

# chapter 8 – financial statements

2007 –  
Annual report

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# Consolidated balance sheets

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

(in € millions, except percentages)

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

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

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

# Consolidated statements of income

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

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

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

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

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

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

# Consolidated cash flow statements

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

(in € millions, except percentages)

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

# Consolidated statements of changes in total equity

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

(in € millions)

# Notes to the consolidated financial statements

## General information and description of the business

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

Since TNT delisted its American Depositary Receipts from the New York Stock Exchange on 18 June 2007, and its reporting obligations with the United States Securities and Exchange Commission terminated 90 days later on 16 September 2007, TNT is no longer required to file its annual report on Form 20-F.

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

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

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

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

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

## Summary of significant accounting policies

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

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

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

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

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

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

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

## Consolidation

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

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

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

### Subsidiaries

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

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

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

TNT subsidiaries' accounting policies have been changed where necessary to ensure consistency with TNT's Group accounting policies.

### Associates

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

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

### Joint ventures

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

## Functional currency and presentation currency

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

## Foreign currency transactions and balances

Foreign currency transactions are booked in the income statement and the balance sheet by translating the transactions and balances into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and balances and from the translation at year-end exchange rates are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## Foreign operations

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

## Intangible assets

### Goodwill

The excess of the cost of acquisition over the fair value of TNT's share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

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

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

### Other intangible assets

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised

over the estimated useful life. Apart from software, other intangible assets mainly include customer lists, assets under development, licences and concessions.

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

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

## Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, the company also includes costs of bringing the asset to working condition, handling and installation costs and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

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

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

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

Leases of property, plant and equipment are classified as finance leases if the company has substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The

corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

## Financial assets and liabilities

TNT classifies financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial asset or liability were acquired. Management determines the classification of TNT's financial assets and liabilities at initial recognition. Financial instruments are accounted for in accordance with IAS 32 and IAS 39.

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

Financial assets and financial liabilities at fair value through profit are initially recorded at fair value net of transaction costs incurred and subsequently remeasured at fair value on the balance sheet. TNT designates certain derivatives as either: hedges of the fair value of recognised assets and liabilities of a firm commitment (fair value hedge), hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

If a derivative is designated as a cash flow or net investment hedge, changes in its fair value are considered to be effective and recorded in a separate component in shareholders' equity until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

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

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

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

When a hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time, remain

in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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

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

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

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of financial assets and liabilities classified as at fair value through profit and loss are directly recorded in the income statement. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statements of income as gain or loss.

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

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

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

## Inventory

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

## Accounts receivable

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

## Cash and cash equivalents

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

## Assets held for sale and discontinued operations

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

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

## Equity

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

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

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

## Provisions for pension liabilities

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

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

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

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

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

## Other employee benefit obligations

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

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

## Other provisions

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

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

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

## Trade accounts payable

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

## Income taxes

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

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

## Revenue recognition

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

Revenues of delivered goods and services are recognised when:

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

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

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

or work is completed, using the percentage of completion method, based on services provided.

## Net sales

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

## Other operating revenues

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

## Other income

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

## Profit-sharing and bonus plans

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

## Share based payments

TNT has equity-settled, share based compensation plans. Share based payment transactions are transactions in which TNT receives benefits from its employees in consideration for TNT's equity instruments. The fair value of the share based transactions is recognised as an expense (part of the employee costs) and a corresponding increase in equity over the vesting period. The fair value of employee share based payments is calculated using the Monte Carlo model. The equity instruments granted do not vest until the employee completes a specified period of service.

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

## Interest income and expense

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

Interest expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency

losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets and losses on hedging income.

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

## Grants

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

## Operating leases

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

## Dividend distribution

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

## Accounting principles relating to the consolidated cash flow statements

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

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

## Segment reporting

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

## Recent IFRS pronouncements

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

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

- IFRS 7 *Financial Instruments: Disclosures*  
This standard has no impact on the classification and measurement of TNT financial instruments. TNT has included additional financial instruments disclosures including comparative figures in the 2007 Financial Statements;
- IAS 1 *Presentation of the financial statements- Capital disclosures, introduces new disclosures relating to financial instruments* TNT has included additional disclosures relating to capital structure management in note 30.
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;*
- IFRIC 8 *Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006);*
- IFRIC 9 *Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006), and*
- IFRIC 10 *Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006).*

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

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

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

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

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

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

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

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

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

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

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

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

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

### Property, plant and equipment

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

### Impairment of receivables

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

### Employee benefits

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

### Restructuring

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

### Accrued current liabilities

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

### Income taxes

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

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

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

## Accounting for discontinued operations

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

## Contingent liabilities

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

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

# Notes to the consolidated balance sheets

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

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

(in € millions, except percentages)

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

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

TNT determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used in the CGUs valuations vary from 10% to 11% (pre-tax) to reflect specific risks relating to the relevant divisions.

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

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

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

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

| <b>Statement of changes in property, plant and equipment</b> | Land and buildings | Plant and equipment | Aircraft   | Other      | Construction in progress | Total        |
|--|--------------------|---------------------|------------|------------|--------------------------|--------------|
| Depreciation percentage                                      | 0%-10%             | 4%-33%              | 4%-10%     | 7%-25%     | 0%                       |              |
| Historical cost  | 1,360              | 933                 | 375        | 584        | 44                       | 3,296        |
| Accumulated depreciation and impairments                     | (555)              | (620)               | (154)      | (415)      |                          | (1,744)      |
| <b>Balance at 31 December 2005</b>                           | <b>805</b>         | <b>313</b>          | <b>221</b> | <b>169</b> | <b>44</b>                | <b>1,552</b> |
| <b>Changes in 2006</b>                                       |                    |                     |            |            |                          |              |
| Capital expenditure  | 43                 | 75                  | 111        | 70         | 118                      | 417          |
| Acquisitions   | 2                  | 4                   |            | 2          |                          | 8            |
| Disposals  | (12)               | (6)                 | (3)        | (6)        |                          | (27)         |
| Exchange rate differences                                    | 3                  | (1)                 | 2          |            |                          | 4            |
| Depreciation and impairments                                 | (59)               | (92)                | (25)       | (79)       |                          | (255)        |
| Transfers to assets held for sale                            | (13)               |                     |            | (8)        |                          | (21)         |
| Transfers and reclassifications                              | 54                 | 49                  |            | 14         | (117)                    | 0            |
| <b>Total changes</b>   | <b>18</b>          | <b>29</b>           | <b>85</b>  | <b>(7)</b> | <b>1</b>                 | <b>126</b>   |
| Historical cost  | 1,385              | 877                 | 477        | 500        | 45                       | 3,284        |
| Accumulated depreciation and impairments                     | (562)              | (535)               | (171)      | (338)      |                          | (1,606)      |
| <b>Balance at 31 December 2006</b>                           | <b>823</b>         | <b>342</b>          | <b>306</b> | <b>162</b> | <b>45</b>                | <b>1,678</b> |
| <b>Changes in 2007</b>                                       |                    |                     |            |            |                          |              |
| Capital expenditure  | 70                 | 57                  | 120        | 59         | 84                       | 390          |
| Acquisitions   | 1                  | 40                  |            | 1          | 2                        | 44           |
| Disposals  | (8)                | (3)                 |            | (3)        |                          | (14)         |
| Exchange rate differences                                    | (19)               | (7)                 | (7)        | (2)        |                          | (35)         |
| Depreciation and impairments                                 | (62)               | (105)               | (32)       | (77)       |                          | (276)        |
| Transfers to assets held for sale                            | (2)                |                     |            |            |                          | (2)          |
| Transfers and reclassifications                              | 44                 | 25                  |            | 23         | (92)                     | 0            |
| <b>Total changes</b>   | <b>24</b>          | <b>7</b>            | <b>81</b>  | <b>1</b>   | <b>(6)</b>               | <b>107</b>   |
| Historical cost  | 1,459              | 1,074               | 592        | 633        | 39                       | 3,797        |
| Accumulated depreciation and impairments                     | (612)              | (725)               | (205)      | (470)      |                          | (2,012)      |
| <b>Balance at 31 December 2007</b>                           | <b>847</b>         | <b>349</b>          | <b>387</b> | <b>163</b> | <b>39</b>                | <b>1,785</b> |

(in € millions, except percentages)

Aircraft and (spare) engines are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term to estimated residual values of 20%. Depending on the type of aircraft, the depreciation term varies from 10 to 25 years. Spare parts are depreciated to their estimated residual value on a straight line basis over the remaining estimated useful

life of the associated aircraft or engine type. All 47 aircrafts (2006: 44) are operated by the Express business.

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

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

(in € millions)

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

of fully depreciated property, plant and equipment that is still in use is €578 million (2006: 353) of which €240 million (2006: 175) is related to plant and equipment, €158 million (2006: 49) is related to land and buildings and €180 million is related to other (2006: 129).

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

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

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

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

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

There are no material temporarily idle property, plant and equipment at 31 December 2007 (2006: 0). The historical cost

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

### Statement of changes in financial fixed assets

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

(in € millions)

#### Investments in associates

The goodwill balance included in investments in associates at 31 December 2007 is €3 million (2006: 0). The result from investments in associates at 31 December 2007 amounts to €1 million (2006: -6) and is included in 'Other changes'. TNT's

investment in Logispring Investment Fund Holding B.V. is the most significant investment in an associate. TNT accounts for this investment using the equity method. Key information regarding this investment (on a stand alone basis) is as follows and includes balances at 100%:

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

(in € millions)

#### Deferred tax assets

Deferred tax assets are further explained in note 23.

#### Financial assets at fair value

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

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

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

#### 4 Inventory: 30 million (2006: 29)

| At 31 December             | 2007      | 2006      |
|----------------------------|-----------|-----------|
| Raw materials and supplies | 10        | 9         |
| Finished goods             | 20        | 20        |
| <b>Total</b>               | <b>30</b> | <b>29</b> |

(in € millions)

Total inventory of €30 million (2006: 29) is valued at historical cost for an amount of €35 million (2006: 35) and is stated net of provisions for obsolete items amounting to €5 million (2006: 6). There are inventories carried at net realisable value for an amount of €1 million (2006: 0) and no inventories are pledged as security for liabilities as at 31 December 2007. In 2007,

no material write offs relating to inventories occurred.

The balance of inventories that is expected to be recovered after 12 months is €1 million (2006: 1).

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

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

(in € millions)

The fair value of the accounts receivable approximates its carrying value. Other accounts receivables mainly include receivables from insurance companies, deposits and various other items. The balance of accounts receivable that is expected to be recovered after 12 months is €2 million (2006: 1). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. TNT does not hold collaterals as security for the outstanding balances. For the non-trade accounts receivables no provision for impairment is required. The concentration of the accounts receivable per customer is limited. The concentration of our accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €256 million (2006: 255), Rest of Europe €965 million (2006: 872), Asia €118 million (2006: 98), and America's and rest of the world €113 million (2006: 94), see note 35.

As of 31 December 2007, the total trade accounts receivable amounted to €1,514 million of which €828 million was past due but not individually impaired (2006: 561). The total provision for impairment amounts to €62 million (2006: 61) of which €35 million (2006: 37) relates to trade accounts receivable that were individually impaired for the notional amount. The remainder of the provision relates to a collective loss component established for groups of similar trade accounts receivable balances in respect to losses that have been incurred but not yet identified as such for trade accounts receivable. This collective loss component is largely based on the ageing of the trade receivables and reviewed periodically.

The ageing analysis of the trade accounts receivable past due but not individually impaired is presented below:

| At 31 December | 2007       | 2006       |
|----------------|------------|------------|
| Up to 3 months | 748        | 509        |
| 3-6 months     | 45         | 31         |
| Over 6 months  | 35         | 21         |
| <b>Total</b>   | <b>828</b> | <b>561</b> |

(in € millions)

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

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

(in € millions)

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

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

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

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

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

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

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

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

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

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

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

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

Issued Share Capital

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

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

### Authorised share capital

By deed of 27 April 2007 the articles of association were amended. As of that date the company's authorised share capital amounts to €768 million, divided into 800,000,000 ordinary shares and 800,000,000 preference shares B of €0.48 nominal value each. Prior to the amendment, the authorised share capital amounted to €864 million and was divided into 900,000,000 ordinary shares, 1 special share and 899,999,999 preference shares B of €0.48 nominal value each.

### Form of shares

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

### Repurchase of shares to cover share plans

In 2007, the company purchased no ordinary shares (2006: 2,700,000) to cover its obligations under the existing management option plans and share grants. At 31 December 2007 the total number of shares held for this purpose was 1,716,060 (2006: 2,884,441). TNT shares held by the company are not entitled to receive dividends nor have voting rights.

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

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

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

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

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

### Special share

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

### Preference shares

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

TNT's articles of association provide for protective preference shares B that can be issued to the Foundation to serve these interests. There are currently no preference shares B issued, although the Foundation has a call option to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to the Foundation.

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

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

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

### Additional paid in capital

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

### Translation reserve

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

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

## Hedge reserves

Movements on cash flow hedges amounted to -€1 million (2006: -9) resulting from the fair value movement on the €1,000 million forward starting swaps and the US\$441 million of forward starting interest swaps, net of taxes. The net cash payments relating to the unwinding of these swaps will be recycled from equity to the income statement based on the duration of the underlying hedged items. During 2007, €600 million and \$154 million of forward starting swaps were unwound with a relating recycling of the recorded fair value adjustment to the income statement. In 2007, €1 million of fair value adjustment has been recycled to the income statement due to ineffective hedging. For further information on the interest rate swaps, see note 31.

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

## Other Reserves

The other reserves are nil (2006: 0).

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

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

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

## Retained earnings

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

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

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

TNT's main Dutch company pension plan (main plan), which is externally funded in "Stichting Pensioenfonds TNT" (main fund), covers the employees who are subject to TNT's

collective labour agreement and staff with a personal labour agreement who joined the company as from 2007 in the Netherlands. The majority of all TNT's Dutch employees are subject to the collective labour agreement. The plan covers around 93,000 participants including approximately 13,000 pensioners and around 36,000 former employees. By Dutch law the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of "De Nederlandsche Bank" (DNB).

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

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

The main fund runs an actively managed investment portfolio. The main fund uses asset and liability management studies that generate future scenarios to determine its optimal asset mix. During 2007, the dynamic weight of equity investments decreased to 42.1%, the dynamic weight of fixed interest investments increased to 38.1% and the weight of real estate and alternative investments increased to 19.8%. The plan assets may from time to time include investment in TNT's own financial instruments through indirect holdings by mutual funds. However, these indirect holdings are an immaterial share of the total plan assets. The plan assets do not include property occupied by or other assets used by TNT.

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

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

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

| <b>Historical returns</b>                 | <b>2007</b> | <b>Average since plan inception</b> |
|---|-------------|-------------------------------------|
| Equities                                  | 4.8%        | 8.8%                                |
| Fixed interest and Inflation linked Bonds | 1.2%        | 7.0%                                |
| Real estate and alternative investment    | 12.8%       | 7.8%                                |
| Swaps <sup>1</sup>                        | -2.1%       | -0.6%                               |
| <b>Total</b>                              | <b>2.4%</b> | <b>7.9%</b>                         |

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

Pension costs recognised in the statements of income Inherent to the valuation of TNT's pension and the determination of its pension cost are key assumptions which include: employee turnover, mortality rates and retirement ages, discount rates, expected long term returns on plan assets, pension increases and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions giving rise to a different pension liability, which would be reflected as an additional profit or expense in TNT's statement of income, in the next year.

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

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

(in € millions)

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

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

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

(in € millions, except percentages)

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

The discount rate is based on the long-term yield on high quality corporate bonds, including a correction for the duration-mismatch based on the yield curve used by Dutch pension funds as published by DNB. The duration of the available corporate bonds index (AA 10+) is around 12 years. The duration of the pension liabilities is around 18 years. The yield on these bonds is corrected for this duration-mismatch.

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

Returns are linked to the strategic objective of the Stichting Pensioenfonds TNT, as annually reported in the Asset Liability Management study of this main fund. This main fund controls 93.1% of the group plan assets. Ultimately the long-term objective is to protect the assets from erosion of purchase power, and to provide long-term growth of capital without excessive exposure to risk. The duration of the plan liabilities determines the investment strategy. The assets are managed by external investment managers. Active management strategies are utilised in an effort to realize investment returns in excess of market indices. This programme provides a reasonable expectation that returns can be achieved that exceed indexed funds. The main fund establishes the investment policy and strategy, including the selection of investment managers, setting long term strategic targets and monitoring. The strategic asset mix is a target and not a limitation. The fund may approve components of the asset mix above or below targeted range. The fund may decide to rebalance or change the asset mix periodically.

Assumptions regarding future mortality are based on advice, published statistics and experience per country. The majority of the defined benefit obligation relates to participants in the Netherlands. In the Netherlands, the average life expectancy of men after retiring at the age of 65 is 18.0 years (2006: 16.9). The equivalent expectancy for women is 21.0 years (2006: 21.3). The applied mortality rates derived from the mortality table "GBM/GBV 2006-2011 with age corrections -I/-I (male/female)."

#### Funded status defined benefit plans

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the other defined benefit pension plans. Included in the provision for pension liabilities are other employee benefits for the unfunded defined benefit Trattamento di Fine Rapporto ("TFR") in Italy of €50 million (2006: 59).

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

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

(in € millions)

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

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

(in € millions, except percentages)

The table below shows the defined benefit obligation, fair value of plan assets and experience adjustments thereon for the current annual period and previous four annual periods. The experience adjustment is the difference between the expected and actual position at the end of the year. The experience adjustment of the defined benefit obligation can not be reliably determined for the period 2003-2005.

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

(in € millions, except percentages)

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

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

(in € millions)

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

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

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

(in € millions)

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

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

12 Other provisions: 145 million (2006: 106)

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

(in € millions)

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

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

Provisions for claims and indemnities include provisions for claims from third parties with respect to TNT's ordinary business activities, as well as indemnities and disputes related to the sale of TNT's discontinued operations. The withdrawal of €47 million relates mainly to settlements with customers largely offset by proceeds from external reinsurance companies. More detailed information relating to these provisions is not provided since such information could

prejudice the company's position with respect to these indemnities and disputes.

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

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

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

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

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

(in € millions)

In the table above, the fair value of long term interest bearing debt, net of current portion, has been determined by calculating the discounted value of the future cash flows (redemption and interest) using the inter-bank zero coupon curve. The carrying amounts of current portion of long term debt approximate their fair value.

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

| <b>Total borrowings</b>                        | Euro Bonds   | Finance leases | Other loans | Interest rate swaps | Short term bank debt | Total        |
|--|--------------|----------------|-------------|---------------------|----------------------|--------------|
| 2008   | 637          | 18             | 82          | 8                   | 46                   | 791          |
| 2009   |              | 14             | 18          |                     |                      | 32           |
| 2010   |              | 15             | 1           |                     |                      | 16           |
| 2011   |              | 23             | 1           |                     |                      | 24           |
| 2012   |              | 14             | 1           | 23                  |                      | 38           |
| Thereafter                                     | 1,019        | 157            | 2           | 6                   |                      | 1,184        |
| <b>Total borrowings</b>                        | <b>1,656</b> | <b>241</b>     | <b>105</b>  | <b>37</b>           | <b>46</b>            | <b>2,085</b> |
| of which included in long term debt            | 1,019        | 223            | 23          | 29                  |                      | 1,294        |
| of which included in other current liabilities | 637          | 18             | 82          | 8                   | 46                   | 791          |

(in € millions)

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

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

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

(in € millions)

Total current borrowings

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

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

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

#### Other

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

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

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

(in € millions)

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

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

## Notes to the consolidated statements of income

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

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

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

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

#### 18 Other income: 75 million (2006: 65)

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

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

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

(in € millions)

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

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

1 — Comparative figures of Express and Other networks are adjusted

2 — Including temporary employees on our payroll.

3 — These numbers represent all employees and FTEs in the joint ventures.

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

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

The average number of FTE's in the Express division as at 31 December 2007 was 70,271 being an increase of 44.4% compared to 2006. This is mainly due to the new acquisitions of Hoau and Mercúrio in 2007.

of the Supervisory Board, excluding VAT, amounted to €561,063 (2006: 556,000). The remuneration of the individual members of the Supervisory Board is set out in the table below:

Remuneration of members of the Supervisory Board  
Over 2007, the accrued remuneration of the current members

| <b>Supervisory Board compensation</b> | Base compensation | Other payments <sup>1</sup> | <b>Total remuneration</b> |
|---------------------------------------|-------------------|-----------------------------|---------------------------|
| J.H.M. Hommen                         | 60,000            | 23,000                      | 83,000                    |
| R.J.N. Abrahamsen                     | 45,000            | 8,500                       | 53,500                    |
| J.M.T. Cochrane <sup>2</sup>          | 25,714            | 2,000                       | 27,714                    |
| R. Dahan                              | 45,000            | 7,500                       | 52,500                    |
| V. Halberstadt                        | 45,000            | 11,500                      | 56,500                    |
| M. Harris <sup>3</sup>                | 22,500            | 4,500                       | 27,000                    |
| G. Kampouri Monnas                    | 45,000            | 10,000                      | 55,000                    |
| R. King                               | 45,000            | 5,000                       | 50,000                    |
| W. Kok                                | 45,000            | 9,500                       | 54,500                    |
| S. Levy                               | 45,000            | 7,500                       | 52,500                    |
| R.W.H. Stomberg                       | 45,000            | 7,000                       | 52,000                    |
| <b>Total</b>                          | <b>468,214</b>    | <b>96,000</b>               | <b>564,214</b>            |

(in €)

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

2 — J.M.T. Cochrane resigned on 26 July 2007

3 — M.Harris was appointed on 20 April 2007

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

#### Remuneration of members of the Board of Management

In 2007 the total remuneration of the Board of Management consisted of:

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

In the paragraphs below the 2007 values of each of these remuneration elements will be reported per member of the Board of Management.

#### Total remuneration

In 2007, the remuneration, including pension and social security contributions, of the current members of the Board of Management amounted to €9,198,005 (2006: 7,181,572). Included in this amount is an amount of €970,551 which represents the cost of the waived portion of the granted performance shares which under IFRS 2 Share-based payment qualify as an accelerated vesting for which the amount that otherwise would have been recognised for services received over the remainder of the vesting period, is recognised immediately.

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

| <b>Remuneration Board of Management</b> | Base salary      | Other periodic paid compensation <sup>1</sup> | Accrued short term incentive | Accrued long term incentive (excluding waiver) | Pension related costs | <b>Total 2007 (excluding waiver)</b> |
|---|------------------|---|------------------------------|--|-----------------------|--------------------------------------|
| Peter Bakker                            | 900,000          | 119,858                                       | 770,876                      | 438,235  | 125,883               | <b>2,354,852</b>                     |
| Henk van Dalen <sup>2</sup>             | 600,000          | 530,227                                       | 462,134                      | 128,195  | 403,324               | <b>2,123,880</b>                     |
| Harry Koorstra                          | 600,000          | 107,503                                       | 519,891                      | 221,197  | 117,865               | <b>1,566,456</b>                     |
| Marie-Christine Lombard                 | 600,000          | 471,840                                       | 511,327                      | 323,099  | 276,000               | <b>2,182,266</b>                     |
| <b>Total</b>                            | <b>2,700,000</b> | <b>1,229,428</b>                              | <b>2,264,228</b>             | <b>1,110,726</b>                               | <b>923,072</b>        | <b>8,227,454</b>                     |

(in €)

1 — Includes company costs related to tax and social security, company car and other costs. It also includes annual salary allowances made as compensation for the change in pension system to Peter Bakker of €56,000; Harry Koorstra of €51,000 and Henk van Dalen of €51,000.

2 — Employed as per 1 April 2006; The other paid compensation include the second instalment of €325,000 of the total compensation of €1,300,000 for the loss of long term incentive rights at his former employer. The pension related costs include the second instalment of the actuarial value of a total compensation of €1,350,000 to be equally contributed in four instalments in accordance with the employment agreement of Henk van Dalen.

| <b>Remuneration Board of Management</b> | Total 2007<br>(excluding waiver) | Waiver of granted shares 2007 | Total 2007<br>(including waiver) | Total 2006       |
|---|----------------------------------|-------------------------------|----------------------------------|------------------|
| Peter Bakker                            | <b>2,354,852</b>                 | 358,617                       | <b>2,713,469</b>                 | 2,177,624        |
| Henk van Dalen                          | <b>2,123,880</b>                 | 203,978                       | <b>2,327,858</b>                 | 1,544,919        |
| Harry Koorstra                          | <b>1,566,456</b>                 | 203,978                       | <b>1,770,434</b>                 | 1,450,604        |
| Marie-Christine Lombard                 | <b>2,182,266</b>                 | 203,978                       | <b>2,386,244</b>                 | 2,008,425        |
| <b>Total</b>                            | <b>8,227,454</b>                 | <b>970,551</b>                | <b>9,198,005</b>                 | <b>7,181,572</b> |

(in €)

#### Base salary

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

#### Variable compensation

In the table below the total variable compensation in 2007 excluding the waived portion of the granted 2007 performance shares to the members of the Board of Management is expressed as a percentage of base salary.

| <b>Percentage variable compensation Board of Management</b> | Accrued short term incentive | Accrued long term incentive (excluding waiver) | Total variable compensation | as % of base pay |
|---|------------------------------|--|-----------------------------|------------------|
| Peter Bakker  | 770,876                      | 438,235  | 1,209,111                   | 134%             |
| Henk van Dalen  | 462,134                      | 128,195  | 590,329                     | 98%              |
| Harry Koorstra  | 519,891                      | 221,197  | 741,088                     | 124%             |
| Marie-Christine Lombard                                     | 511,327                      | 323,099  | 834,426                     | 139%             |
| <b>Total</b>  | <b>2,264,228</b>             | <b>1,110,726</b>                               | <b>3,374,954</b>            |                  |

(in €, except percentages)

#### Accrued short term incentive

Since 2002, TNT accounts for bonus payments on the basis of the accrued bonuses for the performance of the year reported. In 2007, an amount of €1,953,000 was paid to the members of the Board of Management for performance over 2006.

In 2007, both Express and Mail exceeded their economic profit targets. In 2007 the performance on earnings from continuing operations also exceeded the set target. The bonus paid out to the members of the Board is paid out in cash. Under the bonus matching plan they can invest 25% of the gross bonus amount in shares, see also below the paragraph "share matching plan".

In the table below the amount of €2,025,000 reflects the accrued bonuses for performance over 2007 and the amount of €239,228 reflects the accrued costs for the rights on matching shares that were granted in 2007, 2006, 2005 and 2004. The costs for the rights on matching shares related to the matching shares granted in 2007 for the performance over 2006, amounted for Peter Bakker to €21,668, for Harry Koorstra and Marie-Christine Lombard €14,445 and for Henk van Dalen €12,134. The costs are determined by multiplying the number of matching shares with the share price on the date of grant

corrected for the expected dividend yield during the vesting period and taking into account statistical evidence of non-market conditions which value then subsequently is amortised over the vesting period.

The 2007 accrued short term incentive amounts for the members of the Board of Management are accrued as set out below:

| <b>Accrued short term Incentive Board of Management</b> | Accrued for 2007 performance <sup>1</sup> | as % of base pay | Accrued for matching shares <sup>2</sup> | <b>Accrued for short term incentive</b> | as % of base pay |
|---|---|------------------|--|---|------------------|
| Peter Bakker  | 675,000                                   | 75%              | 95,876                                   | 770,876                                 | 86%              |
| Henk van Dalen  | 450,000                                   | 75%              | 12,134                                   | 462,134                                 | 77%              |
| Harry Koorstra  | 450,000                                   | 75%              | 69,891                                   | 519,891                                 | 87%              |
| Marie-Christine Lombard                                 | 450,000                                   | 75%              | 61,327                                   | 511,327                                 | 85%              |
| <b>Total</b>  | <b>2,025,000</b>                          |                  | <b>239,228</b>                           | <b>2,264,228</b>                        |                  |

(in €, except percentages)

1 — The level of short term incentive is maintained at policy level but the actual pay-out is capped at last years' level.

2 — Includes costs for matching shares granted in 2007 and previous years.

### Share matching plan

In 2007, the short term incentive related to the realisation of targets over 2006 for the Board of Management amounted to €1,953,000 (2006: 1,772,279). This amount (€1,953,000) was paid in cash, taking into account applicable taxes and social security contributions. Of the net amount received, an amount equal to 25% of the gross bonus (€488,250) was used by the Board members to purchase TNT-shares. The number of purchased shares involved is calculated by dividing the amount invested by the share price on the day of grant. The day of grant is the day following the announcement of the first quarter

results. If at least 50% of the shares are retained for a period of three years, the company will match the amount of these shares on a one-to-one basis. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their matching shares before the earlier of five years from the date of grant or the end of the employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the grant of these shares is exempted. These bonus shares are held in a trust by TNT's share administrator.

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

| <b>Bonus-related matching rights Board of Management</b> | Year           | Number of matching rights on shares |                     |                    |                       | Outstanding 31 Dec 2007 | Remaining years in contractual life |
|--|----------------|-------------------------------------|---------------------|--------------------|-----------------------|-------------------------|-------------------------------------|
|  |                | Outstanding 1 Jan 2007              | Granted during 2007 | Vested during 2007 | Forfeited during 2007 |                         |                                     |
| Peter Bakker   | 2005           | 8,211                               |                     |                    |                       | 8,211                   | 0.3                                 |
|  | 2006           | 4,159                               |                     |                    |                       | 4,159                   | 1.3                                 |
|  | 2007           |                                     | 5,213               |                    |                       | 5,213                   | 2.3                                 |
| Henk van Dalen   | 2007           |                                     | 2,919               |                    |                       | 2,919                   | 2.3                                 |
|  | Harry Koorstra | 2004                                | 2,602               |                    | 2,602                 |                         |                                     |
| 2005   |                | 5,474                               |                     |                    |                       | 5,474                   | 0.3                                 |
| 2006   |                | 3,043                               |                     |                    |                       | 3,043                   | 1.3                                 |
| Marie-Christine Lombard                                  | 2007           |                                     | 3,476               |                    |                       | 3,476                   | 2.3                                 |
|  | 2005           | 4,562                               |                     |                    |                       | 4,562                   | 0.3                                 |
|  | 2006           | 3,043                               |                     |                    |                       | 3,043                   | 1.3                                 |
| 2007   |                | 3,476                               |                     |                    | 3,476                 | 2.3                     |                                     |
| <b>Total</b>   |                | <b>31,094</b>                       | <b>15,084</b>       | <b>2,602</b>       | <b>0</b>              | <b>43,576</b>           |                                     |

In 2007, the average price on vesting for matching shares was €32.38.

### Accrued long term incentive

The maximum numbers of options that can vest are disclosed in this report and amount to 150% of base allocation of share options for 2004. The maximum number of performance shares that can vest are disclosed in this report and amount to 120% of base allocation of performance shares granted in 2004, 2005 and 2006 and to 150% of base allocation of performance shares granted in 2007. In the table below the total costs of the total share options and rights on performance shares excluding the waived portion of the granted 2007 performance shares granted to the members of the Board of Management are expressed as a percentage of base salary.

| <b>Accrued long term incentive<br/>Board of Management</b> | Share options<br>granted in 2004 | Rights on<br>performance shares<br>granted in 2004-2007 <sup>1</sup> | <b>Accrued long<br/>term incentive<br/>(excluding waiver)</b> | as % of<br>base pay |
|--|----------------------------------|--|---|---------------------|
| Peter Bakker   | 25,810                           | 412,425  | 438,235   | 49%                 |
| Henk van Dalen   |                                  | 128,195  | 128,195   | 21%                 |
| Harry Koorstra   | 12,905                           | 208,292  | 221,197   | 37%                 |
| Marie-Christine Lombard                                    | 12,905                           | 310,194  | 323,099   | 54%                 |
| <b>Total</b>   | <b>51,620</b>                    | <b>1,059,106</b>   | <b>1,110,726</b>  |                     |

(in €, except percentages)

<sup>1</sup> – Excluding the waived portion of the granted shares.

The costs of the granted performance shares in 2007 excluding the waived portion of the granted performance shares amounted for Peter Bakker to €88,871, for Henk van Dalen, Harry Koorstra and for Marie-Christine Lombard to €46,511. The cost are determined by multiplying the number of granted performance shares with the fair value of such shares on the date of grant calculated by using the Monte Carlo model and taking into account statistical evidence of non-market conditions which value then subsequently is amortised over the vesting period.

### Vesting of the long term incentive

The vesting of the number of share options and the performance shares depends on the company's performance on total shareholder return. TNT's relative total shareholder return over the period from 1 January 2005 through 31 December 2007 governs the vesting of performance share grant of 2005. TNT's relative total shareholder return over the period from 4 May 2006 through 3 May 2009 governs the vesting of the performance share grant of 2006. TNT's relative total shareholder return over the period from 4 May 2007 through 3 May 2010 governs the vesting of the performance share grant of 2007.

Based on the total shareholder return vesting percentages, the next table shows the pro forma vesting of the unvested performance shares, as if the performance period ended at 31 December 2007.

| <b>Pro forma vesting<br/>according to TSR<br/>performance schedules</b> | Year <sup>1</sup> | Performance shares                 |                                  |
|---|-------------------|------------------------------------|----------------------------------|
|   |                   | Vesting<br>% of base<br>allocation | Vesting<br>as per<br>31 Dec 2007 |
| Peter Bakker  | 2005              | 75%                                | 29,094                           |
|   | 2006              | 75%                                | 20,039                           |
|   | 2007              | 52%                                | 12,922                           |
| Henk van Dalen  | 2006              | 75%                                | 10,020                           |
|   | 2007              | 52%                                | 6,763                            |
| Harry Koorstra  | 2005              | 75%                                | 14,547                           |
|   | 2006              | 75%                                | 10,020                           |
|   | 2007              | 52%                                | 6,763                            |
| Marie-Christine Lombard   | 2005              | 75%                                | 14,547                           |
|   | 2006              | 75%                                | 22,520                           |
|   | 2007              | 52%                                | 6,763                            |
| <b>Total</b>  |                   |                                    | <b>153,998</b>                   |

<sup>1</sup> – For 2005 total shareholder return is fixed, vesting will take place in 2008.

*Long term incentive/performance share plan*

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

| Rights on performance shares Board of Management | Year | Number of rights on performance shares |                     |                    |   | Outstanding 31 Dec 2007 | Remaining years in contractual life |
|--|------|--|---------------------|--------------------|---|-------------------------|-------------------------------------|
|  |      | Outstanding 1 Jan 2007                 | Granted during 2007 | Vested during 2007 | Forfeited / waived <sup>1</sup> during 2007 |                         |                                     |
| Peter Bakker                                     | 2004 | 10,846                                 |                     | 10,846             |   |                         |                                     |
|  | 2005 | 46,550                                 |                     |                    | 17,456                                      | 29,094                  | 0.3                                 |
|  | 2006 | 32,062                                 |                     |                    |   | 32,062                  | 1.3                                 |
|  | 2007 |  | 62,344              |                    | 25,069                                      | 37,275                  | 2.3                                 |
| Henk van Dalen                                   | 2006 | 16,032                                 |                     |                    |   | 16,032                  | 1.3                                 |
|  | 2007 |  | 33,767              |                    | 14,259                                      | 19,508                  | 2.3                                 |
| Harry Koorstra                                   | 2004 | 5,423                                  |                     | 5,423              |   |                         |                                     |
|  | 2005 | 23,275                                 |                     |                    | 8,728                                       | 14,547                  | 0.3                                 |
|  | 2006 | 16,032                                 |                     |                    |   | 16,032                  | 1.3                                 |
|  | 2007 |  | 33,767              |                    | 14,259                                      | 19,508                  | 2.3                                 |
| Marie-Christine Lombard                          | 2004 | 5,423                                  |                     | 5,423              |   |                         |                                     |
|  | 2005 | 23,275                                 |                     |                    | 8,728                                       | 14,547                  | 0.3                                 |
|  | 2006 | 36,032                                 |                     |                    |   | 36,032                  | 1.5                                 |
|  | 2007 |  | 33,767              |                    | 14,259                                      | 19,508                  | 2.3                                 |
| <b>Total</b>                                     |      | <b>214,950</b>                         | <b>163,645</b>      | <b>21,692</b>      | <b>102,758</b>                              | <b>254,145</b>          |                                     |

<sup>1</sup> – For the grant year 2007 these represent the waived portion of the granted rights, respectively Peter Bakker for 25,069 shares and the other board members for 14,259 each.

In 2007 the average price on vesting for performance shares for the members of the Board of Management was €32.38.

*Long term incentive/share option plan*

The table below summarises the status of the number of outstanding options of TNT's ordinary shares granted to the Board of Management.

| Options Board of Management  | Year | Number of options      |                       |                       | Outstanding 31 Dec 2007 | Amounts in €   |                              | Remaining years in contractual life |
|------------------------------|------|------------------------|-----------------------|-----------------------|-------------------------|----------------|------------------------------|-------------------------------------|
|                              |      | Outstanding 1 Jan 2007 | Exercised during 2007 | Forfeited during 2007 |                         | Exercise price | Share price on exercise date |                                     |
| Peter Bakker                 | 2004 | 60,000                 | 60,000                |                       |                         | 18.44          | 31.37                        |                                     |
| Harry Koorstra               | 2004 | 30,000                 | 30,000                |                       |                         | 18.44          | 32.34                        |                                     |
| Marie-Christine Lombard      | 2004 | 30,000                 |                       |                       | 30,000                  | 18.44          |                              | 4.3                                 |
| <b>Total current members</b> |      | <b>120,000</b>         | <b>90,000</b>         |                       | <b>30,000</b>           |                |                              |                                     |
| Dave Kulik                   | 2003 | 9,000                  | 9,000                 |                       |                         | 13.85          | 33.83                        |                                     |
|                              | 2004 | 30,000                 | 30,000                |                       |                         | 18.44          | 33.82                        |                                     |
| <b>Total former members</b>  |      | <b>39,000</b>          | <b>39,000</b>         |                       |                         |                |                              |                                     |
| <b>Total</b>                 |      | <b>159,000</b>         | <b>129,000</b>        |                       | <b>30,000</b>           |                |                              |                                     |

## Pensions

Peter Bakker, Harry Koorstra and Henk van Dalen are participants in a defined benefit scheme, which provides an annual benefit of 70% of pensionable salary, assuming 35 years of service. Marie-Christine Lombard participates in a defined contribution pension scheme. The pensionable age of all members of the Board of Management is 65 years.

### *Performance share plan management*

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

Participants will become owner of the shares after a period of three years (vesting period). The plan includes market based vesting conditions such that the number of shares is dependent

on TNT's Total Shareholder Return (TSR) performance relative to certain other stock indices. These conditions are included in the calculation of the fair value at grant date. This plan is similar to the stock option plan as described below with the only difference that the exercise price of performance shares is equal to zero.

- Performance shares were granted in May 2007 to about 773 TNT managers at a fair value of €17.03. These grants were part of the policy of granting rights on performance shares each year to eligible members of senior management from 2005 onwards.
- Shares will become unconditional after the third anniversary of the grant.
- The participant retains the right to be compensated when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death).

The total number of rights on performance shares for management granted in 2007 is stated below.

| Rights on performance shares management | Number of rights on performance shares |                        |                     |                    |                       | Outstanding 31 Dec 2007 | Remaining years in contractual life |
|---|--|------------------------|---------------------|--------------------|-----------------------|-------------------------|-------------------------------------|
|   | Year                                   | Outstanding 1 Jan 2007 | Granted during 2007 | Vested during 2007 | Forfeited during 2007 |                         |                                     |
| Management                              | 2005                                   | 777,530                |                     | 25,640             | 305,885               | 446,005                 | 0.3                                 |
|   | 2006                                   | 593,608                |                     | 11,903             | 49,560                | 532,145                 | 1.3                                 |
|   | 2007                                   |                        | 1,060,356           | 298                | 16,854                | 1,043,204               | 2.3                                 |
| <b>Total</b>                            |  | <b>1,371,138</b>       | <b>1,060,356</b>    | <b>37,841</b>      | <b>372,299</b>        | <b>2,021,354</b>        |                                     |

In 2007 the average price on vesting for performance shares for the management was €32.11.

### *Option plan management*

No options were granted in 2007. In 2005 the option plan was replaced by the performance share scheme.

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

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

- options are granted at the average market price as traded on the Euronext Amsterdam on the date the grant is made (2004: €18.44/share),
- for options granted in 2003 and 2004 the option is exercisable between the third and eighth anniversary of the day of grant; after eight years the outstanding options are forfeited,
- for options granted prior to 2003 the option is exercisable between the third and fifth anniversary of the day of grant; after five years the outstanding options are forfeited,
- the option holder retains the right to exercise his/her option when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death), and
- the option holder loses the right to exercise his/her option when he/she leaves the company for reasons other than those mentioned above.

The exercise of options is subject to the TNT rules concerning Inside information.

### Statements of changes of outstanding options

The table below includes the outstanding options of the Board of Management and former members of the Board of Management, as well as eligible members of senior managers in the current TNT group. All options granted entitle the holder of the allotment of ordinary shares when they are exercised and are equity settled.

| Statement of changes of outstanding options | Year    | Number of options      |                       |                       | Outstanding 31 Dec 2007 | Amounts in €   |                              | Remaining years in contractual life |
|---|---------|------------------------|-----------------------|-----------------------|-------------------------|----------------|------------------------------|-------------------------------------|
|   |         | Outstanding 1 Jan 2007 | Exercised during 2007 | Forfeited during 2007 |                         | Exercise price | Share price on exercise date |                                     |
| Board of Management                         | various | 159,000                | 129,000               |                       | 30,000                  |                |                              |                                     |
| Management                                  | 2002    | 51,879                 | 17,593                | 34,286                |                         | 22.24          | 34.34                        |                                     |
|   | 2003    | 163,527                | 83,793                | 150                   | 79,584                  | 13.85          | 32.64                        | 3.1                                 |
|   | 2003    | 6,300                  | 3,300                 |                       | 3,000                   | 14.51          | 34.16                        | 3.4                                 |
|   | 2004    | 1,282,536              | 934,163               | 7,344                 | 341,029                 | 18.44          | 32.18                        | 4.3                                 |
| <b>Total</b>                                |         | <b>1,663,242</b>       | <b>1,167,849</b>      | <b>41,780</b>         | <b>453,613</b>          |                |                              |                                     |

| Historic overview outstanding options | 2007              |  | 2006              |  |
|---------------------------------------|-------------------|--|-------------------|--|
|                                       | Number of options | Weighted average exercise price (in €) | Number of options | Weighted average exercise price (in €) |
| <b>Balance at beginning of year</b>   | <b>1,663,242</b>  | 18.08                                  | <b>7,296,048</b>  | 17.63                                  |
| Discontinued operations               |                   |  | (1,747,868)       | 17.77                                  |
| Exercised                             | (1,167,849)       | 32.27                                  | (1,825,112)       | 27.37                                  |
| Forfeited                             | (41,780)          | 21.54                                  | (2,059,826)       | 16.38                                  |
| <b>Balance at end of year</b>         | <b>453,613</b>    | 17.61                                  | <b>1,663,242</b>  | 18.08                                  |
| Exercisable at 31 December            | 453,613           | 17.61                                  | 225,456           | 15.80                                  |

### Bonus/matching plan for senior management

Members of a selected group of managers may on a voluntary basis, participate in the bonus matching plan. In such case, they are paid 100% of their 2003, 2004, 2005, 2006 and 2007 bonus in cash and can convert 25% as a grant of TNT shares with an associated matching right in 2007 (75,498), 2006 (67,107), 2005 (121,345), 2004 (107,710) and in 2003 (54,405) if at least 50% of the shares are kept for three years. The company sees the bonus/matching plan as part of the remuneration package for the members of its top management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. The rights on bonus and matching shares are granted in accordance with the bonus/matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- the grant of the right on bonus shares is in lieu of 25% of an individual's annual bonus payment, and bonus shares are delivered shortly after the right is granted,
- the number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the share price on the Euronext Amsterdam on the date the grant is made (2007: €32.37/share),
- the rights on matching shares are granted for zero costs and the number of shares is equal to the number of bonus shares,

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

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

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

| Bonus connecting matching rights Management | Year | Number of matching rights on shares |                     |                                 | Outstanding 31 Dec 2007 | Remaining years in contractual life |
|---|------|-------------------------------------|---------------------|---------------------------------|-------------------------|-------------------------------------|
|   |      | Outstanding 1 Jan 2007              | Granted during 2007 | Vested or forfeited during 2007 |                         |                                     |
| Management                                  | 2004 | 73,271                              |                     | 73,271                          |                         |                                     |
|   | 2005 | 86,776                              |                     | 5,550                           | 81,226                  | 0.3                                 |
|   | 2006 | 65,896                              |                     | 3,559                           | 62,337                  | 1.3                                 |
|   | 2007 |                                     | 75,498              | 2,170                           | 73,328                  | 2.3                                 |
| <b>Total</b>                                |      | <b>225,943</b>                      | <b>75,498</b>       | <b>84,550</b>                   | <b>216,891</b>          |                                     |

In 2007 the average price on vesting for matching shares for the management was €33.15.

## Fair value assumptions and hedging

TNT's share based plans have been measured using the Monte Carlo fair value measurement method. Significant assumptions used in TNT's calculations are as follows:

|                           | 2007  | 2006  | 2005  | Year ended at 31 December                                 | 2007       | 2006       |
|---------------------------|-------|-------|-------|---|------------|------------|
| Share price (in €)        | 32.28 | 30.05 | 20.71 | Amortisation of other intangibles                         | 73         | 63         |
| Volatility (%)            | 19.30 | 20.89 | 28.35 | Depreciation and impairment property, plant and equipment | 276        | 255        |
| Vesting period (in years) | 3     | 3     | 3     | <b>Total</b>  | <b>349</b> | <b>318</b> |
| Risk free rate (%)        | 4.33  | 3.60  | 2.39  |   |            |            |
| Dividend yield (%)        | 2.48  | 2.29  | 3.13  |   |            |            |

<sup>20</sup> Depreciation, amortisation and impairments: 349 million (2006: 318)

Impairment costs for property, plant and equipment of €5 million (2006: 5) are included in the depreciation expense. The impairment charges relate to the assets of the UK Parcel contract in the Mail division.

(in € millions)

As of 4 May 2007, the 2007 grant date, the fair value of the matching shares awarded was €29.88 and the fair value of the performance shares awarded was €17.03.

As of 5 May 2006, the 2006 grant date, the fair value of the matching shares awarded was €28.13 and the fair value of the performance shares awarded was €18.64. As of 27 April 2005, the 2005 grant date, the fair value of the matching shares was €18.62 and of TNT's performance shares awarded was €14.11.

TNT manages its risk in connection with the obligations the company has under the existing share and option plans by purchasing shares in the market. In 2007, TNT purchased no shares for hedging purposes.

At 31 December 2007, TNT held a total of 1,716,060 shares to cover share and options schemes (2006: 2,884,441).

<sup>21</sup> Other operating expense: 714 million (2006: 578)

The other operating expenses largely relate to Express for €320 million (2006: 274) and Mail for €373 million (2006: 291). The other operating expenses consist of IT communication, office cost, travel and training expense, consulting and other shared services cost.

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

In 2006 approximately €7 million was related to discontinued business.

In 2007, fees for audit services included the audit of TNT's annual financial statements, procedures on internal controls

and the review of interim financial statements, statutory audits, services associated with issuing an audit opinion on the postal concession reporting and services that only the auditor can reasonably provide. Fees for audit related services include employee benefit plan audits, due diligence related to mergers and acquisitions, internal control reviews, consultation concerning financial accounting and reporting matters not classified as audit. Fees for tax services include tax compliance, tax advice, including all services performed by the auditor's professional staff in its tax division, except those rendered in connection with the audit. Fees for other services include financial risk management reviews and audit of corporate sustainability reports.

The fees can be divided into the following categories:

| Year ended at 31 December | 2007      | 2006      |
|---------------------------|-----------|-----------|
| Audit fees                | 9         | 14        |
| Audit related fees        | 3         | 9         |
| Tax advisory costs        | 0         | 0         |
| Other fees                | 1         | 0         |
| <b>Total</b>              | <b>13</b> | <b>23</b> |

(in € millions)

**[22]** Net financial income and expenses: -94 million (2006: -47)

| Year ended at 31 December                                     | 2007         | 2006         |
|---|--------------|--------------|
| Interest and similar income                                   | 85           | 188          |
| Fair value change fair value hedges                           | 3            | 11           |
| Fair value change of financial assets through profit and loss | 9            |              |
| <b>Total interest and similar income</b>                      | <b>97</b>    | <b>199</b>   |
| Interest and similar expenses                                 | (184)        | (235)        |
| Fair value change cashflow hedge recycled to profit and loss  | (1)          |              |
| Fair value change fair value hedges                           | (3)          | (11)         |
| Net foreign exchange losses                                   | (3)          |              |
| <b>Total interest and similar expenses</b>                    | <b>(191)</b> | <b>(246)</b> |
| <b>Net financial expenses</b>                                 | <b>(94)</b>  | <b>(47)</b>  |

(in € millions)

Interest and similar income

Interest and similar income in 2007 of €97 million (2006: 199) mainly relates to interest income on banks, loans and deposits of €69 million (2006: 109) of which €58 million (2006: 93) relates to a gross up of interest on cash pools (fully offset by an equal amount in interest expenses), interest on taxes of €5 million (2006: 1) and interest on foreign currency hedges of €5 million (2006: 15) and financial income on funding the discontinued business of €1 million (2006: 73).

The change of the fair value hedge of €3 million positive relates to the short term €500 million interest rate swaps which is offset by the fair value change of €3 million negative on the 5.125% Eurobond 2008, see note 14.

The fair value change of the financial assets through profit and loss relates to the remeasurement of the equity stake, see note 3.

Interest and similar expenses

Interest and similar expenses in 2007 of €191 million mainly relate to interest expense on bank overdrafts and bank loans of €79 million, (2006: 117) of which €58 million (2006: 93) relate to a gross up of interest on cash pools (fully offset by an equal amount in interest income), interest expenses on long term borrowings of €75 million (2006: 52), interest on foreign currency hedges of €18 million (2006: 31), interest on taxes

€6 million (2006: 21) and interest on funding the discontinued business of €0 million (2006: 21).

**[23]** Income taxes: 316 million (2006: 395)

Income taxes in the statements of income of 2007 amount to €316 million (2006: 395), or 28.8% (2006: 32.3%) of income before income taxes.

| Year ended at 31 December                                       | 2007        | 2006        |
|---|-------------|-------------|
| Dutch statutory income tax rate:                                | 25.5        | 29.6        |
| Adjustment regarding effective income tax rates other countries | 2.6         | 0.8         |
| Permanent differences:  |             |             |
| Non and partly deductible costs                                 | 1.0         | 1.5         |
| Exempt income   | (0.4)       | (0.7)       |
| Other   | 0.1         | 1.1         |
| <b>Effective income tax rate</b>                                | <b>28.8</b> | <b>32.3</b> |

(in percentages)

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the income before income taxes. In 2007, the effective income tax rate was 28.8% (2006: 32.3%), which is higher than the statutory corporate income tax rate of 25.5% in the Netherlands (2006: 29.6%). This is due to several permanent differences such as non-deductible costs, exempt income and the effect of different statutory tax rates in countries outside the Netherlands. The line "other" in 2007 includes a positive impact of 6.4% relating to the recognition of deferred tax assets for loss carry forward positions that were previously unrecognised. TNT was able to recognise these assets based on improvements in actual and projected future results, now enabling the group to substantiate that recoverability of the assets is probable. This effect was partly balanced by the adverse effect of 3.5% of losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets. In addition, the line "other" includes a net adverse impact of 2.2% on TNT's deferred tax position caused by a decrease of statutory tax rates in several countries. The remaining "other" of 0.8% consists of a total of several smaller effects.

The following table shows the movements in deferred tax assets:

|  | Provisions | Property, plant and equipment | Losses carried forward | Other      | Total      |
|--|------------|-------------------------------|------------------------|------------|------------|
| <b>Deferred tax assets at 31 December 2005</b> | <b>18</b>  | <b>6</b>                      | <b>71</b>              | <b>93</b>  | <b>188</b> |
| Transfers to assets held for sale              |            |                               | (1)                    | (2)        | (3)        |
| Changes charged directly to equity             |            |                               |                        | 15         | 15         |
| Changes via statements of income               | 14         | 2                             | (6)                    | (1)        | 9          |
| (De)consolidation/foreign exchange effects     |            |                               | (1)                    | 3          | 2          |
| <b>Deferred tax assets at 31 December 2006</b> | <b>32</b>  | <b>8</b>                      | <b>63</b>              | <b>108</b> | <b>211</b> |
| Reclassifications                              | (3)        | (6)                           | (1)                    | (11)       | (21)       |
| Changes charged directly to equity             |            |                               |                        | (5)        | (5)        |
| Changes via statements of income               | (2)        | 5                             | 46                     | (29)       | 20         |
| (De)consolidation/foreign exchange effects     |            |                               | (1)                    | (1)        | (2)        |
| <b>Deferred tax assets at 31 December 2007</b> | <b>27</b>  | <b>7</b>                      | <b>107</b>             | <b>62</b>  | <b>203</b> |

(in € millions)

Income tax expense consists of the following:

| Year ended at 31 December   | 2007       | 2006       |
|---|------------|------------|
| Current tax expense   | 269        | 396        |
| Changes in deferred taxes (excluding acquisitions/foreign exchange effects) | 47         | (1)        |
| <b>Total income taxes</b>   | <b>316</b> | <b>395</b> |

(in € millions)

In 2007, the current tax expense amounted to €269 million (2006: 396). The difference between the total income taxes in the statements of income and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

The income tax receivable at 31 December 2007 amounts to €35 million (2006: 8) and the income tax payable amounts to €69 million (2006: 280). In 2007 TNT paid income taxes for an amount of €492 million (2006: 282) of which €166 million related to prior years.

For deferred tax assets an amount of €10 million (2006: 14) is to be recovered within 12 months and an amount of €193 million is to be recovered after 12 months (2006: 197).

Deferred tax assets and liabilities are presented net in the balance sheet if TNT has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same fiscal authority.

Out of the total "other" deferred tax assets of €62 million (2006: 108) an amount of €40 million (2006: 61) relates to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2007 amounted to €720 million (2006: 689). With these losses carried forward, future tax benefits of €203 million could be recognised (2006: 221). Tax deductible losses give rise to deferred tax assets at the statutory tax rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the realisation of such benefits, for example as a result of the expiry of tax losses carried forward and projected future income. As a result

TNT has not recognised €96 million (2006: 158) of the potential future tax benefits and has recorded deferred tax assets of €107 million at the end of 2007 (2006: 63).

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

|                     |            |
|---------------------|------------|
| 2008                | 9          |
| 2009                | 9          |
| 2010                | 18         |
| 2011                | 25         |
| 2012 and thereafter | 261        |
| Indefinite          | 398        |
| <b>Total</b>        | <b>720</b> |

(in € millions)

The following table shows the movements in deferred tax liabilities:

|  | Provisions | Property, plant and equipment | Other     | Total      |
|--|------------|-------------------------------|-----------|------------|
| <b>Deferred tax liabilities at 31 December 2005</b>      | <b>153</b> | <b>62</b>                     | <b>18</b> | <b>233</b> |
| Transfers to liabilities related to assets held for sale |            |                               | (2)       | (2)        |
| Changes via statements of income                         | (8)        | 3                             | 13        | 8          |
| (De)consolidation/foreign exchange effects               |            |                               | 1         | 1          |
| <b>Deferred tax liabilities at 31 December 2006</b>      | <b>145</b> | <b>65</b>                     | <b>30</b> | <b>240</b> |
| Reclassifications  | (3)        | 7                             | (25)      | (21)       |
| Changes via statements of income                         | 58         | 12                            | (3)       | 67         |
| (De)consolidation/foreign exchange effects               |            | 3                             | 9         | 12         |
| <b>Deferred tax liabilities at 31 December 2007</b>      | <b>200</b> | <b>87</b>                     | <b>11</b> | <b>298</b> |

(in € millions)

For deferred tax liabilities an amount of €44 million (2006: 19) is to be settled within 12 months and an amount of €254 million (2006: 221) is to be settled after 12 months.

## Notes to the consolidated cash flow statements

<sup>24</sup> Net cash from operating activities (continuing operations): 643 million (2006: 857)

The net cash from operating activities decreased by €214 million from €857 million in 2006 to €643 million in 2007. The non-cash transactions in the cash flow statements relate to depreciation, amortisation and impairment charges, share based payment expenses, result from investments in associates, foreign exchange gains and losses, investments in property, plant and equipment financed via financial leases, book result on sale of property, plant and equipment and changes in provisions.

### Cash generated from operations

The cash generated from operations decreased from €1,338 million in 2006 to €1,313 million in 2007. In 2007 profit before income taxes contributed €1,099 million and €1,448 million if adjusted for the non-cash impact of depreciation, amortisation and impairments. This is €93 million lower compared to 2006 (2006: 1,541).

The changes in pension liabilities of €179 million compared to 2006 (2006: 124) reflects the total non-cash pension charge for the defined benefit pension schemes of €45 million (2006: 120) and TNT's total cash contributions to various pension plans of €212 million (2006: 243) reflecting the increased solvency of TNT's pension fund and a reduced number of eligible employees.

In 2007, the net working capital increased by €77 million compared 2006. The increase is mainly a result of organic growth and acquisitions within the Express and EMN business.

### Interest paid

The total cash out flow for interest paid in 2007 is €178 million (2006: 199). In 2007 interest paid mainly includes interest on TNT's long term borrowings of €67 million (including financial leases of €12 million and long term interest derivatives of €6 million) (2006: 53), interest payments of €79 million relating to short term debt (of which €58 million (2006: 89) is a gross up due to cash pools which is offset in the interest received), realised interest on foreign currency hedges of €17 million (2006: 17), and interest paid on taxes of €11 million (2006: 7).

### Taxes paid

The cash outflow of the total tax payments increased by €210 million from €282 million in 2006 to €492 million in 2007, of which €166 million related to prior years.

### 25 Net cash used in investing activities (continuing operations): -8 million (2006: 1,068)

#### Acquisition of group companies (net of cash)

In 2007, the total payments net of cash for acquisitions of group companies amounted to €287 million (2006: 89). The most significant acquisitions in 2007 related to the Express division (€264 million), among others, the acquisitions of Mercúrio Expresso SA (€147) and Hoau (€114).

Mail acquired for a total amount of €23 million mainly related to Regio-ES GmbH and Mail Express GmbH, see note 28.

#### Investments in associates

The cash paid for investments in associated companies of €29 million primarily related to additional funding for Logispring Investment Fund Holding B.V.

#### Disposal of group companies and joint ventures

During 2007, the freight management business has been sold resulting in cash proceeds of €486 million.

#### Capital expenditure on intangible assets and property, plant and equipment

In 2007, capital expenditures on property, plant and equipment amounted to €272 million (2006: 277). This is excluding the purchase of a Boeing 747 of €110 million which is funded by means of a finance lease. Of this amount, €197 million (2006: 198) related to Express, €73 million (2006: 74) to Mail and €2 million (2006: 5) to other. The capital expenditures on intangible assets of €97 million (2006: 103) mostly related to software. In 2007, capital expenditures were funded primarily by cash generated from operations.

#### Proceeds from sale of property, plant and equipment and intangible assets

Proceeds from the sale of property, plant and equipment in 2007 totalled €85 million (2006: 65), which mainly related to the sale of several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (totalling €57 million) and buildings and equipment from the joint venture Postkantoren B.V. (€5 million) in the Mail segment and equipment in the Express operations (€19 million).

#### Interest received

In 2007 interest received amounted to €85 million (2006: 111). In 2007 interest received mainly includes interest relating to short term deposits of €69 million (2006: 101) of which €58 million (2006: 89) is a gross up due to cash pools which is offset in the interest paid), realised interest on foreign currency hedges of €5 million (2006: 6) and interest received on taxes of €5 million (2006: 0).

### 26 Net cash used in financing activities (continuing operations): -635 million (2006: -2,152)

#### Repurchases of shares

Under TNT's share buy-back programme announced on 6 November 2006 TNT purchased 3.3 million of its ordinary shares in 2007 for an amount of €113 million. In addition, €6 million has been paid in 2007 for ordinary shares purchased in 2006. Under TNT's share buy-back programme announced on 20 April 2007 the company purchased 12.6 million of its ordinary shares in 2007 for an amount of €400 million. Under TNT's share buy-back programme announced on 30 July 2007 the company purchased 7.0 million ordinary shares in 2007 for an amount of €194 million, of which €3 million relates to the purchase during the last days of 2007 and is to be paid in 2008.

In addition to the share buy-back programmes the company purchased no ordinary shares in 2007 to cover TNT's obligations under the existing management option plans and share grants.

TNT received cash payments of €29 million (2006: 52) for the exercise of employee stock options in 2007. This decrease is due to the accelerated vesting of options of the Logistics participants in 2006.

#### Proceeds from and Repayments to long term borrowings

The total proceeds on long term borrowings mainly relate to TNT's new issued 5.375% Bond 2017 with proceeds of €645 million and the new acquired long term bank loans of €14 million. The Bond has a nominal value of €650 million and the cash receipt of €645 million is due to the issuance of the Bond under par and related fees. The total repayments of €20 million (2006: 53) mainly relates to repayments of long term bank loans. The majority of these loans have been acquired through the Mercúrio acquisition.

#### Proceeds from and Repayments to short term borrowings

The total proceeds on short term borrowings relate to new acquired short term bank debt of €99 million (2006: 328). The total repayments mainly relate to repayments on TNT's commercial paper programme of €287 million and to repayments of short term bank debt of €45 million (2006: 161).

#### Repayments to finance leases

The total repayments relate to redemptions on the two Boeing 747's of €10 million (2006: 4) and to redemptions on other lease contracts of €9 million (2006: 6).

#### Dividends paid

A final cash dividend over 2006, amounting to €183 million or €0.47 per ordinary share and a cash interim dividend for 2007 of €115 million or €0.30 per ordinary share were paid in 2007.

Financing related to TNT's discontinued operations In 2007 the net cash flow used in financing TNT's discontinued freight management business amounted to €18 million (2006: 276).

## 27 Reconciliation to cash and cash equivalents

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

| Year ended at 31 December                                      | 2007       | variance % | 2006       |
|--|------------|------------|------------|
| <b>Cash at the beginning of the year</b>                       | <b>326</b> | (50.8)     | <b>663</b> |
| Cash from divested businesses                                  | (29)       |            | (48)       |
| Exchange rate differences                                      | (3)        |            | (5)        |
| Total change in cash (as in consolidated cash flow statements) | 1          |            | (284)      |
| <b>Cash at the end of the year</b>                             | <b>295</b> | (9.5)      | <b>326</b> |
| of which discontinued business                                 | 0          |            | (29)       |
| <b>Cash at the end of the year as reported</b>                 | <b>295</b> | (0.7)      | <b>297</b> |

(in € millions, except percentages)

## Additional notes

### 28 Business combinations

(No corresponding financial statement number)

#### Summary of principal acquisitions in the year 2007

| Company name   | Segment | Month acquired | % owner | Acquisition Cost | Goodwill on Acquisition |
|--|---------|----------------|---------|------------------|-------------------------|
| Expresso Mercúrio S.A.                               | Express | January        | 100%    | 148              | 135                     |
| Huayu Hengye Logistics Company Limited               | Express | March          | 100%    | 136              | 97                      |
| Regio — ES GmbH Private Briefbeförderung             | Mail    | January        | 100%    | 6                | 5                       |
| Mail Express GmbH                                    | Mail    | December       | 100%    | 4                | 4                       |
| Other acquisitions (including some remaining shares) |         |                |         | 20               | 15                      |
| <b>Total</b>   |         |                |         | <b>314</b>       | <b>256</b>              |

(in € millions)

Goodwill arising from the acquisitions of interest in newly acquired group companies and from extending TNT's interest in group companies amount to €256 million (2006: 99). The total acquisition costs amount to €314 million (2006: 110) of which €287 million was paid in cash (2006: 89). The acquisition costs of €314 million also include an amount of €12 million of acquired cash and an amount of €15 million to be paid as at 31 December 2007 being the contingent consideration.

The larger acquisitions in 2007 relate to Expresso Mercúrio S.A. (Mercúrio) and Huaya Hengji Logistics Company LIM (Hoau). On these acquisitions an amount of goodwill of €232 million was recognised.

TNT acquisitions in 2007 have generally centred on addressing TNT's long term strategic plans. The main factors that contributed to a cost that resulted in the recognition of goodwill are summarised below:

- Mercúrio is market leader in the Brazilian domestic express market and provides TNT with a platform to further develop an integrated South American road express network. Combining Mercúrio's domestic road network with TNT's international air and road network capacity is an embodiment of TNT's focus on networks strategy.
- Acquiring Hoau is at the core of TNT's strategic focus on integrated domestic and international networks and it enables the company to link China to TNT's Asian road network.

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

|                                     | Pre-acquisition<br>balance sheets<br>(unaudited) | Acquisitions |
|-------------------------------------|--|--------------|
| Goodwill                            | 4  | 260          |
| Other non-current assets            | 38   | 101          |
| Total non-current assets            | 42   | 361          |
| Total current assets                | 53   | 54           |
| <b>Total assets</b>                 | <b>95</b>  | <b>415</b>   |
| Equity                              | 8  | 312          |
| Non-current liabilities             | 47   | 62           |
| Current liabilities                 | 40   | 41           |
| <b>Total liabilities and equity</b> | <b>95</b>  | <b>415</b>   |

(in € millions)

Other non-current assets include an amount of approximately €65 million relating to separately identified intangible assets.

#### Acquiree's results

The total acquiree's net income attributable to shareholders accounted within TNT, since acquisition date, amounts to -€16 million. This relates to Mercúrio for an amount of -€9 million, Hoau for an amount of -€6 million and to other acquisitions for an amount of -€1 million.

|                                     | Expresso Mercúrio S.A.                           |             | Huayu Hengye Logistics<br>Company Limited        |             |
|-------------------------------------|--|-------------|--|-------------|
|                                     | Pre-acquisition<br>balance sheets<br>(unaudited) | Acquisition | Pre-acquisition<br>balance sheets<br>(unaudited) | Acquisition |
| Goodwill                            | 0  | 135         | 0  | 97          |
| Other non-current assets            | 26   | 61          | 11   | 37          |
| Total non-current assets            | 26   | 196         | 11   | 134         |
| Total current assets                | 26   | 26          | 13   | 14          |
| <b>Total assets</b>                 | <b>52</b>  | <b>222</b>  | <b>24</b>  | <b>148</b>  |
| Equity                              | (12)   | 143         | 13   | 137         |
| Non-current liabilities             | 46   | 61          | 1  | 1           |
| Current liabilities                 | 18   | 18          | 10   | 10          |
| <b>Total liabilities and equity</b> | <b>52</b>  | <b>222</b>  | <b>24</b>  | <b>148</b>  |

(in € millions)

## Pro-forma results

The following represents the pro-forma results of TNT for 2007 as if these acquisitions had taken place on 1 January 2007. These pro-forma results do not necessarily reflect the results that would have arisen had these acquisitions actually taken place on 1 January 2007, nor are they necessarily indicative of the future performance of TNT. This calculation also includes the impact of amortisation of identified intangible assets.

| Year ended at 31 December                               | Pro-forma results<br>(unaudited) 2007 | As reported<br>2007 |
|---|---------------------------------------|---------------------|
| Total revenues  | 11,071                                | 11,017              |
| Profit for the period from continuing operations        | 777                                   | 783                 |
| Profit attributable to the equity holders of the parent | 979                                   | 986                 |
| Earnings per ordinary share (in € cents)                | 255.6                                 | 257.4               |
| Earnings per diluted ordinary share (in € cents)        | 254.2                                 | 256.1               |

(in € millions, except per share data)

## 29] Commitments and contingencies

(No corresponding financial statement number)

| At 31 December                  |      | At 31 December |   | At 31 December |            |
|---------------------------------|------|----------------|---|----------------|------------|
|                                 | 2007 | 2006           | Payable in the period                             | 2007           | 2006       |
| <b>Commitments relating to:</b> |      |                | Less than 1 year                                  | 249            | 222        |
| Financial guarantees            | 227  | 211            | Between 1 and 2 years                             | 208            | 199        |
| Operating guarantees            | 218  | 137            | Between 2 and 3 years                             | 144            | 146        |
| Rent and operating lease        | 959  | 909            | Between 3 and 4 years                             | 94             | 102        |
| Capital expenditure             | 42   | 150            | Between 4 and 5 years                             | 64             | 65         |
| Repurchases own shares          | 6    | 113            | Thereafter  | 200            | 175        |
| Purchase commitments            | 80   | 58             | <b>Total</b>                                      | <b>959</b>     | <b>909</b> |
|                                 |      |                | of which guaranteed by<br>a third party/customers | 9              | 3          |

(in € millions)

(in € millions)

Of the total commitments indicated above, €528 million are of a short term nature (2006: 662).

### Financial and operating guarantees

Total guarantees at 31 December 2007 were €445 million (2006: 348). Of these guarantees, TNT issued corporate guarantees up to the amount of €295 million (2006: 183). Banks and other financial institutions issued guarantees up to the amount of €150 million (2006: 165). The obligations under the bank guarantees have been secured by the company or its subsidiaries.

Of the amount of €445 million, financial guarantees amounted to €227 million (2006: 211) and were mainly issued in connection with TNT's obligations under lease contracts, custom duty deferment, airline cargo services, credit lines and insurance contracts. Operating guarantees amounted to €218 million (2006: 137) and were mainly issued in connection with mailing and other service performance contracts.

### Rent and operating lease contracts

In 2007 operational lease expenses (including rental) in the consolidated statements of income amounted to €404 million (2006: 375). Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

### Capital expenditure

Commitments in connection with capital expenditure were €42 million (2006: 150) mainly related to property, plant and equipment of €21 million and €1 million related to intangible assets. These commitments primarily related to projects within the operations of the Express division.

### Repurchases own shares

Under the first €200 million tranche of the €500 million repurchase programme, announced on 9 November 2007 (also see note 9), TNT purchased shares for a total amount of €6 million after 31 December 2007. As at 4 January 2008, TNT completed this first tranche of the €500 million repurchase programme.

### Purchase commitments

At 31 December 2007 TNT had unconditional purchase commitments of €80 million (2006: 58) which were primarily related to various service and maintenance contracts. These contracts for service and maintenance related primarily to information technology, security, salary registration, cleaning and aircraft.

### Contingent tax liabilities

Multinational groups of the size of TNT are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT accounts for its income taxes on the

basis of its own internal analyses, supported by external advice. TNT continually monitors its global tax position, and whenever uncertainties arise, TNT assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

As previously disclosed, since August 2004, TNT has been preparing an addendum to its original report to the UK tax authorities that covers UK tax matters that were not the subject of the original investigation. In 2006 TNT submitted a substantially advanced draft of available information and related tax conclusions required by the UK tax authorities and started discussions with them on these tax matters. In December 2007 a full closure has been brought to all tax investigations with the settlement of all UK tax matters with no additional liabilities beyond what had been accrued for in previous years.

#### Contingent legal liabilities

##### *Ordinary course litigation*

The company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for loss of goods, delays in delivery, trademark infringements, subcontracting and employment issues, and general liability. The majority of these claims are for amounts below €1 million and are insured and/or provided for. TNT does not expect any liability arising from any of these legal proceedings to have a material effect on its results of operations, liquidity, capital resources or financial position. The company believes it has provided for all probable liabilities deriving from the normal course of business.

##### *Subcontractor suits in France*

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

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

##### *Liège court case*

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

known. Should the Supreme Court ultimately decide to cancel the 2004 judgement, the matter will be referred to another Belgian Court of Appeal for a new exchange of briefs, pleadings and ruling.

#### 30 Financial risk management

(No corresponding financial statement number)

TNT's activities expose the company to a variety of financial risks, such as market risks (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. All of these risks arise in the normal course of business. In order to manage the market risks TNT utilises a variety of financial derivatives.

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

TNT uses derivative financial instruments solely for the purpose of hedging exposures. The company enters into contracts related to derivative financial instruments for periods commensurate with its underlying exposures and does not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Financial risk management is carried out by Group Treasury under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. Periodic reporting on financial risks has been embedded in the overall risk framework and has been provided to the Board of Management in a structural way.

#### Interest rate risk

Part of TNT's borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on TNT's financial results in any given reporting period. Borrowings that are issued at variable rates, expose the company to cash flow interest risks. Borrowings that are issued at fixed rates expose the company to fair value interest rate risk. TNT's financial assets are on average of such short term nature that they bear no significant interest rate risks.

Group policy is to significantly limit the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, depreciation and amortisation. At 31 December 2007, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €2,085 million (2006: 1,566), of which €1,860 million (2006: 1,290) was at fixed interest rate.

Although, TNT generally enters into interest rate swaps and other interest rate derivatives in order to attempt to reduce its exposure to interest rate fluctuations, these measures may be inadequate or may subject the company to increased operating or financing costs.

At 31 December 2007, if interest rates on borrowings had been 1% higher with other variables held constant the profit before income tax would have been €3 million lower, mainly due to €500 million of outstanding interest rate swaps (see also note 31) (2006: -5). The profit before income taxes is less sensitive to interest rate movements compared to 2006 due to a decrease in short term interest bearing debt. Equity would be impacted by €36 million positive (2006: 42), due to the outstanding forward starting interest rate swaps and the USD interest rate swap(s), see note 31.

#### Foreign currency exchange risk

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

The main two currencies of TNT's external hedges are the British pound and US dollar of which the 2007 exchange rates are shown below:

|               | Year end closing <sup>1</sup> | Annual average <sup>2</sup> |
|---------------|-------------------------------|-----------------------------|
| British pound | 0.7334                        | 0.6869                      |
| US dollar     | 1.4721                        | 1.3789                      |

<sup>1</sup> — Source: European Central Bank, reference rate on the last day of the year.

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

Management has set up a policy to require group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury, as 'in-house-bank' trades these foreign exchange derivatives back-to-back with external banks. TNT currently has no net investment hedges outstanding. Significant acquisitions and local debt is usually funded in the currency of the underlying assets.

At 31 December 2007, if the euro had weakened 25% against the US Dollar with all other variables held constant, the profit before income tax would have been €1 million higher (2006: -35). The profit before income taxes is less sensitive to movements in EUR /USD exchange rates compared to 2006 due to the decreased USD exposure. Equity would be impacted by €4 million (2006: 5).

At 31 December 2007, if the euro had weakened 25 % against the British pound with all other variables held constant the profit before income tax would have been €1 million lower (2006: 5). The profit before income taxes is less sensitive to movements in EUR/GBP exchange rates compared to 2006 due to the decreased GBP exposure. Equity would be impacted by €1 million (2006: 2).

#### Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT enters into financial

transactions are unable to fulfill the terms of the agreements. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions as well as credit exposures relating to customers. The company attempts to minimise its credit risk exposure by only transacting to financial institutions that meet established credit guidelines and by managing its customer's portfolio. TNT continually monitors the credit standing of financial counterparties and its customers. Individual risk limits are set on internal and external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. At reporting date there were no significant concentrations of credit risk.

#### Liquidity risk

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

TNT has the following committed facilities:

| At 31 December                          | 2007         | 2006         |
|---|--------------|--------------|
| Multicurrency Revolving Credit Facility | 1,000        | 1,000        |
| Multicurrency Revolving Credit Facility |              | 600          |
| <b>Total committed facilities</b>       | <b>1,000</b> | <b>1,600</b> |

(in € millions)

The multicurrency revolving credit facility of €600 million has been terminated as this was not longer necessary, partly due to the issuance of the 5,375% Eurobond 2017 of €650 million.

The table below analyses TNT's financial liabilities into relevant maturity groupings based on the remaining period on the balance sheet to the contractual maturity date. The outgoing flows disclosed in the table are the contractual undiscounted cash flows which contain the redemptions and interest payments.

| <b>Liquidity risk schedule</b>   | Less than<br>1 year | Between<br>1 and 3 years | Between<br>3 and 5 years | Thereafter   | <b>Bookvalue</b> |
|--|---------------------|--------------------------|--------------------------|--------------|------------------|
| <b>Outgoing flows based on the financial liabilities 2007</b>            |                     |                          |                          |              |                  |
| Euro Bonds   | 729                 | 101                      | 101                      | 1,271        | 1,656            |
| Other loans  | 92                  | 3                        | 2                        | 5            | 105              |
| Financial leases   | 47                  | 65                       | 64                       | 263          | 241              |
| Interest rate swaps — outgoing   | 52                  | 49                       | 298                      | 27           | 37               |
| Foreign exchange contracts — outgoing                                    | 642                 |                          |                          |              | 9                |
| Short term bank debt   | 46                  |                          |                          |              | 46               |
| Trade accounts payable   | 336                 |                          |                          |              | 336              |
| Other current liabilities  | 149                 |                          |                          |              | 149              |
| <b>Mitigation incoming flows based on the financial liabilities 2007</b> |                     |                          |                          |              |                  |
| Interest rate swaps — incoming   | 49                  | 38                       | 271                      | 28           |                  |
| Foreign exchange contracts — incoming                                    | 642                 |                          |                          |              |                  |
|  | <b>1,402</b>        | <b>180</b>               | <b>194</b>               | <b>1,538</b> | <b>2,579</b>     |
| <b>Outgoing flows based on the financial liabilities 2006</b>            |                     |                          |                          |              |                  |
| Euro Bonds   | 49                  | 710                      | 31                       | 462          | 1,004            |
| Other loans  | 336                 | 12                       | 2                        | 6            | 340              |
| Financial leases   | 20                  | 40                       | 41                       | 117          | 158              |
| Interest rate swaps — outgoing   | 41                  | 29                       |                          |              | 23               |
| Foreign exchange contracts — outgoing                                    | 621                 |                          |                          |              | 6                |
| Short term bank debt   | 41                  |                          |                          |              | 41               |
| Trade accounts payable   | 308                 |                          |                          |              | 308              |
| Other current liabilities  | 163                 |                          |                          |              | 163              |
| Assets held for sale   | 136                 |                          |                          |              | 136              |
| <b>Mitigation incoming flows based on the financial liabilities 2006</b> |                     |                          |                          |              |                  |
| Interest rate swaps — incoming   | 26                  | 26                       |                          |              |                  |
| Foreign exchange contracts — incoming                                    | 621                 |                          |                          |              |                  |
|  | <b>1,068</b>        | <b>765</b>               | <b>74</b>                | <b>585</b>   | <b>2,179</b>     |

(in € millions)

The outgoing cash flows in 2007 relating to the Eurobond of €729 million consist of the redemption of the nominal value of €646 million of the 5.125% Eurobond 2008 due at 5 December 2008. The remainder consist of interest to be paid of all the outstanding bond which occur at June, November and December

#### Capital structure management

It is TNT's objective when managing capital structure to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

TNT's capital structure is managed along the following components: (1) maintain a credit rating at investment grade around "BBB+ level"; (2) an availability of at least €500 million of undrawn committed facilities (via a €1,000 million euro commercial paper programme supported by a bank facility until 2012); (3) structured funding via a combination of public and bank debt, with a risk weighted mix of fixed and floating interest; (4) cash pooling systems facilitating optimised cash requirements for the group and (5) a tax optimal internal and external funding focused at optimising the cost of capital for the group, within long term sustainable boundaries.

## 31 Financial instruments

(No corresponding financial statement number)

### Summary financial instruments

The accounting policies for financial instruments have been applied to the following line items:

| At 31 December                          | Note | Loans and receivables | Financial assets at fair value through profit and loss | Held to maturity investments | Available for sale | Total        |
|---|------|-----------------------|--|------------------------------|--------------------|--------------|
| <b>Assets as per balance sheet 2007</b> |      |                       |  |                              |                    |              |
| Other loans receivable                  | 3    | 5                     |  |                              |                    | 5            |
| Other prepayments and accrued income    | 3    | 21                    | 13   |                              |                    | 34           |
| Accounts receivable                     | 5    | 1,656                 |  |                              |                    | 1,656        |
| Prepayments and accrued income          | 6    | 231                   | 5  |                              |                    | 236          |
| Cash and cash equivalents               | 7    | 295                   |  |                              |                    | 295          |
| <b>Total</b>                            |      | <b>2,208</b>          | <b>18</b>  | <b>0</b>                     | <b>0</b>           | <b>2,226</b> |
| <b>Assets as per balance sheet 2006</b> |      |                       |  |                              |                    |              |
| Other loans receivable                  | 3    | 7                     |  |                              |                    | 7            |
| Other prepayments and accrued income    | 3    | 21                    | 17   |                              |                    | 38           |
| Accounts receivable                     | 5    | 1,561                 |  |                              |                    | 1,561        |
| Prepayments and accrued income          | 6    | 224                   | 3  |                              |                    | 227          |
| Cash and cash equivalents               | 7    | 297                   |  |                              |                    | 297          |
| Assets held for sale                    |      | 173                   |  |                              |                    | 173          |
| <b>Total</b>                            |      | <b>2,283</b>          | <b>20</b>  | <b>0</b>                     | <b>0</b>           | <b>2,303</b> |

(in € millions)

| At 31 December  | Note | Financial liabilities measured at amortised costs | Financial liabilities through profit and loss | Total        |
|---|------|---|---|--------------|
| <b>Liabilities as per balance sheet 2007</b>              |      |   |   |              |
| Long term debt  | 13   | 1,265   | 29  | 1,294        |
| Trade accounts payable                                    |      | 336   |   | 336          |
| Other current liabilities                                 | 14   | 932   | 17  | 949          |
| <b>Total</b>  |      | <b>2,533</b>                                      | <b>46</b>                                     | <b>2,579</b> |
| <b>Liabilities as per balance sheet 2006</b>              |      |   |   |              |
| Long term debt  | 13   | 1,164   | 19  | 1,183        |
| Trade accounts payable                                    |      | 308   |   | 308          |
| Other current liabilities                                 | 14   | 542   | 10  | 552          |
| Liabilities related to assets classified as held for sale |      | 136   |   | 136          |
| <b>Total</b>  |      | <b>2,150</b>                                      | <b>29</b>                                     | <b>2,179</b> |

(in € millions)

### Eurobond

The total €1,696 million (2006: 1,046) of Eurobonds is measured at amortised cost of €1,664 million (2006: 1,015), being the nominal value corrected for the costs and issuance under par ('at a discount') that is still to be amortised. A fair value adjustment of positive €8 million (2006: 11) will adjust the amortised cost value to the book value ('carrying value') of €1,656 million (2006: 1,004). The fair value adjustment of positive €8 million (2006: 11) is mitigated by the negative €8 million (2006: -11) of fair value on the €500 million (2006: 500) of interest rate swaps outstanding for which TNT receives fixed interest and pays floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of TNT's 5.125% December 2008 Eurobond.

For the outstanding Eurobonds, see the table below:

| At 31 December        | Nominal value | Costs / discount to be amortised | Hedge accounting | Fair value adjustment | Carrying value | Fair value   |
|-----------------------|---------------|----------------------------------|------------------|-----------------------|----------------|--------------|
| <b>Eurobonds 2007</b> |               |                                  |                  |                       |                |              |
| 5.125% Eurobond 2008  | 646           | 1                                | Yes              | 8                     | 637            | 645          |
| 3.875% Eurobond 2015  | 400           | 27                               | No               |                       | 373            | 390          |
| 5.375% Eurobond 2017  | 650           | 4                                | No               |                       | 646            | 688          |
|                       | <b>1,696</b>  | <b>32</b>                        |                  | <b>8</b>              | <b>1,656</b>   | <b>1,723</b> |
| <b>Eurobonds 2006</b> |               |                                  |                  |                       |                |              |
| 5.125% Eurobond 2008  | 646           | 2                                | Yes              | 11                    | 633            | 660          |
| 3.875% Eurobond 2015  | 400           | 29                               | No               |                       | 371            | 400          |
|                       | <b>1,046</b>  | <b>31</b>                        |                  | <b>11</b>             | <b>1,004</b>   | <b>1,060</b> |

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2007.

### Finance leases

Total debt on finance leases consist of financial lease contracts on buildings (depots), trucks and airplanes. The increase mainly relates to the increase in the long term portion of finance leases as a consequence of the lease of the second Boeing 747-ERF.

For the outstanding finance leases, see the table below:

| At 31 December             | Nominal value | Fixed / floating interest | Hedge accounting | Carrying value | Fair value |
|----------------------------|---------------|---------------------------|------------------|----------------|------------|
| <b>Finance leases 2007</b> |               |                           |                  |                |            |
| Boeing 747 ERF             | 186           | floating                  | Yes              | 186            | 186        |
| Other leases               | 55            | floating / fixed          | No               | 55             | 52         |
|                            | <b>241</b>    |                           |                  | <b>241</b>     | <b>238</b> |
| <b>Finance leases 2006</b> |               |                           |                  |                |            |
| Boeing 747 ERF             | 104           | floating                  | Yes              | 104            | 106        |
| Other leases               | 54            | floating / fixed          | No               | 54             | 49         |
|                            | <b>158</b>    |                           |                  | <b>158</b>     | <b>155</b> |

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2006.

#### Interest rate swaps

TNT has €500 million (2006: 500) of interest rate swaps outstanding for which TNT receives fixed and pays floating interest. These interest rate swaps act as a hedge against the fair value interest rate risk of TNT's 5.125% December 2008 Eurobond. Furthermore TNT has €400 million (2006: 600) of forward starting interest rate swaps outstanding that hedge the yearly future cash flow risk on the interest costs of the next to occur debt. Of the total of €1,000 million of forward starting swaps, €600 million was unwound upon issuance of the €650 million 2017 Eurobond.

In 2006 a US\$154 million forward starting interest rate swap was outstanding to hedge the variability in the future interest payments on the second Boeing 747-ERF finance lease. This swap became effective upon execution of this second lease contract. At the end of 2007 TNT has US\$287 million (2006: 139) of interest rate swaps outstanding for which the company receives floating US\$ interest and pays 5%. These interest rate

swaps act as a hedge against the cash flow interest rate risk on the floating interest component within the Boeing 747-ERF finance lease contracts.

As all forward starting swaps have been designated as cash flow hedges, the market value movements of the effective portion of the hedges have been included in equity. TNT has unwound €600 million and US\$154 million of outstanding forward starting interest rate swaps whereby the company paid a total market value of €4 million. Because the forward starting interest rate swaps have been designated as a cash flow hedges, the market value will stay in equity and will be straight-line amortised to income.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounts to a profit/loss of €0 million (2006: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounts to a loss of €1 million (2006: 0 million).

An overview of interest rate swaps is presented below:

At 31 December

| Nominal                         | Forward Starting | Currency | Outstanding | Pay      | Receive  | Hedge      | Fair value in Euro | Settlement amount in Euro |
|---------------------------------|------------------|----------|-------------|----------|----------|------------|--------------------|---------------------------|
| <b>Interest rate swaps 2007</b> |                  |          |             |          |          |            |                    |                           |
| 500                             | No               | Euro     | Yes         | floating | fixed    | fair value | (8)                |                           |
| 400                             | Yes              | Euro     | Yes         | fixed    | floating | cash flow  | 1                  |                           |
| 600                             | Yes              | Euro     | No          | fixed    | floating | cash flow  |                    |                           |
| 139                             | No               | USD      | Yes         | fixed    | floating | cash flow  | (2)                |                           |
| 148                             | No               | USD      | Yes         | fixed    | floating | cash flow  | (4)                |                           |
| 154                             | Yes              | USD      | No          | fixed    | floating | cash flow  |                    | (3)                       |
| 250                             | No               | Euro/USD | Yes         | floating | floating | cash flow  | (23)               |                           |
| <b>Interest rate swaps 2006</b> |                  |          |             |          |          |            |                    |                           |
| 500                             | No               | Euro     | Yes         | floating | fixed    | fair value | (11)               |                           |
| 600                             | Yes              | Euro     | Yes         | fixed    | floating | cash flow  | (8)                |                           |
| 139                             | No               | USD      | Yes         | fixed    | floating | cash flow  | 1                  |                           |
| 152                             | Yes              | USD      | No          | fixed    | floating | cash flow  |                    | (5)                       |
| 154                             | Yes              | USD      | Yes         | fixed    | floating | cash flow  | (4)                |                           |

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2007 and 31 December 2006 respectively.

#### Foreign exchange contracts

In 2007 TNT entered into short term foreign exchange derivatives to hedge foreign exchange fair value and cash flow risks. The fair value of these outstanding foreign exchange hedges is recorded as a current asset in 'prepayments and accrued income' or as a current liability in 'total current borrowings'. The foreign exchange result on the outstanding fair value hedges is recorded in the income statement and mitigates the foreign exchange exposure and results on the underlying balance sheet items.

The fair value has been calculated against the relevant market rates at 31 December 2007 and 31 December 2006 respectively.

The details relating to outstanding foreign exchange contracts as per 31 December 2007 are presented below:

| At 31 December                         | Fair value | Hedge      | Amount in equity |
|--|------------|------------|------------------|
| <b>Foreign exchange contracts 2007</b> |            |            |                  |
| 461                                    | 5          | Fair value | 0                |
| 642                                    | (9)        | Fair value | 0                |
| <b>Foreign exchange contracts 2006</b> |            |            |                  |
| 282                                    | 3          | Fair Value | 0                |
| 621                                    | (6)        | Fair Value | 0                |

(in € millions)

The cash flow hedges on highly probable forecasted transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and

losses recognised in the hedging reserve in equity on the effective portion of the forward exchange contracts as of 31 December 2007 amount to €0 (2006: 0). These reserves are recognised in the income statement in the period or periods during which the hedged forecasted transaction affects the income statement.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amounts to a profit/loss of €0 million (2006: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amounts to a profit/loss of €0 million (2006: 0 million).

### 32 Earnings per share

(No corresponding financial statement number)

| Year averages and numbers at 31 December   | 2007               | 2006               |
|--|--------------------|--------------------|
| Number of issued and outstanding ordinary shares                                     | 379,224,255        | 422,767,601        |
| Shares held by the company to cover share plans                                      | 1,716,060          | 2,884,441          |
| Shares held by the company for cancellation  | 6,977,275          | 27,640,543         |
| Average number of ordinary shares per year   | 383,028,938        | 420,701,641        |
| Diluted number of ordinary shares per year   | 2,043,048          | 3,157,581          |
| <b>Average number of ordinary shares per year on fully diluted basis in the year</b> | <b>385,071,986</b> | <b>423,859,222</b> |

### 33 Joint ventures

(No corresponding financial statement number)

The company accounts for joint ventures in which TNT and another party have equal control according to the proportionate consolidation method. TNT's only significant joint venture as at 31 December 2007 is the 50% interest in Postkantoren B.V. with Postbank N.V. to operate post offices in the Netherlands.

Key pro rata information regarding all of TNT's joint ventures in which TNT has joint decisive influence over operations is set forth below and includes balances at 50%:

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the average number of all potentially dilutive shares. At 31 December 2007 TNT had potential obligations under stock options and share grants to deliver 3,294,553 shares (2006: 4,553,308). There was no difference in the income attributable to shareholders in computing TNT's basic and diluted earnings per share.

For calculating basic earnings per share, an average of 383,028,938 ordinary shares is taken into account. For calculating diluted earnings per share an average number of 385,071,986 ordinary shares is taken into account.

The following table summarises TNT's computation related to earnings per share and diluted earnings per share:

| Year ended at 31 December                      | 2007        | 2006      |
|--|-------------|-----------|
| Non-current assets                             | 48          | 54        |
| Current assets                                 | 155         | 182       |
| Equity   | 54          | 56        |
| Non-current liabilities                        | 77          | 95        |
| Current liabilities                            | 72          | 85        |
| Net sales                                      | 339         | 395       |
| Operating income                               | 15          | 18        |
| <b>Profit attributable to the shareholders</b> | <b>12</b>   | <b>10</b> |
| Net cash provided by operating activities      | 5           | 22        |
| Net cash used in investing activities          | (3)         | (8)       |
| Net cash used in financing activities          | (13)        | (14)      |
| <b>Changes in cash and cash equivalents</b>    | <b>(11)</b> | <b>0</b>  |

(in € millions)

### 34 Related party transactions and balances

(No corresponding financial statement number)

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

During 2007, sales made by TNT companies to its joint ventures amounted to €18 million (2006: 8). Purchases of TNT from joint ventures amounted to €83 million (2006: 103). The net amounts due to the joint venture entities amounted to €65 million (2006: 58). As at 31 December 2007, no material amounts were payable by TNT to associated companies.

### 35 Segment information

(No corresponding financial statement number)

The presentation of segment information in the consolidated financial statements is presented from a product perspective. The Board of Management receives operational and financial information on a monthly basis which is primarily based on the different products and customer solutions TNT offers. In addition, segment information from a geographical perspective has been presented to give an overview of the main markets. TNT distinguishes between the following three reportable segments:

| Year ended at 31 December 2007                        | Express      | Mail         | Other networks | Inter-company | Non-allocated | Total         |
|---|--------------|--------------|----------------|---------------|---------------|---------------|
| Net sales   | 6,434        | 4,197        | 251            |               | 3             | 10,885        |
| Inter-company sales                                   | 14           | 11           | 2              | (27)          |               |               |
| Other operating revenues                              | 103          | 26           | 3              |               |               | 132           |
| <b>Total operating revenues</b>                       | <b>6,551</b> | <b>4,234</b> | <b>256</b>     | <b>(27)</b>   | <b>3</b>      | <b>11,017</b> |
| Other income  | 9            | 64           | 2              |               |               | 75            |
| Depreciation/impairment property, plant and equipment | (163)        | (108)        | (2)            |               | (3)           | (276)         |
| Amortisation/impairment intangibles                   | (46)         | (27)         |                |               |               | (73)          |
| <b>Total operating income</b>                         | <b>599</b>   | <b>626</b>   | <b>11</b>      |               | <b>(44)</b>   | <b>1,192</b>  |
| Net financial income/(expense)                        |              |              |                |               |               | (94)          |
| Results from investments in associates                |              |              |                |               |               | 1             |
| Income tax  |              |              |                |               |               | (316)         |
| Profit/(loss) from discontinued operations            |              |              |                |               |               | 206           |
| <b>Profit for the period</b>                          |              |              |                |               |               | <b>989</b>    |
| Attributable to:                                      |              |              |                |               |               |               |
| Minority interests                                    |              |              |                |               |               | 3             |
| <b>Equity holders of the parent</b>                   |              |              |                |               |               | <b>986</b>    |
| Number of employees                                   | 75,032       | 84,929       | 1,385          |               | 236           | 161,582       |

(in € millions, except employees)

Taxes and net financial income are dealt with at group level and not within the reportable segments. As a result this information is not presented as part of the reportable segments. The key financial performance indicator for management of the reportable segments is operating income, which is reported on a monthly basis to the chief operating decision makers.

The material exceptional items in the 2007 income statement are the restructuring charges of €110 million and the onerous contract provision of €23 million within the Mail division.

— **Express business.** The Express business provides demand door-to-door express delivery services for customers sending documents, parcels and freight.

— **Mail business.** The Mail business provides services for collecting, sorting, transporting and distributing domestic and international mail.

— **Other networks business.** The Other network business provides time-critical deliveries to individually agreed delivery point for business customers during the night.

Although the Other networks business does not meet the quantitative thresholds as required by IFRS 8, management concluded that this segment should be reported, as this segment has its own network apart from the Express and Mail business and falls under the responsibility of the Chief Financial Officer.

The measure of profit and loss and assets and liabilities is based on the TNT Group Accounting Policies which are compliant with IFRS.

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

#### Segmentation – results

In the table below a reconciliation is presented of the segment information relating to the income statement of the reportable segments.

These exceptional items are non-cash movements. Other material non-cash items are the pension costs of €45 million within Mail division (2006: 120).

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

| Year ended at 31 December 2006                        | Express <sup>2</sup> | Mail         | Other networks <sup>2</sup> | Inter-company | Non-allocated | Total         |
|---|----------------------|--------------|-----------------------------|---------------|---------------|---------------|
| Net sales   | 5,672                | 4,025        | 250                         |               | 1             | 9,948         |
| Inter-company sales                                   | 7                    | 8            | 5                           | (20)          |               |               |
| Other operating revenues                              | 79                   | 32           | 1                           |               |               | 112           |
| <b>Total operating revenues</b>                       | <b>5,758</b>         | <b>4,065</b> | <b>256</b>                  | <b>(20)</b>   | <b>1</b>      | <b>10,060</b> |
| Other income  | 4                    | 58           | 2                           |               | 1             | 65            |
| Depreciation/impairment property, plant and equipment | (140)                | (107)        | (2)                         |               | (6)           | (255)         |
| Amortisation/impairment intangibles                   | (35)                 | (28)         | 1                           |               | (1)           | (63)          |
| <b>Total operating income<sup>1</sup></b>             | <b>560</b>           | <b>761</b>   | <b>7</b>                    |               | <b>(52)</b>   | <b>1,276</b>  |
| Net financial income/(expense)                        |                      |              |                             |               |               | (47)          |
| Results from investments in associates                |                      |              |                             |               |               | (6)           |
| Income tax  |                      |              |                             |               |               | (395)         |
| Profit/(loss) from discontinued operations            |                      |              |                             |               |               | (157)         |
| <b>Profit for the period</b>                          |                      |              |                             |               |               | <b>671</b>    |
| Attributable to:                                      |                      |              |                             |               |               |               |
| Minority interests                                    |                      |              |                             |               |               | 1             |
| <b>Equity holders of the parent</b>                   |                      |              |                             |               |               | <b>670</b>    |
| Number of employees                                   | 52,638               | 84,731       | 1,422                       |               | 431           | 139,222       |

(in € millions, except employees)

<sup>1</sup> — The segmenting has been adjusted for €13 million regarding the revised allocation of the non-allocated costs to Express using the actual incurred costs in 2007.

<sup>2</sup> — Figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

In 2007, non-allocated operating costs amounted to €44 million (2006: 52). Included in these costs was €13 million (2006: 14) for business initiatives, which mainly related to investigations to optimise TNT's network strategy introduced in 2005 and costs relating to an initiative to further drive value "below the line". Costs made to support the World Food Programme (WFP) and Planet Me amounted to €10 million (2006: 8). Included in the costs for the WFP were costs for knowledge transfer, hands on support, raising awareness and funds for the WFP including cash donations. Planet Me is a TNT initiative to have an active contribution to reduce CO<sub>2</sub> emissions to avoid further global warming. The other costs were €21 million (2006: 30), which represent a decrease of €9 million mainly related to lower costs for tax investigations.

Year ended at 31 December

| Non-allocated operating income | 2007        | 2006              |
|--------------------------------|-------------|-------------------|
| Business initiatives           | (13)        | (14) <sup>1</sup> |
| World Food Programme           | (10)        | (8)               |
| Other costs                    | (21)        | (30)              |
| <b>Total</b>                   | <b>(44)</b> | <b>(52)</b>       |

(in € millions)

<sup>1</sup> — The segmenting has been adjusted for €13 million regarding the revised allocation of the non-allocated costs to Express using the actual incurred costs in 2007.

#### Balance sheet information

Below a reconciliation is presented of the segment information relating to the balance sheet of the reportable segments.

| At 31 December 2007                                  | Express | Mail  | Other networks | Non-allocated | Total |
|--|---------|-------|----------------|---------------|-------|
| Goodwill paid in the year                            | 236     | 20    |                |               | 256   |
| Intangible assets                                    | 1,748   | 330   | 43             | (2)           | 2,119 |
| Capital expenditure on property, plant and equipment | 315     | 73    | 2              |               | 390   |
| Property, plant and equipment                        | 1,162   | 609   | 8              | 6             | 1,785 |
| Investments in associates                            | 2       | 1     |                | 80            | 83    |
| Accounts receivable                                  | 1,147   | 441   | 35             | 33            | 1,656 |
| Total assets <sup>1</sup>                            | 4,504   | 1,622 | 95             | 864           | 7,085 |
| Total liabilities                                    | 1,483   | 1,113 | 27             | 2,511         | 5,134 |

(in € millions)

<sup>1</sup> — Identifiable assets also used for the segments have been allocated on the basis of estimated usages.

The capital expenditure relating to intangible assets amount to €69 million for Express (2006: 64) and €26 million for Mail (2006: 0) and nil for Other networks (2006:0).

The balance sheet information at 31 December 2006 is as follows:

| At 31 December 2006                                  | Express <sup>1</sup> | Mail  | Other networks <sup>1</sup> | Non-allocated | Total |
|--|----------------------|-------|-----------------------------|---------------|-------|
| Goodwill paid in the year                            | 58                   | 41    |                             |               | 99    |
| Intangible assets                                    | 1,437                | 301   | 43                          | 4             | 1,785 |
| Capital expenditure on property, plant and equipment | 327                  | 84    | 2                           | 4             | 417   |
| Property, plant and equipment                        | 1,008                | 651   | 7                           | 12            | 1,678 |
| Investments in associates                            |                      | 1     | 1                           | 56            | 58    |
| Accounts receivable                                  | 992                  | 415   | 33                          | 121           | 1,561 |
| Total assets <sup>2</sup>                            | 3,912                | 2,111 | 94                          | 691           | 6,808 |
| Total liabilities <sup>3</sup>                       | 1,351                | 1,880 | 37                          | 1,532         | 4,800 |

(in € millions)

1 — Figures have been adjusted to reflect the transfer of Innight from Express to Other networks in 2007.

2 — Identifiable assets also used for the segments have been allocated on the basis of estimated usages. The impact of TNT's discontinued freight management operations is included in the non-allocated segment. The changed presentation method for the pensions as introduced in 2007 has resulted in de €500 million grossing-up impact on the assets and liabilities.

3 — Includes all liabilities (non-current, current). The impact of TNT's discontinued freight management operations is included in the non-allocated segment.

## Geographical segment information

The segment information from a geographical perspective is derived as follows:

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

| Year ended at 31 December           | 2007          | 2006         |
|-------------------------------------|---------------|--------------|
| <b>Europe</b>                       |               |              |
| The Netherlands                     | 3,619         | 3,633        |
| United Kingdom                      | 1,599         | 1,349        |
| Italy                               | 825           | 774          |
| Germany                             | 1,041         | 950          |
| France                              | 703           | 649          |
| Belgium                             | 300           | 277          |
| Rest of Europe                      | 1,158         | 1,130        |
| <b>Americas</b>                     |               |              |
| USA and Canada                      | 52            | 74           |
| Brazil                              | 244           | 15           |
| South & Middle America              | 32            | 28           |
| <b>Africa &amp; the Middle East</b> | 103           | 89           |
| <b>Australia &amp; Pacific</b>      | 478           | 442          |
| <b>Asia</b>                         |               |              |
| China and Taiwan                    | 447           | 288          |
| India                               | 77            | 51           |
| Rest of Asia                        | 207           | 199          |
| <b>Total net sales</b>              | <b>10,885</b> | <b>9,948</b> |

(in € millions)

The location of the total assets of TNT at 31 December 2007  
and the capital expenditures (including finance leases) in 2007  
were as follows:

| At 31 December 2007                 | Intangible<br>assets | Property,<br>plant and<br>equipment | Financial<br>fixed assets | Pension<br>assets | Trade<br>receivables | Other<br>current<br>assets | Total<br>assets | Capital<br>expenditures<br>assets |
|-------------------------------------|----------------------|-------------------------------------|---------------------------|-------------------|----------------------|----------------------------|-----------------|-----------------------------------|
| <b>Europe</b>                       |                      |                                     |                           |                   |                      |                            |                 |                                   |
| The Netherlands <sup>1</sup>        | 1,016                | 655                                 | 108                       | 594               | 256                  | 263                        | <b>2,892</b>    | 96                                |
| United Kingdom                      | 188                  | 410                                 | 5                         |                   | 232                  | 100                        | <b>935</b>      | 111                               |
| Italy                               | 48                   | 35                                  | 34                        |                   | 270                  | 61                         | <b>448</b>      | 18                                |
| Germany                             | 133                  | 79                                  | 61                        |                   | 110                  | 49                         | <b>432</b>      | 30                                |
| France                              | 287                  | 71                                  | 11                        |                   | 106                  | 29                         | <b>504</b>      | 19                                |
| Belgium                             | 31                   | 324                                 | 3                         |                   | 65                   | 53                         | <b>476</b>      | 142                               |
| Rest of Europe                      | 70                   | 60                                  | 11                        |                   | 182                  | 110                        | <b>433</b>      | 27                                |
| <b>Americas</b>                     |                      |                                     |                           |                   |                      |                            |                 |                                   |
| USA and Canada                      |                      | 2                                   | 34                        |                   | 6                    | 8                          | <b>50</b>       | 1                                 |
| Brazil                              | 167                  | 35                                  | 1                         |                   | 23                   | 13                         | <b>239</b>      | 7                                 |
| South & Middle America              |                      | 2                                   | 1                         |                   | 9                    | 4                          | <b>16</b>       | 2                                 |
| <b>Africa &amp; the Middle East</b> |                      |                                     |                           |                   |                      |                            |                 |                                   |
|                                     | 3                    | 4                                   |                           |                   | 24                   | 16                         | <b>47</b>       | 2                                 |
| <b>Australia &amp; Pacific</b>      |                      |                                     |                           |                   |                      |                            |                 |                                   |
|                                     | 21                   | 74                                  | 48                        |                   | 51                   | 14                         | <b>208</b>      | 15                                |
| <b>Asia</b>                         |                      |                                     |                           |                   |                      |                            |                 |                                   |
| China and Taiwan                    | 117                  | 20                                  | 1                         |                   | 69                   | 28                         | <b>235</b>      | 10                                |
| India                               | 34                   | 3                                   | 1                         |                   | 15                   | 14                         | <b>67</b>       | 1                                 |
| Rest of Asia                        | 4                    | 11                                  | 6                         |                   | 34                   | 38                         | <b>93</b>       | 6                                 |
| <b>Total</b>                        | <b>2,119</b>         | <b>1,785</b>                        | <b>325</b>                | <b>594</b>        | <b>1,452</b>         | <b>800</b>                 | <b>7,075</b>    | <b>487</b>                        |

(in € millions)

<sup>1</sup> — Including the goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide by Royal Nederland N.V.

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

| At 31 December 2006                 | Intangible<br>assets | Property,<br>plant and<br>equipment | Financial<br>fixed assets | Pension<br>assets | Trade<br>receivables | Other<br>current<br>assets | Total<br>assets | Capital<br>expenditures<br>assets |
|-------------------------------------|----------------------|-------------------------------------|---------------------------|-------------------|----------------------|----------------------------|-----------------|-----------------------------------|
| <b>Europe</b>                       |                      |                                     |                           |                   |                      |                            |                 |                                   |
| The Netherlands <sup>1</sup>        | 1,005                | 692                                 | 104                       | 500               | 255                  | 238                        | <b>2,794</b>    | 108                               |
| United Kingdom                      | 168                  | 464                                 |                           |                   | 212                  | 98                         | <b>942</b>      | 176                               |
| Italy                               | 45                   | 36                                  | 36                        |                   | 223                  | 63                         | <b>403</b>      | 17                                |
| Germany                             | 117                  | 64                                  | 125                       |                   | 103                  | 51                         | <b>460</b>      | 19                                |
| France                              | 287                  | 66                                  | 12                        |                   | 107                  | 48                         | <b>520</b>      | 16                                |
| Belgium                             | 31                   | 202                                 | 4                         |                   | 52                   | 29                         | <b>318</b>      | 124                               |
| Rest of Europe                      | 67                   | 52                                  | 8                         |                   | 175                  | 147                        | <b>449</b>      | 22                                |
| <b>Americas</b>                     |                      |                                     |                           |                   |                      |                            |                 |                                   |
| USA and Canada                      |                      | 3                                   | 1                         |                   | 12                   | 6                          | <b>22</b>       | 2                                 |
| South & Middle America              | 1                    | 2                                   | 1                         |                   | 11                   | 13                         | <b>28</b>       | 1                                 |
| <b>Africa &amp; the Middle East</b> |                      |                                     |                           |                   |                      |                            |                 |                                   |
|                                     | 2                    | 4                                   |                           |                   | 21                   | 13                         | <b>40</b>       | 4                                 |
| <b>Australia &amp; Pacific</b>      |                      |                                     |                           |                   |                      |                            |                 |                                   |
|                                     | 21                   | 70                                  | 16                        |                   | 50                   | 9                          | <b>166</b>      | 13                                |
| <b>Asia</b>                         |                      |                                     |                           |                   |                      |                            |                 |                                   |
| China and Taiwan                    | 5                    | 8                                   |                           |                   | 53                   | 46                         | <b>112</b>      | 9                                 |
| India                               | 35                   | 4                                   | 2                         |                   | 11                   | 12                         | <b>64</b>       | 4                                 |
| Rest of Asia                        | 1                    | 11                                  | 5                         |                   | 34                   | 30                         | <b>81</b>       | 5                                 |
| <b>Total</b>                        | <b>1,785</b>         | <b>1,678</b>                        | <b>314</b>                | <b>500</b>        | <b>1,319</b>         | <b>803</b>                 | <b>6,399</b>    | <b>520</b>                        |

(in € millions)

<sup>1</sup> — Including the goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide by Royal Nederland N.V.

The location of employees at year end is as follows:

|                                     | Express       | Mail          | Other networks | Non-allocated | 2007           | 2006           |
|-------------------------------------|---------------|---------------|----------------|---------------|----------------|----------------|
| <b>Europe</b>                       |               |               |                |               |                |                |
| The Netherlands                     | 2,734         | 58,991        | 207            | 234           | 62,166         | 61,269         |
| United Kingdom                      | 11,977        | 932           |                |               | 12,909         | 12,504         |
| Italy                               | 3,171         | 1,363         |                |               | 4,534          | 4,284          |
| Germany                             | 4,351         | 14,245        | 967            |               | 19,563         | 20,473         |
| France                              | 4,871         | 27            |                | 1             | 4,899          | 4,717          |
| Belgium                             | 2,445         | 601           | 40             |               | 3,086          | 2,939          |
| Rest of Europe                      | 8,304         | 8,648         | 171            |               | 17,123         | 16,607         |
| <b>Americas</b>                     |               |               |                |               |                |                |
| USA and Canada                      | 793           | 51            |                |               | 844            | 960            |
| Brazil                              | 6,428         |               |                |               | 6,428          | 201            |
| South & Middle America              | 549           |               |                |               | 549            | 448            |
| <b>Africa &amp; the Middle East</b> | 1,561         | 8             |                |               | 1,569          | 1,514          |
| <b>Australia &amp; Pacific</b>      | 4,935         |               |                |               | 4,935          | 5,011          |
| <b>Asia</b>                         |               |               |                |               |                |                |
| China and Taiwan                    | 16,628        | 63            |                | 1             | 16,692         | 2,619          |
| India                               | 2,395         |               |                |               | 2,395          | 2,399          |
| Rest of Asia                        | 3,890         |               |                |               | 3,890          | 3,277          |
| <b>Total</b>                        | <b>75,032</b> | <b>84,929</b> | <b>1,385</b>   | <b>236</b>    | <b>161,582</b> | <b>139,222</b> |

Including temporary employees on TNT's payroll. The 2006 numbers have been adjusted for comparative purposes.

### <sup>36</sup> Subsequent events

(No corresponding financial statement number)

#### Repurchase programme

On 4 January 2008, the company completed a first €200 million tranche (announced on 9 November 2007) of the €500 million share buy-back programme announced on 30 July 2007. TNT repurchased a total of 6,977,275 shares of this first tranche in 2007 and 208,419 shares with a total value of €6 million in 2008.

On 6 December 2007, TNT announced the start of the second €100 million tranche of the €500 million share repurchase programme and completed the buy back of this tranche on 15 February 2008. TNT repurchased a total of 3,849,210 shares of this second tranche in 2008. It is TNT's intention to cancel the shares repurchased under the €500 million share buy-back programme. A proposal for such cancellation will be included in the agenda of the annual general meeting of shareholders of 2008.

#### TNT Post Germany

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

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

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

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

<sup>37</sup> Postal regulation and concession  
(No corresponding financial statement number)

In the Netherlands, the key legislation regulating TNT's Mail activities is the Dutch Postal Act. This Act requires TNT to perform the mandatory postal services in the Netherlands, some of which are exclusive to TNT (the reserved postal services). In connection with the Dutch Postal Act there is the parliamentary Postal Decree, which specifies the services that constitute the mandatory postal services and defines the scope of the reserved postal services. The combination of these mandates and exclusive rights is commonly called the "Postal Concession". The Postal Concession is performed by TNT's subsidiary Royal TNT Post B.V.

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

OPTA, the independent Supervisory Authority for Post and Telecommunications established by the government, supervises TNT's performance of the mandatory postal services. The responsibility for postal policy remains under the authority of the Minister of Economic Affairs.

On 5 June 2007 the Second Chamber of Parliament adopted a new Postal Act. This Act foresees the full liberalisation of the Dutch postal market ahead of the EU timetable. To ensure that the mandatory postal services are provided, the Act intends to assign Royal TNT Post B.V. the Postal Concession. The Act will have to be approved by the First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms on the postal markets of Germany and the United Kingdom.

In December 2007, the Dutch Minister of Economic Affairs made use of the so-called 'emergency-brake procedure' when liberalisation as of 1 January 2008 was postponed for at least three months. The Minister based his decision on two arguments: First, the lack of clarity about the level playing field with Germany (the effects of the introduction of a minimum wage in the German postal sector are still unknown. In addition, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics). Second, in the Netherlands, new postal operators and the unions have been given more time to reach an agreement on employment conditions.

In the coming months a decision of the First Chamber of Parliament is expected on the Postal Act. In February the Minister of Economic Affairs will inform the Second Chamber of Parliament about the status of the level playing field with Germany and labour conditions in the Netherlands. During the course of 2008, lower legislation, i.e. the Postal Decree and General Postal Regulations Decree will be amended to fit the new Postal Act.

The postal concession  
*Mandatory postal services*

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

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

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

The Postal Act does not require TNT to provide the delivery of bulk printed matter such as advertising, magazines and newspapers, the delivery of bulk letters with an individual weight above 50 grammes and unaddressed mail items.

For international inbound and outbound mail, based on the Dutch Postal Act and in accordance with the rules of the UPU, mandatory postal services mainly comprise the conveyance against payment of both postal items at standard single rates and of bulk mail items at separately agreed rates with a maximum individual weight of two kilogrammes and of postal parcels with a maximum individual weight of 20 kilogrammes. In addition, mandatory postal services cover the postal services regulated by the UPU.

*Regulatory conditions for the provision of mandatory postal services*

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

According to section 2d of the Dutch Postal Act, TNT is obliged to give its competitors entrance to its P.O. boxes. This service has to be delivered against reasonable, objectively justifiable and non-discriminatory conditions and remunerations. To date these conditions and remunerations are negotiated results between parties. A similar, voluntary arrangement is made with TNT's competitors with regard to mail items of competitors that enter TNT's processes through the collection boxes.

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

The price cap system measures tariff developments in two different baskets of services, a "total basket" and a "small users basket". The total basket comprises domestic mandatory postal services provided to all customers. The small users basket comprises the same services in mutual relations which are representative for consumers and small business users.

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

The price cap system was last evaluated in 2002. Since an earlier decision of the Ministry of Economic Affairs to freeze the tariffs controlled by the price cap system was declared void in June 2004, TNT has remained able to amend the individual rates for mandatory postal services, subject to the provisions of the tariff control system. As of 1 January 2007, after more than five and a half years without rate changes, the rate for single-item domestic letters up to 20 grammes was increased to €0.44. TNT intends not to increase the €0.44 rate again until 2010. The newly announced rates (12.1% average increase) remain within the inflation rate of 12.5% on aggregate since 2001. The rate increases fall within the maximum levels allowed by law, which has been confirmed by OPTA.

#### *Reserved postal services*

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

- the conveyance of domestic and inbound international letters with a maximum individual weight of 50 grammes at a rate of less than two and a half times the standard single rate (€0.44).
- the exclusive right to place letter boxes intended for the public alongside or on public roads, and
- the exclusive right to issue postal stamps and imprinted stamps bearing the likeness of the monarch and/or the word “Nederland”.

These exclusive rights do not extend to courier services. The exclusive rights also do not extend to the conveyance of parcels, letters weighing in excess of 50 grammes and printed materials such as advertising, newspapers and magazines. In addition, the exclusive rights do not extend to the conveyance of letters by a business to its own customers.

#### *Accounting and other financial obligations*

TNT's obligations on reporting include the establishment of an annual report on TNT's performance of the mandatory postal services. TNT's financial accounting obligations require TNT to maintain separate financial accounts within its internal financial administration for mandatory postal services. This separate accounting must be broken down into reserved postal services and other mandatory postal services and must be separated from the accounting of TNT's other activities. Every year, TNT must submit to OPTA a declaration of an independent auditor, appointed by OPTA, that its financial accounting system complies with these obligations. This declaration has to be published by OPTA in the “Staatscourant”.

Underlying this accounting system and the financial reports to OPTA is a system for allocating cost and revenues to the different types of services. This system complies with the accounting rules laid down in the EU Postal Directive.

#### *Value added tax on postal services*

At present, TNT is not allowed to charge value added tax (VAT) on postal items forming part of the mandatory postal services. The flip side of this is that for mandatory postal services TNT cannot deduct the VAT amounts paid on its purchases of services and goods related to the mandatory services. TNT is required to charge VAT on all services not included in the mandatory services, i.e. the services in competition with other operators. Competitors are required to charge VAT on those items as well. Therefore, in the Netherlands there is a level playing field for competitors and TNT on these services. In most other Member States of the European Union the scope of mandatory services is very large. Hence a VAT-exemption is

given to national postal operators over a considerable part of the postal market in these countries. According to the European Commission, this distorts the functioning of the Internal Market for postal services. It has launched an infringement procedure against Germany, the United Kingdom and Sweden on this VAT issue in order to resolve it.

# TNT N.V. corporate balance sheets

| At 31 December                                 |  | 2007         | variance % | 2006         |
|--|--|--------------|------------|--------------|
| <b>Before proposed appropriation of profit</b> |  |              |            |              |
| <b>Assets</b>                                  |  |              |            |              |
| <b>Non-current assets</b>                      |  |              |            |              |
|  | Investments in group companies           | 4,250        |            | 3,672        |
|  | Investments in associates                | 77           |            | 56           |
|  | Financial fixed assets at fair value     | 11           |            |              |
|  | Deferred tax assets                      | 1            |            | 5            |
| 38   | <b>Total financial fixed assets</b>      | <b>4,339</b> | 16.2       | <b>3,733</b> |
| 39   | Pension asset                            | 631          | 27.5       | 495          |
|  | <b>Total non-current assets</b>          | <b>4,970</b> | 17.5       | <b>4,228</b> |
| <b>Current assets</b>                          |  |              |            |              |
|  | Accounts receivable from group companies | 5            |            | 97           |
|  | Other accounts receivable                | 1            |            | 30           |
|  | Cash and cash equivalents                | 7            |            | 16           |
|  | <b>Total current assets</b>              | <b>13</b>    | (90.9)     | <b>143</b>   |
|  | <b>Total assets</b>                      | <b>4,983</b> | 14.0       | <b>4,371</b> |
| <b>Liabilities and equity</b>                  |  |              |            |              |
| 40   | 9 <b>Shareholders equity</b>             |              |            |              |
|  | Issued share capital                     | 182          |            | 203          |
|  | Additional paid in capital               | 982          |            | 1,245        |
|  | Cumulative translation adjustment        | (82)         |            | (5)          |
|  | Hedge reserves                           | (22)         |            | (21)         |
|  | Unappropriated profit                    | 871          |            | 561          |
|  | <b>Total shareholders' equity</b>        | <b>1,931</b> | (2.6)      | <b>1,983</b> |
|  | <b>Non-current liabilities</b>           |              |            |              |
| 13   | Long term debts                          | 1,019        |            | 1,004        |
|  | <b>Total non-current liabilities</b>     | <b>1,019</b> | 1.5        | <b>1,004</b> |
|  | <b>Current liabilities</b>               |              |            |              |
|  | Accounts payable to group companies      | 1,289        |            | 1,292        |
|  | Short term provision                     | 44           |            | 47           |
| 41   | Other current liabilities                | 671          |            | 33           |
|  | Accrued current liabilities              | 29           |            | 12           |
|  | <b>Total current liabilities</b>         | <b>2,033</b> | 46.9       | <b>1,384</b> |
|  | <b>Total liabilities and equity</b>      | <b>4,983</b> | 14.0       | <b>4,371</b> |

(in € millions, except percentages)

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

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

# TNT N.V. corporate statements of income

| Year ended at 31 December                                      | 2007       | 2006       |
|--|------------|------------|
| Results from continuing operations                             | 720        | 806        |
| Results from discontinued operations                           | 206        | (70)       |
| <b>Results from investments in group companies after taxes</b> | <b>926</b> | <b>736</b> |
| Other income and expenses after taxes                          | 60         | (66)       |
| <b>Profit attributable to the shareholders</b>                 | <b>986</b> | <b>670</b> |

(in € millions)

# Notes to the corporate balance sheets and statements of income

## Accounting policies for valuation and determination of result TNT N.V.

The corporate financial statements for the year ended at 31 December 2007 have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. TNT has applied the option in Article 362 (8) to use the same principles of valuation and determination of result for the corporate financial statements as the consolidated financial statements. As a result TNT's investments in group companies are carried at net asset value. For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated balance sheet and statements of income.

<sup>38</sup> Total financial fixed assets: 4,339 million (2006: 3,733)

| Statement of changes<br>financial fixed assets | Investments<br>in group<br>companies | Investments in<br>associates | Deferred tax<br>assets | Financial fixed<br>assets at<br>fair value | Total          |
|--|--------------------------------------|------------------------------|------------------------|--|----------------|
| <b>Balance at 31 December 2005</b>             | <b>4,428</b>                         | <b>43</b>                    | <b>5</b>               |  | <b>4,476</b>   |
| <b>Changes in 2006</b>                         |                                      |                              |                        |  |                |
| Results  | 736                                  | (6)                          |                        |  | <b>730</b>     |
| Acquisitions/additions                         | 647                                  | 19                           |                        |  | <b>666</b>     |
| Disposals/decreases                            | (2,138)                              |                              |                        |  | <b>(2,138)</b> |
| Withdrawals/repayments                         |                                      |                              |                        |  |                |
| Exchange rate differences                      | (1)                                  |                              |                        |  | <b>(1)</b>     |
| Other changes                                  |                                      |                              |                        |  |                |
| <b>Total changes</b>                           | <b>(756)</b>                         | <b>13</b>                    |                        |  | <b>(743)</b>   |
| <b>Balance at 31 December 2006</b>             | <b>3,672</b>                         | <b>56</b>                    | <b>5</b>               |  | <b>3,733</b>   |
| <b>Changes in 2007</b>                         |                                      |                              |                        |  |                |
| Results  | 926                                  | (5)                          |                        |  | <b>921</b>     |
| Acquisitions/additions                         | 192                                  | 26                           |                        | 15   | <b>233</b>     |
| Disposals/decreases                            | (459)                                |                              | (4)                    | (13)                                       | <b>(476)</b>   |
| Withdrawals/repayments                         |                                      |                              |                        |  |                |
| Exchange rate differences                      | (81)                                 |                              |                        |  | <b>(81)</b>    |
| Other changes                                  |                                      |                              |                        | 9  | <b>9</b>       |
| <b>Total changes</b>                           | <b>578</b>                           | <b>21</b>                    | <b>(4)</b>             | <b>11</b>                                  | <b>606</b>     |
| <b>Balance at 31 December 2007</b>             | <b>4,250</b>                         | <b>77</b>                    | <b>1</b>               | <b>11</b>                                  | <b>4,339</b>   |

(in € millions)

39 Pension asset: 631 million (2006: 495)

TNT N.V. is the sponsoring employer for two Dutch pension plans, which are externally funded and are covering the majority of TNT's employees in the Netherlands. In accordance with IAS19.34a the net defined benefit cost is recognised in the corporate financial statements of TNT N.V. the other group companies recognise the costs equal to the contribution

payable for the period in their financial statements. For TNT N.V. the contributions received from other group entities offset the pension expense. The impact of the contributions is represented as participant contributions in the table below, which also reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT N.V. sponsored group pension plans. For additional details on the Dutch pension plans, see note 10.

|  | 2007           | 2006           |
|--|----------------|----------------|
| <b>Change in benefit obligation</b>                    |                |                |
| <b>Benefit obligation at beginning of year</b>         | <b>(4,468)</b> | <b>(4,502)</b> |
| Service costs  | (119)          | (137)          |
| Interest costs   | (214)          | (198)          |
| Amendments   | 0              | 8              |
| Prior service costs/termination benefit costs          | 0              | 0              |
| Curtailments/settlements                               | 0              | 9              |
| Actuarial (loss)/gain                                  | 701            | 271            |
| Benefits paid  | 90             | 81             |
| <b>Benefit obligation at end of year</b>               | <b>(4,010)</b> | <b>(4,468)</b> |
| <b>Change in plan assets</b>                           |                |                |
| <b>Fair value of plan assets at beginning of year</b>  | <b>4,602</b>   | <b>4,179</b>   |
| Actual return on plan assets                           | 104            | 382            |
| Participant contributions                              | 105            | 122            |
| Benefits paid  | (90)           | (81)           |
| <b>Fair value of plan assets at end of year</b>        | <b>4,721</b>   | <b>4,602</b>   |
| <b>Funded status as per 31 December</b>                |                |                |
| Funded status  | 711            | 134            |
| Unrecognised net actuarial loss                        | (114)          | 322            |
| Unrecognised prior service costs                       | 34             | 39             |
| <b>Pension assets</b>                                  | <b>631</b>     | <b>495</b>     |
| <b>Components of employer pension expense</b>          |                |                |
| Service costs  | (119)          | (137)          |
| Interest costs   | (214)          | (198)          |
| Expected return on plan assets                         | 369            | 342            |
| Amortisation of actuarial loss                         | (1)            | (24)           |
| Curtailement gain                                      | 0              | 8              |
| Other costs  | (3)            | (1)            |
| Participant contributions                              | 105            | 122            |
| <b>Total post employment benefit income/(expenses)</b> | <b>137</b>     | <b>112</b>     |
| <b>Weighted average assumptions as at 31 December</b>  |                |                |
| Discount rate  | 5.7%           | 4.7%           |
| Expected return on plan assets                         | 7.9%           | 7.9%           |
| Rate of compensation increase                          | 2.0%           | 2.0%           |
| Rate of benefit increase                               | 2.0%           | 2.0%           |

(in € millions, except percentages)

40 Equity: 1,931 million (2006: 1,983)

|   | Issued<br>share<br>capital | Additional<br>paid in<br>capital | Translation<br>reserve | Hedging<br>reserve | Other<br>reserves | Retained<br>earnings | Total<br>shareholders'<br>equity |
|---|----------------------------|----------------------------------|------------------------|--------------------|-------------------|----------------------|----------------------------------|
| <b>Balance at 31 December 2005</b>            | <b>230</b>                 | <b>1,421</b>                     | <b>(16)</b>            | <b>(12)</b>        | <b>1,080</b>      | <b>559</b>           | <b>3,262</b>                     |
| Profit for the period                         |                            |                                  |                        |                    |                   | 670                  | 670                              |
| Gains/(losses) on cashflow hedges, net of tax |                            |                                  |                        | (9)                |                   |                      | (9)                              |
| Currency translation adjustment               |                            |                                  | (1)                    |                    |                   |                      | (1)                              |
| <b>Total recognised income for the year</b>   |                            |                                  | <b>(1)</b>             | <b>(9)</b>         |                   | <b>670</b>           | <b>660</b>                       |
| Final dividend previous year                  |                            |                                  |                        |                    |                   | (173)                | (173)                            |
| Appropriation of net income                   |                            |                                  |                        |                    | 386               | (386)                | 0                                |
| Interim dividend current year                 |                            |                                  |                        |                    |                   | (109)                | (109)                            |
| Repurchases of shares / cancellation          | (27)                       | (176)                            |                        |                    | (1,533)           |                      | (1,736)                          |
| Share based compensation                      |                            |                                  |                        |                    | 13                |                      | 13                               |
| Other   |                            |                                  | 12                     |                    | 54                |                      | 66                               |
| <b>Total direct changes in equity</b>         | <b>(27)</b>                | <b>(176)</b>                     | <b>12</b>              |                    | <b>(1,080)</b>    | <b>(668)</b>         | <b>(1,939)</b>                   |
| <b>Balance at 31 December 2006</b>            | <b>203</b>                 | <b>1,245</b>                     | <b>(5)</b>             | <b>(21)</b>        |                   | <b>561</b>           | <b>1,983</b>                     |
| Profit for the period                         |                            |                                  |                        |                    |                   | 986                  | 986                              |
| Gains/(losses) on cashflow hedges, net of tax |                            |                                  |                        | (1)                |                   |                      | (1)                              |
| Currency translation adjustment               |                            |                                  | (81)                   |                    |                   |                      | (81)                             |
| <b>Total recognised income for the year</b>   |                            |                                  | <b>(81)</b>            | <b>(1)</b>         |                   | <b>986</b>           | <b>904</b>                       |
| Final dividend previous year                  |                            |                                  |                        |                    |                   | (183)                | (183)                            |
| Appropriation of net income                   |                            |                                  |                        |                    | 378               | (378)                | 0                                |
| Interim dividend current year                 |                            |                                  |                        |                    |                   | (115)                | (115)                            |
| Repurchases of shares / cancellation          | (21)                       | (263)                            |                        |                    | (423)             |                      | (707)                            |
| Share based compensation                      |                            |                                  |                        |                    | 14                |                      | 14                               |
| Other   |                            |                                  | 4                      |                    | 31                |                      | 35                               |
| <b>Total direct changes in equity</b>         | <b>(21)</b>                | <b>(263)</b>                     | <b>4</b>               |                    |                   | <b>(676)</b>         | <b>(956)</b>                     |
| <b>Balance at 31 December 2007</b>            | <b>182</b>                 | <b>982</b>                       | <b>(82)</b>            | <b>(22)</b>        |                   | <b>871</b>           | <b>1,931</b>                     |

(in € millions)

The translation and hedging reserves are legal reserves.  
The total amount of these legal reserves amount to  
-€104 million (2006: 26) which limits the dividend distribution  
for this amount. For additional details on equity, see note 9.

#### 41 Other current liabilities

The other current liabilities of €671 million as of 31 December 2007 include the nominal value of the 5.125% Eurobond of €637 million, see note 13 and 31.

#### 42 Wages and salaries

(No corresponding financial statement number)

TNT N.V. does not have any employees. Hence no salary and social security costs were incurred. In accordance with IAS19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT N.V., for further information on pension costs see note 39.

#### 43 Commitments not included in the balance sheet

(No corresponding financial statement number)

#### Declaration of joint and several liability

As at 31 December 2007 TNT N.V. has issued a declaration of joint and several liability for some of its group companies in compliance with article 403, Book 2 of the Dutch Civil Code.

Those group companies are:

- Koninklijke TNT Post B.V.
- TNT Holdings B.V.
- TNT Express Holdings B.V.
- TNT Head Office B.V.

#### Fiscal unity in the Netherlands

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

#### Guarantees

Parental support in the form of a guarantee has been provided by TNT N.V. relating to its subsidiary TNT Finance B.V. for a syndicated loan (€1,000 million), various loan facilities including a €1,000 million commercial paper programme, €175 million cash pooling credit facility and for various international swaps and derivatives association (ISDA) agreements.

TNT N.V. issued corporate guarantees for two of its subsidiaries amounting to €34 million.

A further guarantee of €20 million was issued for a credit facility of TNT China Holdings Co. LTD., which is an indirect subsidiary of the company.

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

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

#### 44 Subsidiaries and associated companies at 31 December 2007

(No corresponding financial statement number)

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

*Amsterdam, 18 February 2008*

### Board of Management

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

### Supervisory Board

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

### TNT N.V.

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

## 45 Other information

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

### Auditor's report

#### Report on the financial statements

We have audited the financial statements over 2007 of TNT N.V., Amsterdam, set out on pages 62 – 124. These financial statements consist of the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, consolidated statement of income, consolidated cash flow statement and consolidated statement of changes in total equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corporate financial statements comprise the corporate balance sheet as at 31 December 2007, the corporate statement of income for the year then ended and the notes.

#### Board of Management's responsibility

The Board of Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management set out on pages 6 – 37 and pages 42 – 53 in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements, set out on pages 62 – 119, give a true and fair view of the financial position of TNT N.V. as at 31 December 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

#### Opinion with respect to the corporate financial statements

In our opinion, the corporate financial statements, set out on pages 120 – 124, give a true and fair view of the financial position of TNT N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Board of Management set out on pages 6 – 37 and pages 42 – 53, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

*Amsterdam, 18 February 2008* —  
PricewaterhouseCoopers Accountants N.V.

Originally signed by drs. M. de Ridder RA

## Extract from the articles of association on appropriation of profit

Under TNT's current articles of association, the dividend specified in article 35, paragraph 1 will be paid on the preference shares B if outstanding. Subject to the approval of TNT's Supervisory Board, the Board of Management will determine which part of the profit remaining after payment of dividend on any preference shares B will be appropriated to the reserves (article 35, paragraph 2). The remaining profit after the appropriation to reserves shall be at the disposal of the general meeting of shareholders (articles 35, paragraph 3). No dividends shall be paid on shares held by TNT in its own capital (article 35, paragraph 6).

Preference shares B have not been issued.

## Appropriation of profit

Subject to the adoption of TNT's financial statements by the annual general meeting of shareholders, the proposed 2007 dividend has been set at €0.85 in cash per ordinary share of €0.48 par value. After adjusting for the interim dividend of €0.30 per ordinary share paid out in August 2007, the final dividend will be €0.55 per ordinary share.

|   |             |
|---|-------------|
| <b>Appropriation of profit</b>  | <b>2007</b> |
| Profit attributable to the shareholders   | 986         |
| Appropriation in accordance with the articles of association:   |             |
| Reserves adopted by the Board of Management and approved by the Supervisory Board (article 35, par.2) | (670)       |
| <b>Dividend on ordinary shares</b>  | <b>316</b>  |
| Interim dividend paid   | 115         |
| <b>Final dividend</b>   | <b>201</b>  |

(in € millions)

## Special control rights under the articles of association

On 17 November 2006, the State of the Netherlands transferred the special share in the company to TNT for free. As part of that transaction TNT agreed not to exercise the rights attached to this special share or transfer this share to a third party pending conversion of the special share into an ordinary share. The special share was converted into an ordinary share as part of an amendment to the articles of association. As a result the special share ceased to exist on 27 April 2007, the date on which the amendment of the articles of association became effective.

## Group companies of TNT N.V.

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

## Subsequent events

For information relating to subsequent events, see note 36.