the property, any profit in excess of the present value of the minimum lease payments is recognised at the date of sale. Losses are recognised immediately upon consummation of the sale.

Differences between IFRS and US GAAP resulted in a cumulative effect of €5 million on shareholders' equity to defer gains on sale of property and to realise these gains over the respective lease terms as at 31 December 2005. Due to the sale of the logistics division in 2006 we no longer have differences related to such transactions. These differences were previously included on the 'other' line item within our reconciliation of total equity from IFRS to US GAAP.

LONG TERM CONTRACT INCENTIVES

Under IFRS, expenses related to long term contract incentive payments made to induce customers to enter or renew long term service contracts may be deferred and accounted for over the contract period. Under US GAAP such payments may not qualify for deferral, and must be recognised fully in income in the initial period that the cost is incurred. We have paid certain long term contract incentives totaling €6 million that did not qualify for deferral under US GAAP. As a result, under US GAAP, such payments were recognised immediately in the income statement, while under IFRS they have been deferred

and will be recognised over the term of the contract. This difference resulted in an adjustment to the US GAAP net income and shareholders' equity in 2005 to reflect the reversal of the related annual charge to the income statement recorded under IFRS. Due to the sale of the logistics division in 2006 we no longer have differences related to such incentives.

FINANCIAL INSTRUMENTS

Effective 1 January 2005, under IFRS we are required to value derivative instruments at fair value and are required to recognise changes therein recognised either in current earnings or through a separate component of shareholders' equity, depending on specific criteria. Similar accounting treatment is required under US GAAP. As at 31 December 2006 and 2005 we had no significant differences between IFRS and US GAAP, in accounting for our derivative instruments.

GUARANTEES

We have provided certain indemnifications in 2006 related to the sale of our logistics division to Apollo Management L.P. which are within the scope of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). These provisions expand those required by Statements of Financial Accounting Standards 5, *Accounting for Contingencies*, by requiring the guarantor to recognize and disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The indemnifications we have provided relate to circumstance in which payment by us is conditional on claims made by Apollo Management L.P., which typically allow for us to challenge the claim. Further, our obligations under these agreements are limited in terms of time and / or amount.

It is not possible to predict the maximum potential amount of future payments under these or similar agreements due to the conditional nature of our obligations and the unique facts and circumstances involved in each particular agreement. There is no difference between the amounts which we have accrued under IFRS related to these indemnifications and the amounts we have accrued under US GAAP. We refer to note 12 of the consolidated financial statements.

The remainder of our guarantees are outside the scope of FIN 45 because they are guarantees of our own performance. We had no guarantees that met the criteria of FIN 45 in 2005.

OTHER

Under IFRS, a curtailment gain on a suspended retirement plan is recognised as the difference between the curtailment gain and the estimated additional liability to terminate the plan. Under US GAAP, an estimated liability to terminate a plan is not recorded until the plan is formally terminated. This accounting difference resulted in a €2 million adjustment to our 2005 reconciliation of shareholders' equity under IFRS to that under US GAAP in order to reverse the recognition of the estimated liability to terminate the plan that was made in 2002. Due to the sale of the logistics division in 2006 we no longer have differences related to the recognition of curtailment gains.

Under IFRS, provisions were made for constructive obligations for early retirement benefits for certain part-time employees in one of our group companies. Under US GAAP these provisions

were not permitted as we were not legally obligated to make these payments at year end 2006. This also resulted in a difference at year end 2004. This difference amounted to €6 million and €3 million at year end 2006 and 2005, respectively, and is included on the 'other' line item within our reconciliation of total equity from IFRS to US GAAP.

Under IFRS, for intangible assets other than goodwill, restoration of previously recognised impairments is required when the reason for the impairment is no longer valid. Under US GAAP, restoration of previously recognised impairments is prohibited. This difference amounted to €1 million, €2 million and €3 million at year end 2006, 2005 and 2004, respectively, and is included on the 'other' line item within our reconciliation of total equity from IFRS to US GAAP.

Property, plant and equipment transferred to our company in connection with the incorporation of the postal and telecommunications business as of 1 January 1989, were valued at the then current value. This method is prescribed under Dutch law and permitted under IFRS. US GAAP requires that property, plant and equipment be valued at historical cost. No adjustment to the IFRS accounts is made in the US GAAP reconciliation in relation to this difference, as the original historical cost can not be determined.

We recognise deferred tax assets if it is more likely than not that they will be realised. Accordingly, we have established valuation allowances of €158 million (2005:133) and recorded as at 31 December 2006 net deferred tax assets of €63 million (2005:70). Under IFRS we have recorded the same amounts of net deferred tax assets.

Under IFRS, investments in joint ventures may be proportionately consolidated. In general, the proportionate consolidation method is prohibited under US GAAP. However, as allowed under the United States Securities and Exchange Commission's (SEC) rules applicable to Form 20-F, no adjustment has been made for this difference as the joint ventures, in which we hold an investment, are operating entities for which we have joint control over the financial operating policies with all other parties holding an interest in the respective joint venture.

We prepare our statement of cash flows in accordance with requirements of IFRS, IAS No. 7, Cash Flow Statements. As permitted under the SEC's rules applicable to Form 20-F, no adjustment has been made for any difference that may arise between IFRS and US GAAP.

Additional information related to roll forward of the equity, comprehensive income and accumulated other comprehensive income is included in the following tables:

	Total equity
Equity for the equity holders of the parent under US GAAP at 31 December 2003	3,146
Profit attributable to shareholders over 2004 under US GAAP	714
Final dividend 2003 and interim dividend 2004	(237)
Translation adjustment IFRS	(29)
Translation adjustment on US GAAP reconciling items	(113)
Stock options exercised	3
Repurchase of shares 2004 plan October 2004 tranche	(151)
Repurchase of shares 2004 plan January 2005 tranche	(258)
Minimum liability for defined benefit plans	(454)
Other	1
Equity for the equity holders of the parent under US GAAP at 31 December 2004	2,622
Profit attributable to shareholders over 2005 under US GAAP	632
Final dividend 2004 and interim dividend 2005	(268)
Translation adjustment IFRS	8
Translation adjustment on US GAAP reconciling items	86
Stock options exercised	41
Additional liability for defined benefit plans	(133)
Repurchase of shares 2005 plan	(231)
Equity for the equity holders of the parent under US GAAP at 31 December 2005	2,757
Profit attributable to shareholders over 2006 under US GAAP	657
Final dividend 2005 and interim dividend 2006	(282)
Translation adjustment IFRS	11
Translation adjustment on US GAAP reconciling items	(8)
Share based compensation	15
Reduction of liability for defined benefit plans	48
Release of currency translation adjustment related to logistics business	69
Repurchase/cancellation of shares in 2006	(1,736)
Stock options exercised	52
Other	(12)
Equity for the equity holders of the parent under US GAAP at 31 December 2006	1,571

(in € millions)

COMPREHENSIVE INCOME	Year ended at 31 December		
	2006	2005	2004
Profit attributable to the equity holders of the parent under US GAAP	657	632	714
Unrealised forex gains and (losses) IFRS	11	8	(29)
Unrealised forex gains and (losses) US GAAP reconciling items	(8)	86	(113)
Decrease/(Increase) liability for defined benefit plans	48	(133)	(454)
Release of currency translation adjustment related to logistics business	69		
Other	(9)		2
Comprehensive income under US GAAP	768	593	120

(in € millions)

	Year ended at 31 December		
ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF RELATED INCOME TAXES (UNDER US GAAP)	2006	2005	2004
Opening accumulated comprehensive income	(822)	(783)	(189)
Unrealised forex gains and (losses) IFRS	11	8	(29)
Unrealised forex gains and (losses) US GAAP reconciling items	(8)	86	(113)
Decrease/(Increase) liability for defined benefit plans	48	(133)	(454)
Release of currency translation adjustment related to logistics business	69		
Other	(9)		2
Total accumulated other comprehensive income, net of taxes (US GAAP)	(711)	(822)	(783)

(in € millions)

The total accumulated other comprehensive income, net of taxes, of €711 million mainly includes a pension liability of €539 million and the remainder consist of unrealised gains and losses on foreign currency translations.

RECENT US GAAP ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board in the United States (FASB) has issued certain Statements of Financial Accounting Standards (SFAS), each of which, when adopted, could affect our consolidated financial statements for US GAAP reporting.

In September 2006 the FASB issued SFAS 157, *Fair Value Measures*, (SFAS 157). This statement enhances the guidance for using fair value to measure assets and liabilities. SFAS 157 provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. We are required to adopt this pronouncement effective 1 January 2008. We are evaluating the impact this standard will have on our financial statements.

In September 2006, the FASB issued FASB Staff Position (FSP) No. AUG Air-1, *Accounting for Planned Major Maintenance Activities*. The FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods. This FSP amends the requirements of American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, *Airlines*. This FSP is effective for us starting 1 January 2007. We do not expect this FSP will have an impact on our financial statements related to the maintenance of our aircraft, as our current practice is to expense such maintenance costs when incurred.

In June 2006, the FASB issued FASB interpretation No. 48, *Accounting for Uncertainty in Income taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for us starting 1 January 2007. We are evaluating the impact this interpretation will have on our financial statements.

In June 2006, the Emerging Issues Task Force (EITF) of the FASB ratified EITF 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences* (SFAS 43). This pronouncement provides guidelines under which sabbatical leave or other similar benefits provided to an employee are considered to accumulate, as defined in SFAS 43. If such benefits are deemed to accumulate, then the compensation cost associated with a sabbatical or other similar benefit arrangement should be accrued over the requisite service period. The provisions of this pronouncement are effective for us starting 1 January 2007 and allow for either retrospective application or a cumulative effect adjustment approach upon adoption. We do not expect the adoption of this pronouncement will have a material impact on our financial statements.

In March 2006, the EITF of the FASB issued EITF 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement (That is, Gross versus Net Presentation)*. This pronouncement requires disclosure of a companies accounting policy regarding the gross or net presentation of point-of-sales taxes such as sales tax and value-added tax. If taxes included in gross revenues are significant, the amount of such taxes for each period for which an income statement is presented should also be disclosed. This pronouncement is effective for us starting 1 January 2007. We do not expect that the adoption of this pronouncement will have a material impact on our financial statements as we report such revenues on a net basis.

The EITF of the FASB issued EITF 05-6, *Determining the Amortisation Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination*. This pronouncement requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of the lease should be amortised over the lesser of the useful life of the asset or the lease term that includes reasonably assured lease renewals as determined on the date of acquisition of the leasehold improvement. We were required to adopt this pronouncement effective 1 January 2006. The adoption of this pronouncement did not have an impact on our financial statements.

36 SUBSEQUENT EVENTS

(No corresponding financial statement number)

ACQUISITION EXPRESSO MERCURIO S.A.

On 10 January 2007 we announced the completion of the acquisition of 100% of the shares of Expresso Mercurio S.A. (Mercurio), the market leader in the Brazilian domestic express market. The acquisition price is €151 million.

The unaudited pre-acquisition balance sheet and the preliminary opening balance sheet of the acquired business are summarized below:

	Pre-acquisition balance sheets (unaudited)	Expresso Mercurio S.A. (unaudited)
Goodwill		106
Other non-current assets	16	43
Total non-current assets	16	149
Total current assets	24	25
Total assets	40	174
Equity	21	151
Non-current liabilities	3	4
Current liabilities	16	19
Total liabilities and equity	40	174

(in € millions)

The unaudited revenues for 2006 amounted to €190 million. The unaudited net profit after tax amounted to €3 million. The acquisition of Mercurio helps TNT in achieving our strategic intent to expand in emerging markets and to develop our global networks. Thanks to Mercurio we will increase our footprint in Brazil and the neighboring countries such as Chile, Argentina and Uruguay, while the current Mercurio customers can benefit from the worldwide coverage of the TNT network. The Brazilian economy is one of the fastest growing in the world, marked by high investments in the manufacturing sector (automotive, pharmaceutical/chemical industry), with expected growth rates for the domestic express market in the range of 10 to 15% annually in the coming years.

REPURCHASE PROGRAMME

On 23 January 2007, we completed the €1,000 million repurchase programme, we had announced on 6 November 2006. After 2006 we purchased 3,307,164 shares at an average price of €34,22 per share for a total amount of €113 million. It is our intention to cancel the ordinary shares and request for such cancellation to be approved by our shareholders.

SALE OF FREIGHT MANAGEMENT BUSINESS

On 16 November 2006 we signed a Sale and Purchase Agreement to sell our freight management business unit to the French logistics service provider Geodis SA. On 5 February 2007 we completed the sale. The total net proceeds are approximately €450 million. The book gain of the transaction is expected to be approximately €190 million. Final amounts will be calculated on the basis of completion accounts. The results

of the transaction will be accounted for in our 2007 profit for discontinued operations.

REPURCHASE PROGRAMME 26 FEBRUARY 2007

On 26 February 2007 we announced the start of a share repurchase programme of up to €400 million, to start as soon as possible after the Annual General Meeting of shareholders (AGM) on 20 April 2007. The programme follows the completion of the sale of our freight management business. It is our intention to cancel the ordinary shares acquired through the repurchase programme.

37 POSTAL REGULATION AND CONCESSION

(No corresponding financial statement number)

Due to the importance of postal services to society, regulation is a significant factor in our mail business. The mandatory undertaking of certain postal activities in the Netherlands, some of which are exclusive to us, has been assigned to us in the Dutch Postal Act.

In the Netherlands, the key legislation regulating our mail activities is the Dutch Postal Act. The Dutch Postal Act requires TNT to perform the mandatory postal services in the Netherlands and it grants us exclusive rights to provide some of these services, the reserved postal services.

In connection with the Dutch Postal Act there is the parliamentary Postal Decree, which specifies the services that constitute the mandatory postal services and defines the scope of the reserved postal services. The combination of these mandates and exclusive rights are commonly called the "Postal Concession". The Postal Concession is performed by our subsidiary Royal TNT Post B.V.

Furthermore, there is a General Postal Regulations Decree, which specifies our obligations regarding the performance of mandatory postal services and the transparency of the financial accounting of these services according to the EU Postal Directive.

The responsibility for supervising our performance of the mandatory postal services lies with an independent Supervisory Authority for Post and Telecommunications established by the government, which is commonly called by its Dutch acronym OPTA. The Minister of Economic Affairs is responsible for postal regulation and policy.

On 16 December 2004 the Minister of Economic Affairs discussed his vision for the Dutch postal market with parliament. During this meeting parliament gave its support to the vision, which addressed issues such as full liberalisation, the scope of the mandatory postal services and tariff regulation. The vision for the Dutch postal market has been translated into the proposal for a new Dutch Postal Act that passed the Dutch government on 13 April 2006. The Dutch government's policy contains the following elements:

- full liberalisation of the Dutch postal market as of 1 January 2008 (conditional on full market liberalisation in the United Kingdom and Germany, i.e. the condition of a level playing field),
- we will be required to perform the mandatory postal services in the Netherlands for an undefined period,
- the Postal Act and the scope of the mandatory postal services can be evaluated every four years,
- rates for mandatory postal services will be regulated using a price cap system linked to inflation,
- non-discrimination will be applicable to our mail services. Competitors and customers must be treated equally in terms of rates and conditions, and
- the OPTA will be charged with monitoring the mandatory services and non-discrimination requirements.

We are pleased that the policy regarding liberalisation is conditional on the future de facto liberalisation in the United Kingdom and Germany, where further liberalisation is also scheduled to take place in 2006 and 2008 respectively.

The decision by the Dutch government to fully liberalise the Dutch postal market on 1 January 2008 and the proposal for a new Dutch Postal Act await approval of parliament. The dossier will probably be discussed during the course of 2007.

THE POSTAL CONCESSION

Mandatory postal services

The domestic mandatory postal services mainly consist of the conveyance against payment of standard single rates of the following postal items:

- letters (including reply items) and printed matter with a maximum individual weight of two kilogrammes,
- postal parcels with a maximum individual weight of 10 kilogrammes, and
- registered, registered insured and registered value declared items.

In addition, bulk mail of letters up to an individual weight of 50 grammes (100 grammes prior to 1 January 2006), which are conveyed against separately agreed rates, are part of the mandatory postal services. Mandatory postal services also cover rental of P.O. boxes.

We are not required to provide the delivery of bulk printed matter such as advertising, magazines and newspapers, the delivery of bulk letters with an individual weight above 50 grammes and unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act and in accordance with the rules of the Universal Postal Union (UPU), mandatory postal services mainly comprise conveyance against payment of both postal items at standard single rates and of bulk mail items at separately agreed rates with a maximum individual weight of

two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, mandatory postal services cover the postal services regulated by the UPU.

Reserved postal services

Under the Dutch Postal Act and the Postal Decree, the reserved postal services include the following exclusive rights:

- the conveyance of domestic and inbound international letters with a maximum individual weight of 50 grammes (100 grammes prior to 1 January 2006) at a rate of less than two and a half times (three times prior to 1 January 2006) the standard single rate (€0.39) for the lowest weight class of 20 grammes,
- the exclusive right to place letterboxes intended for the public alongside or on public roads, and
- the exclusive right to issue postal stamps and imprinted stamps bearing the likeness of the monarch and/or the word "Nederland".

These exclusive rights do not extend to courier services or services where the letters are delivered at the rate of more than two and a half times the standard single rate. The exclusive rights also do not extend to the conveyance of parcels, letters weighing in excess of 50 grammes and printed materials such as advertising, newspapers and magazines. In addition, the exclusive rights do not extend to the conveyance of letters by a business to its own customers.

Accounting other financial obligations

Our obligations on reporting include the establishment of an annual report on our performance of the mandatory postal services, providing, among other things, an overview of the financial results related to the mandatory postal services. This report must be reviewed by an independent auditor appointed by OPTA.

Our financial accounting obligations require us to maintain separate financial accounts within our internal financial administration for mandatory postal services. This separate accounting must be broken down into reserved postal services and other mandatory postal services and must be separated from the accounting of our other activities. Every year, we must submit to OPTA a declaration of an independent auditor, appointed by OPTA that our financial accounting system complies with these obligations. This declaration has to be published by OPTA in the "Staatscourant".

Underlying this accounting system and the financial reports to OPTA is a system for allocating costs and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive and is approved by OPTA for the period ending 31 December 2006. The approval of OPTA was officially published in the "Staatscourant" on 14 July 2004. The full text of the description of the allocation system is published in Dutch by OPTA on their website, www.opta.nl.

Value added tax on postal services

At present, we are not allowed to charge value added tax on postal items forming part of the mandatory postal services. The flip side of this is that for mandatory postal services we can not deduct the VAT amounts paid on our purchases of services and goods related to the mandatory services. We are required to charge VAT on all services not included in the mandatory

services, i.e. the services in competition with other operators. Competitors are required to charge VAT on those items as well. Therefore, there is a level playing field for competitors and our company on these services.

Regulatory conditions for the provision of mandatory postal services

Regarding mandatory postal services the General Postal Regulation Decree imposes various regulatory conditions on us with respect to service provision, tariffs, cost and revenue accounting, financial administration and reporting. Other than the mandatory postal services, none of our postal services is subject to governmental control.

According to the Dutch Postal Act, article 2d, we are obliged to give our competitors entrance to our P.O. boxes. This service has to be delivered against reasonable, objectively justifiable and non-discriminatory conditions and remunerations. To date these conditions and remunerations are the negotiated results between parties.

With respect to service levels, the General Postal Regulations Decree requires us to provide a level of service that complies with modern standards, to provide nationwide services and to perform a delivery round every day, except for Sundays and public holidays. We are required to deliver not less than 95% of all domestic letters the day after the day of posting, not including Sundays and public holidays. We are required to maintain a network of service points (post offices and agents) for the access of the general public to the services. With respect to rates and conditions, we are required to set rates and associated conditions that are transparent, nondiscriminatory and uniform. However, we may grant volume discounts for items of correspondence and negotiate specific prices and conditions with high-volume users. We are required to submit proposed rate changes to OPTA, which has to evaluate whether the proposed changes are in accordance with the price cap system.

The price cap system measures tariff developments in two different baskets of services, a “total basket” and a “small users basket”. The total basket comprises domestic mandatory postal services provided to all customers. The small users basket comprises a selection of the total basket of domestic mandatory postal services that is representative for consumers and small business users.

The price cap system measures tariff developments in two different baskets of services, a “total basket” and a “small users basket”. The total basket comprises domestic mandatory postal services provided to all customers. The small users basket comprises a selection of the total basket of domestic mandatory postal services that is representative for consumers and small business users.

The price cap system uses a weighing factor for each service in both baskets. The levels of the indices for both baskets are not to exceed the official national index of wages for employees in the market sector.

The price cap system was last evaluated in 2002. Since an earlier decision of the Ministry of Economic Affairs to freeze the tariffs controlled by the price cap system was declared void in June 2004, we have remained able to amend the individual

rates for mandatory postal services, subject to the provisions of the tariff control system. However, in view of the wider importance of the adoption of an integral and balanced vision for the postal market as submitted to parliament, we announced our intention not to increase the price of a stamp for consumers from the level of €0.39 for the years 2004, 2005 and 2006. On 30 August 2006 we announced to amend the TNT Post rates on 1 January 2007. The rate for single-item domestic letters up to 20 grammes will be increased to €0.44. This will be the first rate increase for single-item mail in five and a half years. We intend not to increase the €0.44 rate again until 2010. The newly announced rates (12.1% average increase) remain within the inflation rate of 12.5% on aggregate since 2001. The rate increases fall within the maximum levels allowed by law, which has been confirmed by OPTA.

TNT N.V. CORPORATE BALANCE SHEETS

At 31 December

BEFORE PROPOSED APPROPRIATION OF PROFIT	2006	variance %	2005
ASSETS			
Non-current assets			
Investments in group companies	3,672		4,428
Investments in associates	56		43
Deferred tax assets	5		5
Total financial fixed assets	3,733	(16.6)	4,476
Pension asset	495	29.2	383
Total non-current assets	4,228	(13.0)	4,859
Current assets			
Accounts receivable from group companies	97		
Other accounts receivable	30		16
Cash and cash equivalents	16		8
Total current assets	143	495.8	24
Total assets	4,371	(10.5)	4,883

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LIABILITIES AND EQUITY

Equity			
Issued share capital	203		230
Additional paid in capital	1,245		1,421
Cumulative translation adjustment	(5)		(16)
Hedge reserves	(21)		(12)
Other reserves	0		1,080
Unappropriated profit	561		559
Total shareholders' equity	1,983	(39.2)	3,262
Non-current liabilities			
Euro Bonds	1,004		1,009
Total non-current liabilities	1,004	(0.5)	1,009
Current liabilities			
Accounts payable to group companies	1,292		418
Short term provision	47		
Other current liabilities	33		182
Accrued current liabilities	12		12
Total current liabilities	1,384	126.1	612
Total liabilities and equity	4,371	(10.5)	4,883

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(in € millions, except percentages)

- the figures in the line items of these financial statements refer to the notes to the financial statements.
- the accompanying notes form an integral part of the financial statements.
- the pension asset and investment in group companies over the comparative year have been restated to be in accordance with IAS 19-34a. This did not result in changes to the equity.

TNT N.V. CORPORATE STATEMENTS OF INCOME

Year ended at 31 December

	2006	2005	2004
Results from continuing operations	806	743	597
Results from discontinued operations	(70)	(109)	32
Results from investments in group companies after taxes	736	634	629
Other income and expenses after taxes	(66)	25	123
Profit attributable to the shareholders	670	659	752

(in € millions)

- the result from continuing operations and the other income/expense after taxes over prior years have been restated to be in accordance with IAS 19-34a. This did not result in changes to the profit attributable to the shareholders.

NOTES TO THE CORPORATE BALANCE SHEETS AND STATEMENTS OF INCOME

ACCOUNTING POLICIES FOR VALUATION AND DETERMINATION OF RESULT TNT N.V.

The corporate financial statements for the year ended 31 December 2006 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. We have applied the option in Article 362 (8) to use the same principles of valuation and determination of result for the corporate financial statements as the consolidated financial statements.

Our corporate balance sheets and statements of income have been adjusted to reflect the adoption of IFRS. This has impacted our equity and the carrying value of the investments in group companies by €12 million as at 1 January 2004 and €560 million as at 31 December 2004. As at 1 January 2005 the adoption of IAS 32 and IAS 39 resulted in a decrease of €9 million relating to the valuation of a put option.

Our investments in group companies are carried at net asset value. For the principles of valuation of assets and liabilities and for the determination of results reference

is made to the notes to the consolidated balance sheet and statements of income.

The balance sheet as of 31 December 2005 and the statements of income over 2005 and 2004 have been restated following a reassessment of the risks and rewards related to the Dutch pension plans. These pension plans are to be regarded as group plans which should, in accordance with IAS 19.34a, be accounted for at TNT N.V. level. As a result of the revised position the balance sheet of TNT N.V. as of 31 December 2005 was restated with retrospective effect whereby Pension assets of €383 million were recorded against a corresponding decrease of €383 million in the Investments in group companies balance. There was no impact on equity or results since the costs of the pension plans did not change at a consolidated level. In order to reflect the difference between the net benefit costs for TNT N.V. and the costs recharged to the subsidiaries based on the contribution payable, results from investments were lowered by €105 million and €151 million for 2005 and 2004 respectively. Other income and expense over 2005 and 2004 were increased by the corresponding amounts. From a fiscal unity perspective the tax effects are accounted for at subsidiary level.

38 TOTAL FINANCIAL ASSETS: 3,733 MILLION (2005: 4,476)

STATEMENT OF CHANGES FINANCIAL FIXED ASSETS	Investments in group companies	Investments in associates	Deferred tax assets	Prepayments & accrued income	Total
Balance at 31 December 2004	3,895	32		3	3,930
Adoption IAS 32/39	(9)			(3)	(12)
Balance at 1 January 2005	3,886	32			3,918
CHANGES IN 2005					
Results	634	(2)			632
Acquisitions/additions		13	5		18
Disposals/decreases	(111)				(111)
Withdrawals/repayments					
Exchange rate differences	19				19
Other changes					
Total changes	542	11	5		558
Balance at 31 December 2005	4,428	43	5		4,476
CHANGES IN 2006					
Results	736	(6)			730
Acquisitions/additions	647	19			666
Disposals/decreases	(2,138)				(2,138)
Withdrawals/repayments					
Exchange rate differences	(1)				(1)
Other changes					
Total changes	(756)	13			(743)
Balance at 31 December 2006	3,672	56	5		3,733

(in € millions)

Investments in group companies include our investments in our discontinued freight management business.

39 PENSION ASSET 495 MILLION (2005: 383)

TNT N.V. is the sponsoring employer for two Dutch pension plans, which are externally funded and are covering the majority of TNT's employees in the Netherlands. In accordance with IAS19.34a the net defined benefit cost is recognised in the

corporate financial statements of TNT N.V. The other group companies recognise the costs equal to the contribution payable for the period in their financial statements. For TNT NV the contributions received from other group entities offset the pension expense. The impact of the contributions is represented as participant contributions in the table below. The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT N.V.- sponsored group pension plans.

	2006	2005
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	(4,502)	(3,953)
Service costs	(137)	(135)
Interest costs	(198)	(193)
Amendments	8	
Prior service costs/termination benefit costs		(52)
Curtailements/settlements	9	
Actuarial (loss)/gain	271	(242)
Benefits paid	81	73
Benefit obligation at end of year	(4,468)	(4,502)
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	4,179	3,615
Actual return on plan assets	382	477
Participant contributions	122	160
Benefits paid	(81)	(73)
Fair value of plan assets at end of year	4,602	4,179
FUNDED STATUS AS AT 31 DECEMBER		
Funded status	134	(323)
Unrecognised net actuarial loss	322	653
Unrecognised prior service costs	39	53
Pension assets	495	383
COMPONENTS OF EMPLOYER PENSION EXPENSE		
Service costs	(137)	(135)
Interest costs	(198)	(193)
Expected return on plan assets	342	298
Amortisation of actuarial loss	(24)	(25)
Curtailement gain	8	
Other costs	(1)	
Participant contributions	122	160
Total post employment benefit income/(expenses)	112	105
WEIGHTED AVERAGE ASSUMPTIONS AS AT 31 DECEMBER		
Discount rate	4.7%	4.3%
Expected return on plan assets	7.9%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	2.0%	2.0%

(in € millions, except percentages)

For additional details on the Dutch pension plans we refer to note 10.

○ 40 EQUITY: 1,983 MILLION (2005: 3,262)

	Issued share capital	Additional paid in capital	Cumulative translation adjustment	Hedging reserve	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2004	230	1,421	(35)		1,052	657	3,325
Effect on adoption of IAS 32/39					(268)		(268)
Balance at 1 January 2005	230	1,421	(35)		784	657	3,057
Profit for the year						659	659
Gains/(losses) on cashflow hedges, net of tax				(12)			(12)
Currency translation adjustment			19				19
Total recognised income for the year			19	(12)		659	666
Final dividend previous year						(168)	(168)
Appropriation of net income					489	(489)	
Interim dividend current year						(100)	(100)
Repurchases of shares					(231)		(231)
Share based compensation					10		10
Other					28		28
Total direct changes in equity					296	(757)	(461)
Balance at 31 December 2005	230	1,421	(16)	(12)	1,080	559	3,262
Profit for the year						670	670
Gains/(losses) on cashflow hedges, net of tax				(9)			(9)
Currency translation adjustment			(1)				(1)
Total recognised income for the year			(1)	(9)		670	660
Final dividend previous year						(173)	(173)
Appropriation of net income					386	(386)	
Interim dividend current year						(109)	(109)
Repurchases of shares	(27)	(176)			(1,533)		(1,736)
Share based compensation					13		13
Other			12		54		66
Total direct changes in equity	(27)	(176)	12		(1,080)	(668)	(1,939)
Balance at 31 December 2006	203	1,245	(5)	(21)	0	561	1,983

(in € millions)

See note 9 for additional details on equity.

○ 41 WAGES AND SALARIES

(No corresponding financial statement number)

TNT N.V. does not have any employees. Hence no salary and social security costs were incurred. In accordance with IAS19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT N.V. For the pension costs reflected we refer to note 39.

○ 42 COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

(No corresponding financial statement number)

Declaration of joint and several liability

As at 31 December 2006 TNT N.V. has issued a declaration of joint and several liability for some of its group companies in compliance with article 403, Book 2 of the Dutch Civil Code.

Those group companies are:

- Royal TNT Post B.V.
- TNT Holdings B.V.
- TNT Express Holdings B.V.
- TNT Headoffice B.V.

Fiscal unity in the Netherlands

TNT N.V. forms a fiscal unity with several Dutch entities for corporation tax purposes. The full list of Dutch entities which are part of the fiscal unity is included in the list containing the information referred to in article 379 and article 414, Book 2 of the Dutch Civil Code, which is filed at the office of the Chamber of Commerce in Amsterdam. In accordance with the standard conditions a company and its subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal unity.

Guarantees

Parental support in the form of a guarantee has been provided by TNT N.V. relating to its subsidiary TNT Finance B.V. for a syndicated loan (€1 billion), various loan facilities including a €1

billion commercial paper programme, €250 million cash pooling credit facility and for various international swaps and derivatives association (ISDA) agreements.

In addition, we had issued a guarantee for the syndicated loan entered into by our indirect subsidiary TNT Canada Inc. (€222 million). This pertains to our discontinued logistics business. As the loan was repaid prior to the disposal of the logistics business, TNT N.V. was released of its obligations under the guarantee.

A further guarantee of €23 million was issued for a credit facility of an indirect Chinese subsidiary.

Parental support in the form of a letter of guarantee and a subscription letter has been provided by TNT Holdings B.V. to its indirect subsidiary TNT Pty. Ltd. in relation to a capital reduction of TNT Pty. Ltd. in 1999.

Parental support in the form of an indemnity has been provided by TNT N.V. to its indirect subsidiary TNT Holdings (UK) Ltd. and its subsidiaries in connection with the acquisition of TNT PTY Ltd. in 1996 and the financing of this acquisition and as a result of the restructuring of the group in the course of 1997 as a direct consequence of this acquisition.

○ 43 SUBSIDIARIES AND ASSOCIATED COMPANIES AT 31 DECEMBER 2006

(No corresponding financial statement number)

The full list containing the information referred to in article 379 and article 414, Book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in Amsterdam.

Amsterdam, 26 February 2007

Board of Management

M.P. Bakker (Chairman)
C.H. Van Dalen
H.M. Koorstra
M.C. Lombard

Supervisory Board

J.H.M. Hommen (Chairman)
R.J.N. Abrahamsen
J.M.T. Cochrane
R. Dahan
V. Halberstadt
G. Kampouri Monnas
R. King
W. Kok
S. Levy
R.W.H. Stomberg

TNT N.V.

Neptunusstraat 41-63
2132 JA Hoofddorp
P.O. Box 13000
1100 KG Amsterdam
The Netherlands

OTHER INFORMATION

NETHERLANDS OPINION

To the General Meeting of Shareholders of TNT N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the 2006 financial statements of TNT N.V., Amsterdam, set out on pages 105-176. These financial statements consist of the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, consolidated statement of income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corporate financial statements comprise the corporate balance sheet as at 31 December 2006, the corporate statement of income for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Board of Management's report set out on pages 18-50, pages 56-66 and pages 86-100 in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements, set out on pages 105-171 give a true and fair view of the financial position of TNT N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

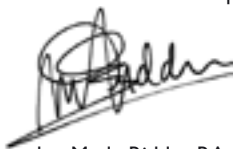
OPINION WITH RESPECT TO THE CORPORATE FINANCIAL STATEMENTS

In our opinion, the corporate financial statements, set out on pages 172-176 give a true and fair view of the financial position of TNT N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Board of Management's report set out on pages 18-50, pages 56-66 and pages 86-100 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 26 February 2007
PricewaterhouseCoopers Accountants N.V.



drs. M. de Ridder RA

Note that the Netherlands opinion set out above is included for the purposes of TNT N.V.'s 2006 Annual Report only and does not form part of TNT N.V.'s Annual Report on Form 20-F for the year ended 31 December 2006.

EXTRACT FROM THE ARTICLES OF ASSOCIATION ON APPROPRIATION OF PROFIT

Under our current articles of association, a dividend of 7% is to be paid first on the special share (article 35, paragraph 1). The dividend specified in article 35, paragraph 1 will then be paid on the preference shares B if outstanding. Subject to the approval of our Supervisory Board, our Board of Management will determine which part of the profit remaining after payment of dividend on the special share (and any preference shares B) will be transferred to the reserves (article 35, paragraph 2). The remaining profit will be distributed as dividend on ordinary shares (articles 35, paragraph 3). No dividends shall be paid on shares held by us in our own capital (article 35, paragraph 6).

On 17 November 2006, the State of the Netherlands transferred the special share in the company to TNT. As part of that transaction we agreed not to transfer this share to a third party. As no dividend shall be paid on shares held by us, in 2007 no dividend shall be paid on the special share. We will propose to convert the special share into an ordinary share as part of our amendment to our articles of association changed accordingly at our next Annual General Meeting of Shareholders. Preference shares B have not been issued.

APPROPRIATION OF PROFIT

Subject to the adoption of our financial statements, the proposed 2006 dividend has been set at €0.73 in cash per ordinary share of €0.48 par value. After adjusting for the interim dividend of €0.26 per ordinary share paid out in April 2006, the final dividend will be €0.47 per ordinary share.

APPROPRIATION OF PROFIT	2006
Profit attributable to the equity holders of the parent	670
Appropriation in accordance with the articles of association:	
Reserves adopted by the Board of Management and approved by the Supervisory Board (article 35, par.2)	(378)
Dividend on ordinary shares	292
Interim dividend paid	109
Final dividend	183

(in € millions)

SPECIAL CONTROL RIGHTS UNDER THE ARTICLES OF ASSOCIATION

On 17 November 2006, the special share held by the State of the Netherlands was transferred for free to TNT. As per that date, the special control rights attached to this share also reverted to the company. The conversion of the special share is part of the amendment to the articles of association that will be proposed to the annual general meeting in 2007. We agreed not to exercise the rights attached to the special share in the interim period.

GROUP COMPANIES OF TNT N.V.

The list containing the information referred to in article 379 and article 414 of Book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in Amsterdam.

SUBSEQUENT EVENTS

For information relating to subsequent events reference is made to note 36.