Sure we can

Annual report 2008

Sure we can

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sure we can

sure we can

Cautionary note with regard to "forward-looking statements"

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

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

Introduction and financial highlights

This is TNT's annual report for the financial year ended 31 December 2008, prepared in accordance with Dutch regulations. 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 on 16 September 2007. TNT is therefore no longer required to file its annual report on Form 20-F.
However, where TNT thinks it is helpful, certain information is retained for comparative purposes. In this way TNT intends to provide its stakeholders with a clear overview of its financial year 2008.

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

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

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

Selected financial data

The selected financial data below have been derived from the audited consolidated financial statements of TNT N.V. and the related notes included in chapter 6 of this annual report.

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

Selected financial data

Year ended and position at 31 December

	2008	2007	2006	2005	2004
Statements of income					
Total revenues	**11,152**	11,017	10,060	9,329	8,827
Other income	**35**	75	65	38	8
Salaries and social security contributions	**(3,617)**	(3,608)	(3,384)	(3,318)	(3,216)
Depreciation, amortisation and impairments	**(399)**	(349)	(318)	(303)	(296)
Other expenses	**(6,189)**	(5,943)	(5,147)	(4,598)	(4,213)
Total operating expenses	**(10,205)**	(9,900)	(8,849)	(8,219)	(7,725)
Total operating income	**982**	1,192	1,276	1,148	1,110
Profit before income taxes	**802**	1,099	1,223	1,146	1,092
Profit for the period from continuing operations	**560**	783	828	770	720
Profit/(loss) from discontinued operations	**0**	206	(157)	(109)	32
Profit attributable to the shareholders	**556**	986	670	659	752
Ratios					
Operating margin (%)[1]	**8.8**	10.8	12.7	12.3	12.6
Average number of outstanding shares (in millions)	**363.6**	383.0	420.7	454.4	473.4
Earnings per ordinary share (in cents)[2]	**152.9**	257.4	159.3	145.0	158.9
Earnings from continuing operations per ordinary share (in cents)	**152.9**	203.6	196.6	169.0	152.1
Earnings from discontinued operations per ordinary share (in cents)	**0.0**	53.8	(37.3)	(24.0)	6.8
Average number of outstanding shares on diluted basis (in millions)	**364.7**	385.1	423.9	456.4	474.0
Earnings per diluted share (in cents)[2]	**152.5**	256.1	158.1	144.4	158.7
Earnings from continuing operations per diluted share (in cents)	**152.5**	202.6	195.1	168.3	151.9
Earnings from discontinued operations per diluted share (in cents)	**0.0**	53.5	(37.0)	(23.9)	6.8
Dividend per share (in cents)[3]	**71.0**	85.0	73.0	63.0	57.0
Dividend pay-out ratio (%)[3, 4]	**46.4**	33.0	45.8	43.4	35.9
Balance sheets					
Non-current assets	**4,730**	4,823	4,277	3,663	5,070
Current assets	**2,430**	2,252	2,122	2,355	3,159
Assets held for sale	**25**	10	409	2,378	0
Total assets	**7,185**	7,085	6,808	8,396	8,229
Equity	**1,757**	1,951	2,008	3,279	3,344
as % of total liabilities and equity	**25**	28	30	39	41
Non-current liabilities	**2,756**	2,232	2,112	1,608	2,221
Current liabilities	**2,672**	2,902	2,542	2,279	2,664
Liabilities related to assets classified as held for sale	**0**	0	146	1,230	0
Total liabilities and equity	**7,185**	7,085	6,808	8,396	8,229
Cash flow statements					
Net cash from operating activities	**923**	643	857	969	690
Net cash used in investing activities	**(257)**	(8)	1,068	(262)	(266)
Net cash used in financing activities	**(458)**	(635)	(2,152)	(768)	(298)
Changes in cash and cash equivalents from continuing operations	**208**	0	(227)	(61)	126
Net cash from operating activities	**0**	(19)	(63)	43	268
Net cash used in investing activities	**0**	4	(30)	(22)	(24)
Net cash used in financing activities	**0**	16	36	8	(202)
Changes in cash and cash equivalents from discontinued operations	**0**	1	(57)	29	42

(in millions, unless otherwise stated)

1 – Operating income as percentage of total revenues.

2 – Profit attributable to shareholders divided by the average number of (diluted) ordinary shares.

3 – Dividend per share for 2008 is calculated on the basis of the cash dividend of €34 cents per share and the proforma value of €37 cents for the proposed share dividend of one share for every forty shares to be paid out of distributable reserves and based on the volume weighted average share price of 11-13 February 2009 (€14.66).

4 – Dividend as percentage of earnings per share (EPS).

The information in this annual report, and in particular in chapters 2, 3, 4, 5, 7 and 10, should be read in conjunction with the consolidated financial statements that can be found in chapter 6.

The report of the Board of Management is included in chapters 2, 3, 4, 5, 7 and 10.

This annual report can also be viewed on TNT's corporate website: group.tnt.com.
Any information on the website other than the contents of this annual report does not form part of TNT's annual report.

Investing in TNT's securities involves risk. Carefully consider the risks set out in chapter 13 of this annual report.


TNT's Board of Management. From left to right: Harry Koorstra, Marie-Christine Lombard, Peter Bakker en Henk van Dalen.

FROM THE CEO

Navigating the perfect storm

Dear readers,

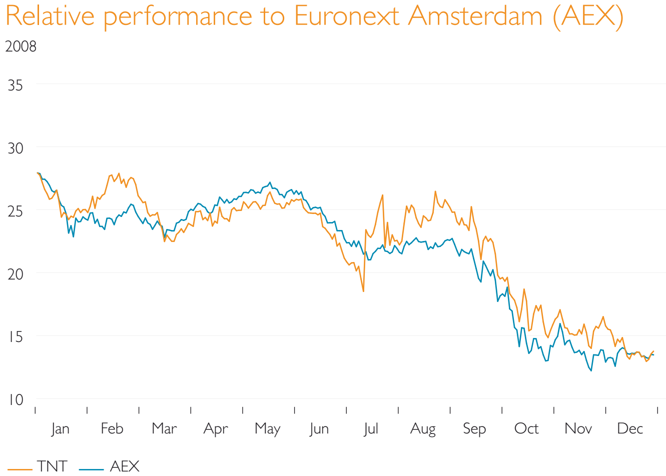
It is clear that all is not well with the world. We are in the midst of an unprecedented financial crisis combined with a harsh economic recession. And yet it is not just the economy that is in trouble. Of all the global issues the price of oil and measures required to prevent a climate crisis will most likely continue to impact our business.

Our report on 2008 contains two separate documents: in this annual report we report mainly on our business and financial performance. In our corporate responsibility report, published at the same time as our annual report, we provide information on many of the non-financial elements of our business, like our people, integrity, energy and climate performance.

Financial and operational performance

So how did TNT perform during a year in which "a perfect storm" hit globally affecting all sectors of business and most geographies? Stock exchanges across the world have gone through unprecedented declines and also the TNT share has depreciated by 51%, largely in line with the Euronext Amsterdam. The sudden decline in the economy and the speed of it has taken us all by surprise, leading to two profit outlook adjustments in October and December of 2008.

Relative performance to Euronext Amsterdam (AEX)



Source – Bloomberg Professional (own currency based)

Looking at our business performance in Express, the year started out in line with the trends from the last quarters of 2007. In June 2008, our Express air volumes started to decline and we witnessed further declines of volumes in September and from November onwards. An increasing number of our customers either lowered their output or decided to move their consignments out from our air network and into our road network for slower delivery at a lower cost, both trends adding up to a particularly negative impact on volumes in our air network although from November also our road volumes in Europe showed a clear decline. Network optimisation programmes have been implemented to cut costs to adjust for the volume declines, but given the speed and unprecedented levels of declines, significant pressure on profits in Express was unavoidable.

In Mail, the impact of the economy on the volume developments was much less visible. Mail volumes continued to decline in the Netherlands as a result of mainly substitution by electronic alternatives as well as ongoing growth in competitive networks, including our own VSP alternative network. We need to make the TNT Post activities in the Netherlands ready for full liberalisation. For this reason we continued discussions with the unions about a new collective labour agreement (CLA). For the first time since 1984 this led to limited work stoppages in several parts of the country. Both parties agreed to adopt a new one-year CLA, which will expire on 1 April 2009. Talks on a new production CLA commenced in the latter part of 2008 and will likely bring about a new CLA in the first quarter of 2009.

The liberalisation of the European mail market further requires our continuous attention. The situation surrounding the unfairly high minimum postal wage in Germany continues to be unsatisfactory and together with the unfair VAT rules provide real hindrance to the successful development of postal competition in Germany. In the Netherlands the government concluded not all conditions were met for a full opening of the postal market per end of the year. Political pressure to open the Dutch market in 2009 remains high.

In December, TNT expressed its interest to explore a strategic partnership with Royal Mail. Our interest was triggered by the publication of the Hooper Commission report, which recommends a strategic partnership with a private sector company and sets out a number of critical requirements for a sustainable future for Royal Mail. We believe that a strategic partnership with Royal Mail could make a lot of sense for both our companies.

Our brand and the TNT employees' can-do mentality has been captured in a new strap line: "sure we can". Internal workshops are being held to explain its meaning in the daily work of employees with customers and we are updating the orange livery of our vehicles and aircraft.

New corporate responsibility strategy

It is clear that in the current economic environment we will need to more than ever manage our financial performance. And yet it is our view, that in the current age a company cannot be led anymore just focusing on its financial performance alone. In order to perform well, to attract and motivate the people in our workforce and retain our licence to operate we need to broaden our focus on all stakeholders of the company.

For this reason, we have reviewed and updated our corporate responsibility (CR) strategy in 2008. Corporate responsibility combines sustainability, which focuses on the environment, and corporate social responsibility, which deals with our people, our customers, our investors and society as a whole. The TNT CR strategy underlines our firm resolution to continue to strive for responsible leadership.

Looking ahead to 2009

More than any other year in the first decennium of TNT's existence 2009 will be a challenging year. TNT will focus its efforts around "six C's".

The first C stands for **Customers**. We need to keep in very close touch with our customers in this economic downturn, monitor their problems and needs and try to assist them in every way we can, by coming up with proposals and innovative solutions that will allow them to use our services in the most cost efficient manner possible. This way we can weather the storm together.

The second C stands for **Cost**. The challenge is to effectively manage costs to offset the volume decreases in Express and Mail. This challenge will be biggest for Express, as this division will most probably continue to face volume declines in its networks. Express will have to consider its entire cost structure and not rule out any cost saving measure, including decommissioning part of its air fleet. In 2009 structural cost savings of €90-125 million are to be achieved, mostly to come from further network optimisation in networks and centralisation of customer services. In addition, Express is targeting to implement further variable cost saving measures up to an amount of about €200 million of savings in 2009 to cope with expected volume declines.

In Mail cost cutting has been on the agenda for some fifteen years now. As a consequence of the impact of electronic media on the demand for mail services, TNT anticipates that the mail volume decline could rise to around 6% annually in the period to 2012. This necessitates additional cost management programmes on top of the existing Master Plans that were announced in 2006 and aim to realise €395 million of annualised cost savings by 2015. TNT has started work on a complete redesign of its Dutch mail network - called Master Plan III – that aims to deliver a further €200 million annual savings in the future.

The third C stands for **Cash**. In 2009 we will have to focus on careful cash management. The economic crisis means that cash is a scarce resource, which needs to be treated with prudence. At the end of 2005 – as part of our Focus on Networks strategy – we have begun to optimise our capital structure. Over the last three years more than €3.2 billion has been returned to our shareholders. We defined an optimal capital structure for TNT at an investment grade BBB+ credit rating, which in the mean time we have now achieved. The aim of our cash flow management is to maintain our current strong financial position. Especially in the uncertain and declining economic environments in which we now operate a prudent approach to all our stakeholders is essential.

The fourth C stands for **Care**. As a people company we aim to create a workplace where a diverse set of people are engaged, rewarded competitively, work in a safe place, are treated equally, can speak up freely and will be responsible and accountable. However, due to the economic downturn and the changing environment in the mail market we will have to shrink some parts of our operations. We will do our best to ensure any remuneration adjustments or job losses will be dealt with in a socially responsible manner. In this context we have also found it appropriate to adjust top management remuneration to a significantly lower overall level. **Care** also captures all our voluntary contributions and activities, like our partnership with WFP. These are what makes us a special company, a company that people like to work for and are proud of. We will remain committed to this fundamental part of our company's values.

The fifth C stands for **Climate**. The economic downturn notwithstanding TNT must continue its quest to reduce its CO_2 footprint. Later this year the leaders of the world will gather in Copenhagen to decide on future regulation to combat the climate change globally. We need to prepare our business model for long term rising oil prices and the possible introduction of carbon pricing, as well as test new technologies that can clean up our operations.

The sixth and final C stands for **Confidence**. When we look at the operating environment the world is in, glance over the challenges set out above it could be easy to become disheartened by them. Easy, but wrong. It is my firm conviction that we can overcome all these challenges. At TNT we are not believers in doom; at TNT we are can-do people.

At the end of this letter I would like to thank a number of people. Firstly I would like to thank Mr Jan Hommen, who has guided us as chairman of the Supervisory Board for the past four years and who has now given over to our new chairman, Mr Piet Klaver.

To all our people, and in particular the members of our works councils and orther employee representative bodies, I would like to say thank you for all your energy and commitment to TNT. Times are not easy, but together we can surmount the obstacles and come out stronger. Sure we can!

Wishing you all the best, on behalf of my colleagues in the Board of Management,

Peter Bakker, CEO

Hoofddorp, the Netherlands
16 February 2009

COMPANY STRATEGY AND GENERAL BUSINESS CONTEXT IN 2008

General

TNT N.V., through its two divisions, Express and Mail, is part of the global transportation and distribution industry, and dedicated to providing delivery solutions to its customers. The global transportation and distribution industry is a vast industry whose market size is estimated to be over US$3,500 billion. TNT serves more than 200 countries and employs around 163,000 people. Over 2008, TNT reported €11,152 million in revenues, an operating income of €982 million and cash from operating activities of €923 million. TNT N.V. is listed and traded on Euronext Amsterdam by NYSE Euronext (ticker "TNT").

TNT is strongly committed to responsible corporate citizenship and implements various international standards in order to retain its "licence to operate" in the broadest sense. TNT measures, benchmarks and reports its performance. Simultaneously with this annual report, TNT is publishing its corporate responsibility report. Corporate responsibility is also included in this annual report, see chapter 3.

On 11 April 2008, TNT held its annual general meeting of shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 48% of the total outstanding share capital, up from 32% in 2007. During the annual general meeting of shareholders all proposed resolutions were adopted, including the extension of authority to issue shares.

Mission and strategy

Mission statement

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

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

Business description

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

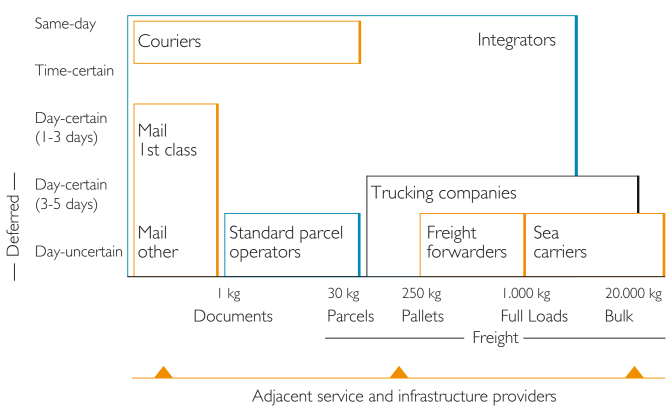
TNT picks up, transports, sorts, handles, stores and delivers documents, packets, parcels, and freight by combining physical infrastructures such as depots and trucks, electronic infrastructures such as billing and track-and-trace systems, and commercial infrastructures to attract, serve and retain customers.

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

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

Global transportation industry – segmentation

Market size: approximately US$ 3,500 billion



Source – R.W. Baird, report 'global Integrators', January 2007

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

Focus on Networks strategy

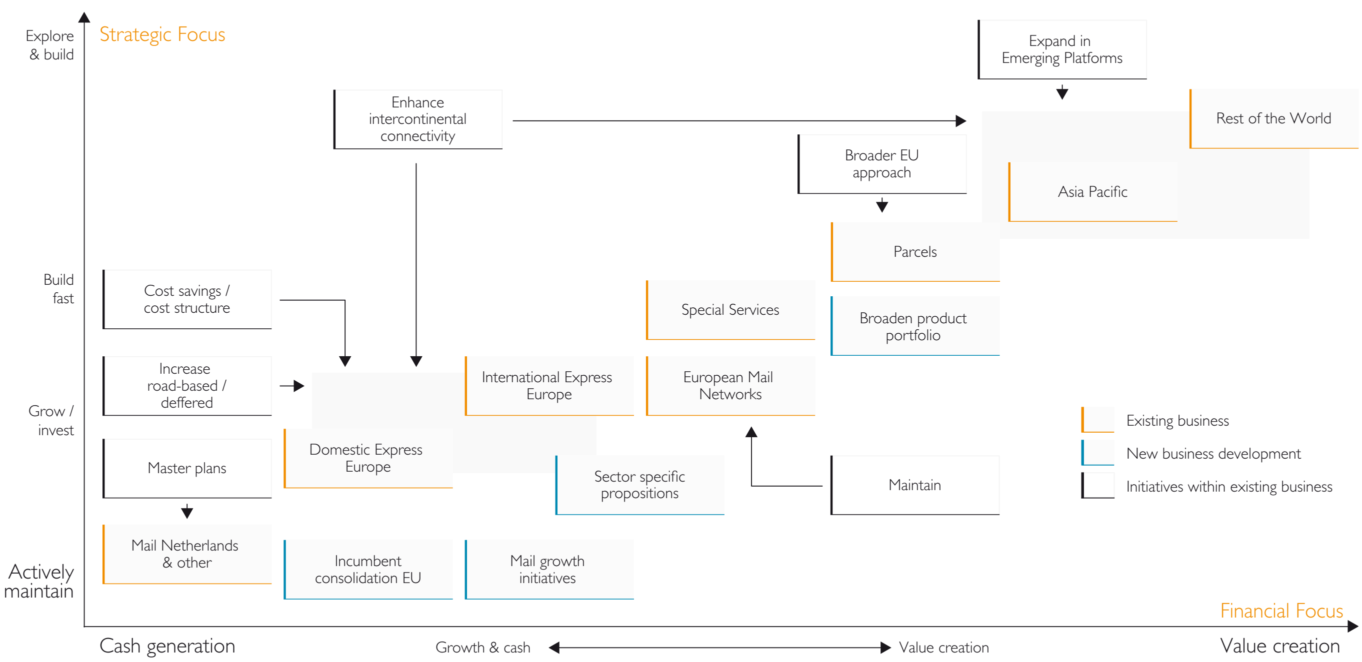
TNT's strategy is to focus on providing delivery solutions by expertly managing delivery networks. TNT calls its strategy "Focus on Networks". This strategy was first presented in the fourth quarter of 2005, contains manageable execution risks, and is based on TNT's core strengths, with the objective of achieving profitable growth. For more information on risks, see chapter 13.

In the first phase of its Focus on Networks strategy, TNT concentrated on transforming its foundations by exiting its logistics and freight management activities, concentrating on (Mail and Express) multi user networks and optimising its capital structure.

Since the start of the second phase (called "Grow and Build Value") in December 2007, the emphasis is now on further strengthening and actively maintaining the core of the portfolio (Express Europe and Mail Netherlands) and accelerating the build-up of the emerging platforms in European Mail and

Parcels and Express emerging businesses. In addition, other "delivery solution opportunities" such as deferred services and niche solutions for specific client sectors are being actively developed (see chart below).

TNT's portfolio of networks



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

TNT has a portfolio of delivery solution businesses and it leverages its strong brand across all activities around the world.

The essence of TNT's business model is to operate multi-client delivery networks. TNT's aim in each of these networks is to achieve cost and service leadership through scale and continuous network optimisation. In addition, largely dedicated networks, for instance for Fashion, Health and Document express deliveries, are managed and further developed.

Industry context

General

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

Economy

The global economic crisis will affect the overall consumption in the world, leading to lower volumes being transported.

Environment

There is growing consensus amongst the general public, politicians and others that climate change is threatening the environment. Increasing levels of carbon dioxide (CO_2) in the atmosphere are trapping more heat, thus increasing global temperatures. This phenomenon, referred to as global warming, will give rise to all sorts of measures and regulations that try to abate the CO_2 emissions around the globe. Since transport and distribution contribute nearly one-fifth to these emissions, the transport and distribution industries will be affected significantly by any measures or regulations. TNT has responded pro-actively to this challenge by launching its Planet Me initiative. More details on Planet Me can be found in TNT's 2008 corporate responsibility report.

Demographic trends

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

As a result of the ageing population, spending on healthcare will increase significantly. In addition, there is a trend towards more biopharma products and an increased need for special handling services in healthcare.

These trends have several implications for the transportation and distribution industry, such as accelerated growth of healthcare product flows, an increasing demand for to-consumer distribution networks, and possibly more challenges in attracting and retaining staff.

Restructuring of global supply chains

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

Digitisation

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

Express markets

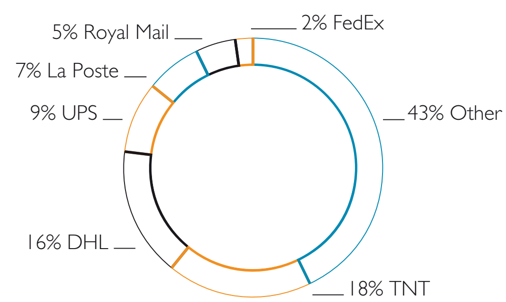
Competition in the express market focuses on network coverage, speed, reliability, quality of customer service as well as price. There are essentially two types of express players: the global integrators and the local/regional express players. The four global integrators are UPS, FedEx, DHL, and TNT. Standard parcels operators (often related to postal incumbents) and Less-Than-Truckload (LTL) operators can be seen as potential new sub-regional entrants. Larger players can achieve attractive margins through economies of scale and (to a lesser extent) scope. Local and regional players focus on high local network density.

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

TNT uses a clear express market definition to clarify its position within the sector. This express market definition encompasses time-certain, next-day and fastest by air or road day-certain delivery for business-to-business consignments transported through a scheduled network, with door-to-door track-and-trace of individual items/consignments. For 2007, TNT estimated the size of this market in Europe to be approximately €21 billion. TNT consolidated its market leadership in Europe with a market share of 18%, followed by DHL (16%), UPS (9%) and La Poste (7%).

European express market (excluding intercontinental):

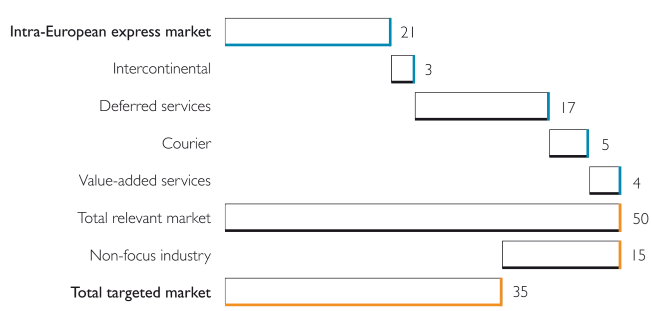
Market shares Europe



Based on information and analysis of competitors across several market segments in various countries during five years, TNT estimates the potential addressable market in Europe at approximately €50 billion. In addition to the European express market, this potential addressable market includes a wider range of services such as intercontinental flows between Europe and the rest of the world, deferred services, courier services and value-added services. The total size of TNT's targeted market within this broader market is €35 billion, which excludes industry segments that are non-focus to TNT (e.g. chemicals and base materials). TNT can expand in the targeted industries with extended service offers (see chart).

Size of European B2B Market 2007

in € billion



Based on information and analysis during 5 years of 423 unique competitors, across 29 market segments and 31 countries.

Key value drivers for the express market can be broken down into three categories: growth, pricing, and cost. The main drivers for growth in the express market are in principle GDP development and increasing globalisation of supply chains. Important pricing drivers are consolidation, intensifying competition and costs of fuel through surcharges. Key cost drivers are rounds and stops in pick-up and delivery, kilometres travelled in linehaul and manhours in hubs and warehouses. Most of these costs are adjustable over time as they are in the majority subcontracted, but cost developments will depend on volumes, autonomous increases, network optimisation possibilities and required step-ups in investment.

Mail markets

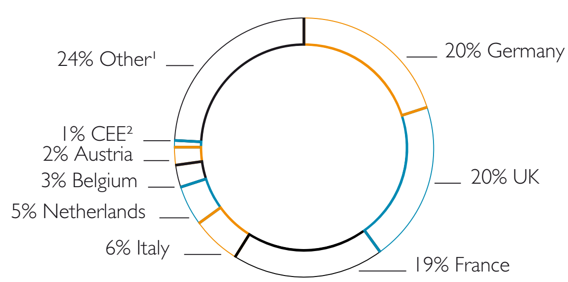
The mail sector has its historical roots in a national service that was provided by government organisations to assure communication in a country. In most countries the sector is highly regulated, with an incumbent in a protected, monopoly position. However, in Europe the sector is being liberalised step by step. On 20 February 2008 the EU published a new Postal Directive, confirming that the main part of the market should be liberalised by 2011, with a fully liberalised market throughout the EU in 2013 at the latest. At this moment, the United Kingdom, Germany and Finland have formally liberalised their mail markets. However, in practice, regulation makes it difficult for new market players to actually enter these markets.

As the mail sector has no natural barriers to entry, competition is developing rapidly in countries where real liberalisation is taking place. In particular in the Netherlands, two nationwide postal competitors are active next to the historical incumbent TNT Post. However, in most countries governments have moved to protecting their national operator one way or the other, and create regulatory barriers to entry (see chapter 11 for more details). As a result, many European markets still continue to be dominated by the incumbent, with challengers holding a small, but slowly growing, market share.

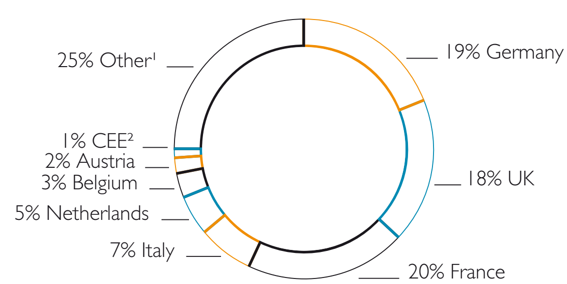
As a result of new communication technologies, the mail market as a whole is in decline. Volumes are dropping in most countries in Europe, with the strongest decline in those countries that have the highest level of internet penetration in households. The dependence on mail for communication, and as a result the demand from customers for a next-day mail delivery service, is changing. This makes way for new market players, offering a less frequent but more economical service than the historical daily delivery the incumbents are legally required to provide. The mail market environment is in a phase of fundamental transformation.

European addressed mail market

Volume 102 billion pieces



Revenue € 56 billion



1 – Other includes other (to be) EU countries, Norway and Switzerland
2 – Central and Eastern Europe

TNT takes different positions in these markets, the size of which is estimated at 102 billion items and at €56 billion revenue for Europe (see chart). In the Netherlands, TNT is the historical incumbent that has to manage the decline of its market share, which market share is estimated at 86% in 2008. In other European countries, TNT takes the challenger position. TNT estimates its market share in volume in the addressed mail market at 3% in Germany, 12% in the United Kingdom and 2% in Italy. For the smaller countries in which TNT is active (Austria, Belgium, Czech Republic and Slovakia), the market share is around 1%. In unaddressed mail, TNT's market share is around 7% in Germany, 13% in the United Kingdom, 31% in Italy and around 55% in mentioned smaller countries.

Business context, vision and strategy

Express

The Express business is one of high but cyclical growth. Several market trends shape the future of Express:

– significantly above-GDP growth rates in most segments of this market due to continuous off-shoring to low-cost countries, and further outsourcing of in-house transportation, value-added services and logistical activities.
– a structural shift towards deferred/economy products (road, rail-based) due to increased environmental focus, stronger cost focus, and increased energy costs. The current economic climate amplifies this structural trend.
– increased demand for global door-to-door delivery and integration of total supply chains (across different modes of transport).

The vision for the TNT Express cluster of businesses is to achieve a sustainable leading position in Europe and the emerging markets by expanding and cost optimising the dense domestic and regional pick-up and delivery and regional linehaul networks, whilst continuing to strengthen the business through extending the service windows in all weight classes and for all sectors.

The TNT Express strategy follows this vision, focusing on the following four elements:
- seek higher-than-market growth by expanding to an offering that encompasses a range of time-based service windows for a full range of weight classes,
- manage the costs down through optimising the networks and overhead costs to cater for the current poor economic environment and lower volumes in the network, in particular in the air network in Europe,
- gain market share and scan for local acquisition opportunities to strengthen the core whilst at the same time redesigning TNT's own networks to deal with the changing demand patterns of its customers, and
- continue to expand the unique domestic (road based) positions in the largest emerging markets.

More details on Express can be found in chapter 4.

Mail

The Mail business is a mature-to-declining cluster of businesses that constantly needs to adjust itself to changing volumes and emerging competition. Three market trends define the future of the Mail business:
- changing communication patterns following digitisation,
- increasing competition in Europe due to liberalisation, and
- consolidation as a result of liberalisation.

Whilst the first trend results in volume decline, the other two trends create growth opportunities for TNT outside the Netherlands.

The vision for the TNT Mail cluster of businesses is to become a leading European mail company that leverages its core strengths in cost and regulation management for mail and related activities and that grows new businesses in core geographical markets building on assets, brand and capabilities.

The TNT Mail strategy follows this vision, focusing on five elements in parallel:
- manage cost and sales in the Dutch operations through Master Plans and prepare for alternative business models to adjust to the changing market situation,
- where regulation allows, grow the challenger position of TNT Post outside the Netherlands through European Mail Networks,
- use TNT's deep expertise in cost efficiently running mail networks as an opportunity for other incumbent mail operators,
- more than doubling Parcels revenue from 2008's €420 million by 2014 with a 10-12% operating margin by building from TNT's successful Benelux model and by cooperating with Express, and
- leverage TNT's brand and reputation to capture the digitisation trend by offering new products in e-commerce fulfilment, digital products, and financial services.

More details on Mail can be found in chapter 5.

Financial strategy

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

These three key components of the financial strategy directly relate to:
- effective risk management, internal control, integrity and compliance,
- financial risk management and risk insurance structures,
- aligned legal and funding structures, and
- a balance in short and medium term shareholder returns through profitable growth, dividends and incidental share repurchases or other shareholder returns from medium term excess cash.

TNT's current capital structure is based on and managed along the following components:
- maintaining a credit rating at investment grade "around BBB+",
- availability of at least €500 million of undrawn committed facilities,
- structural funding via a combination of public and bank debt, with a risk-weighted mix of fixed and floating interest,
- cash pooling systems facilitating optimised cash requirements for the group by facilitating centralised funding and surplus cash concentration at group level, and
- a tax optimal internal and external funding focused at optimising the cost of capital for the group, within long term sustainable boundaries.

TNT's current long term credit ratings are BBB+ (stable outlook) for Standard & Poor's Ratings Services (S&P) and A3 (negative outlook) for Moody's Investors Services (Moody's). These credit ratings result from an evaluation and analysis of many different factors. As mentioned, TNT focuses on maintaining an investment grade credit rating of "around BBB+". For this purpose it monitors the development of the key credit ratios which are used by rating agents and which may vary from time to time:
- Funds From Operations (FFO) / Debt, whereby the FFO is based on operating profits from continuing operations, after tax, corrected for, among other things, depreciation and amortisation and other major non-cash items, and Debt is defined as total interest-bearing borrowings of the company, adjusted for on and off-balance sheet debt-like components and surplus cash (as used by S&P),
- Debt / EBITDA, whereby EBITDA is defined as operating profits before interest and taxes, corrected for, among other things, depreciation and amortisation as well as operating leases (as used by both S&P and Moody's),
- FFO / Interest, whereby Interest is corrected for, among other things, pensions and leases (as used by Moody's),
- Retained Cash Flow (RCF) / Debt, whereby the RCF is defined as FFO less dividend (as used by Moody's), and
- Free Cash Flow (FCF) / Debt, whereby the FCF is defined as the RCF corrected for capital expenditures and changes in working capital (as used by Moody's).

The weighted mix of the ratios above forms an important building block in TNT's financial parameter framework, whereby the current credit ratings are roughly based on the following ranges for the S&P ratios: an FFO / Debt between 30%-35% and a Debt / EBITDA of 2.0x-2.5x. Moody's has not published a rating report on the basis of its new rating methodology that was introduced in December 2008. Therefore, at the moment, indicative ranges are not available under this new framework for the mentioned four ratios. Its most recent rating report is based on the old framework and gives a range for Debt / EBITDA below 3.0x and an RCF / Debt above 17%. These ranges per ratio as indicated by the rating agents may change over time, depending on market conditions and analytical considerations.

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

Cash requirements for capital expenditure fluctuate from year to year, depending on the extent of strategic capital projects, but have been well covered by operating cash flows. The ratio of cash from operating activities to net capital expenditure was 3.2 in 2008, 2.6 in 2007 and 3.1 in 2006. This ratio is calculated as follows: net cash provided by operating activities plus interest received, divided by the sum of capital expenditure on other intangible assets, disposals of other intangible assets, capital expenditure on property, plant and equipment and disposals of property, plant and equipment, all as stated in TNT's consolidated cash flow statements. TNT expects these operating cash flows to continue to cover its capital expenditure requirements in the foreseeable future. TNT believes its businesses also generate sufficient liquidity to cover its working capital requirements.

TNT aims to grow its Free Cash Flow in the medium term. TNT defines its FCF as the net Cash From Operating Activities plus interest received, minus capital expenditure on property, plant, equipment and intangible assets, plus proceeds from sale of smaller assets.

Part of the cash flow is used for paying dividends that result after the appropriation to the reserves of (part of) the profit. TNT tries to meet shareholders' return requirements long term through growth in the value of the company, and short term through dividends and, incidentally, tax exempt share repurchases or other returns from excess cash. Following its dividend guidelines, TNT intends to pay interim and final dividends annually in cash and/or shares. The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website, group.tnt.com. In 2007, TNT announced its intention to increase the dividend pay-out from around 35% over 2006 of normalised net income to around 40% by 2010, barring any unforeseen circumstances. Normalised net income is defined as profit attributable to the equity holders of the parent adjusted for significant one time and special items.

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

For details on the interest rates charged on TNT's more significant long term loans as well as the maturity of TNT's long term loans and commitments, see notes 12 and 28 to the consolidated financial statements of TNT N.V.

TNT does not hold or issue financial instruments for trading purposes, nor does TNT allow its subsidiaries to do so. For details on TNT's use of financial instruments, see notes 3, 6, 12, 13, 29 and 30 to the consolidated financial statements of TNT N.V.

TNT operates a comprehensive insurance policy covering its operational risk profile as appropriate, using a mix of self insurance, reinsurance, and direct external insurance.
As frequency losses (such as cargo and vehicle claims) are of an operational and customer service nature, TNT believes that for part of these losses self insurance is the best method to motivate operational units to address the underlying causes of these losses. TNT's total self insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via reinsurance. During 2008, TNT's total annual retention cap on these losses was €5 million.

TNT's "catastrophe exposures" are insured in the traditional insurance markets. These include aviation, property and business interruption, general liability, fraud, and director and officers' liability insurance. TNT has a strict policy to transfer risks only to insurers with a rating of A- or higher, and this is monitored on an ongoing basis.

Attention is being given to adjust TNT's insurance protection to the ever-changing legal and regulatory environment in which it operates, and all insurance policies are therefore tailor-made to TNT's unique requirements. In addition, current insurance arrangements also need to support strategic developments and the changing risk profile of the company.

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

REPORT OF THE BOARD OF MANAGEMENT ON THE COURSE OF AFFAIRS OF THE COMPANY IN 2008

STRATEGIC PROGRESS AND BUSINESS PERFORMANCE IN 2008

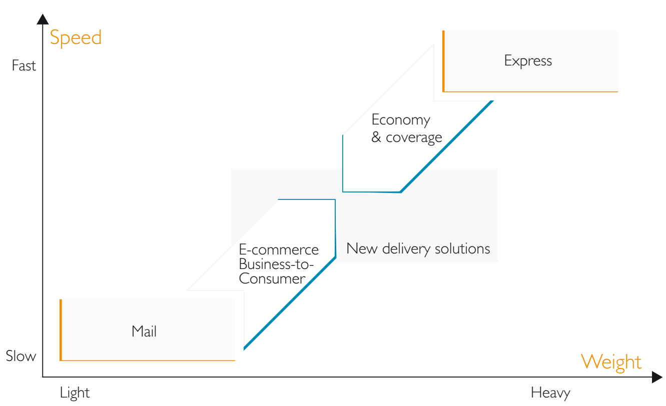
Strategic progress

During the year TNT has made good progress in implementing the second phase (Grow and Build Value) of its Focus on Networks strategy. In Express the integration of the companies acquired in the period 2005-2007 continued and was largely completed. Also, the further development of the road networks TNT is building across the globe continued, witness for example the start of the only scheduled road services between China and five countries of South-east Asia, using TNT's Asian road network. In Mail, the implementation of Master Plans remained on track, Emerging Mail and Parcels again showed strong growth despite the difficult economic conditions, and new growth platforms, for example in e-delivery, were developed.

Portfolio development

In 2008, TNT continued to explore opportunities to extend the scope of its portfolio. These explorations consisted of natural extensions of TNT's core capabilities (such as new growth initiatives in Mail Netherlands in the e-commerce area), additional growth opportunities from adjacent business models (such as deferred products in Express) or the offering of new sector-specific network-based solutions (see chart).

Network-based solutions



TNT's portfolio thus aims to provide a continuum of delivery solutions that "dove-tails" the Express and Mail divisions. This portfolio allows TNT to optimise operational activities as well as management and competence development across the company. TNT maintains its view that its current business portfolio is right for the short, medium and long term. The original portfolio logic of achieving a balanced mix of cash generation and growth businesses, with shared capabilities, remains valid and is even strengthened by the current economic and financing environment. Therefore, rather than contemplating, for example, divestment of one of the core business blocks, which would likely destroy value given today's economic environment, TNT's Board of Management is focused on improving operations, capturing smart market opportunities and drive long term value.

Mail consolidation and interest in Royal Mail

Over the past few years TNT's strategy to grow its mail activities outside the Netherlands consisted of a dual track approach: developing networks for unaddressed and addressed mail distribution as an alternative to the incumbent mail operator and exploring opportunities to participate in the expected European postal consolidation by cooperating with other postal operators (e.g. by taking part in privatisations of such operators).

In this respect, TNT expressed its interest to explore a strategic partnership with Royal Mail in December 2008. The Hooper Commission report, which set out a number of critical requirements for a sustainable future for Royal Mail, triggered TNT's renewed expression of interest.

The objective of the partnership would be to contribute to developing Royal Mail into a modern, best-in-class postal operator that combines excellent mail service with solid and sustainable financial performance as part of a broader global network. The scope of a potential partnership would exclude post office retail outlets given its public service network function. A strategic partnership would be of interest to TNT given the potential value creation from cooperation in both mail and parcels.

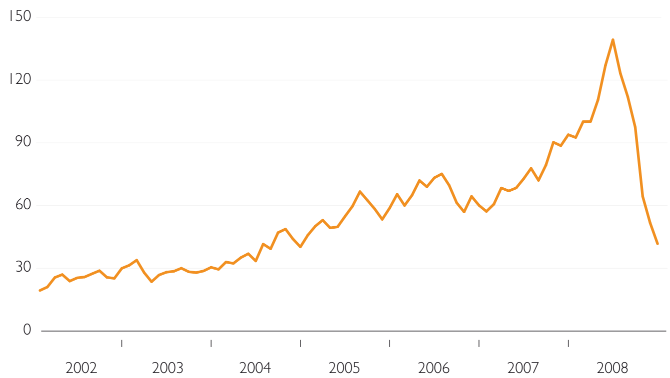
TNT proposed to Her Majesty's Government to enter into discussions on a strategic partnership with Royal Mail with the objective to reach agreement on key terms and conditions for a substantial minority shareholding. TNT's proposal assumes the implementation of the key recommendations of the Hooper Commission instrumental to a sustainable future for Royal Mail.

General economic and business environment

The year 2008 saw the global economy enter into a severe recessionary phase, deepening in Europe in the third and fourth quarters. The credit crisis and its impact on the "real economy" led to an unprecedented drop in global market capitalisation. TNT shares lost 51% of their value during 2008, in line with general indicators for its industry sector and the AEX of Euronext Amsterdam. The oil price, of particular importance to the transportation industry, peaked at over US$145 per barrel in July 2008 but then quickly dropped to below US$50 per barrel as a result of decreased demand and the quickly deteriorating economic conditions (see chart).

Crude oil spot prices

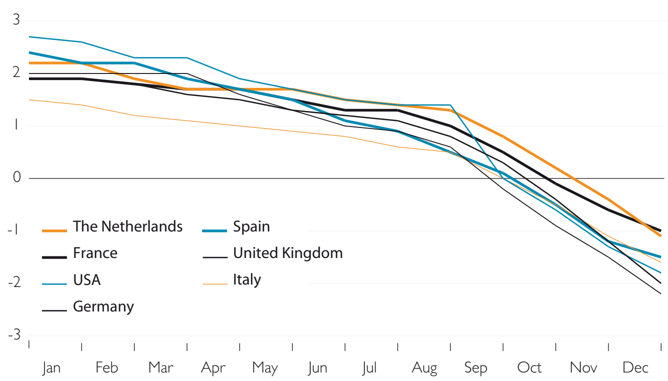
in US dollar per barrel



Source – Bloomberg Professional

The GDP growth forecasts came down sharply in the second half of 2008 (see chart), with the decrease accelerating into 2009, bringing major global economies in a recession.

Development of consensus forecast GDP growth 2009 during the year in %



Source – Bloomberg Professional

This sharp change in the economic environment had a substantial impact on the results of TNT Express in particular. In 2008, TNT was forced to reduce its full-year outlook for Express twice, first on 16 October and then on 4 December. TNT's Mail activities continued to deliver robust results during 2008, with a particularly strong fourth quarter (although positively influenced by one-offs).

TNT does not assume improvement in economic circumstances in 2009. TNT is therefore adapting and aligning its strategic short term focus areas to strengthen the company through the recessionary phase in the global economy, whilst remaining alert to new growth opportunities provided by its strong platforms. A focus on aggressive cost savings measures is combined with a focus on cash, among other things reduction of working capital and capital expenditure. The Express and Mail businesses will have the same focus in this respect. Both businesses formed provisions to that extent ultimo 2008 in line with the range communicated on 4 December 2008 during TNT's annual analyst meeting.

For the medium term TNT will continue to focus its efforts on accelerating the top line growth by continuing its investments in building (road-based) networks in the emerging markets and looking for additional growth from network platforms inside an enlarged scope for its portfolio. This additional growth can either come from adjacent business models, re-bundling of existing niche businesses or the offering of new sector-specific network-based solutions.

Express economic and business environment in 2008

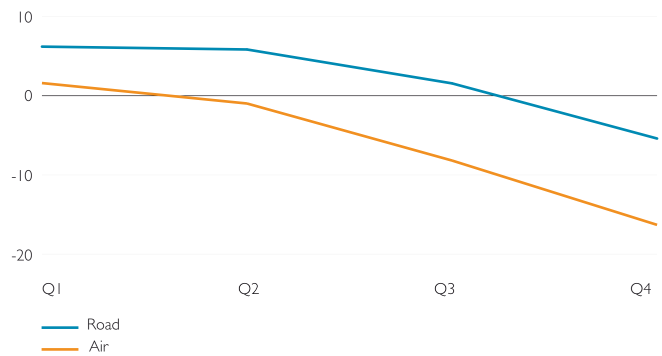
The first half of 2008 showed modest economic growth, combined with a steep rise in commodity prices, particularly fuel, with a price peak in July 2008. A sharp economic decline started mid-year and is still deepening and broadening further. The economic situation was exceptionally uncertain with increasing negative impact on production output, international trade, private consumption and investments.

The transportation and express industry was hit hard and impacted by changes in global demand. Domestic and international order volumes started to drop, first in North America and later in Europe. In addition, the express industry in emerging economies, which rely heavily on trade with mature economies like the US and Europe, was negatively impacted. A significant and accelerating trend in Europe is the shift in demand from faster air based premium express products to slower and less expensive road based and/or day-certain intercontinental economy products.

The volume development in TNT Express reflected these developments and indicates three step-downs in the economic activity in the last six months of 2008 in Europe (see chart). In weeks 25 and 26, for the first time a sharp decline in volumes (in comparison with the previous year) in the air express segment in Europe was noticeable. In the month of September that decline accelerated to a level of around 10%. And in the last two trading months of 2008, the economy seemed to soften even further, leading to a decline of air volumes of close to 20%. Until the third quarter, the volumes in the international economy road networks in Europe continued to grow, but as of November also there the growth turned sharply negative.

Express underlying volumes 2008

Kilos, year on year change, in %, excluding working days impact



The result of these severe economic and related market developments was a significant decrease in the operating profit of the Express business compared to 2007 by more than 37% to a level of €376 million. Excluding restructuring and reorganisation provisions and impairments related to restructuring at the end of 2008 for an amount of €70 million, the underlying operating profit amounts to €446 million.

Mail economic and business environment in 2008

The mail markets are less cyclical and less vulnerable to recessions. The new market forces of liberalisation and electronic communication have more influence on the addressed volume development of the Mail division than the economic environment: mail volumes in its home market, the Netherlands, will decline even in a growing economy. The development of addressed volumes in the Netherlands in 2008 was in line with the trend of the past few years, with a decline of 3-4% per annum. The volume decline in 2008 was partially compensated by Master Plan cost savings and a sharper market segmentation leading to higher volume retention. On the other hand, as a result of its expansion strategy into other 'liberalised' mail markets in Europe, TNT Mail can grow from a market share perspective. In the starting period of this expansion, market shares are relatively low. Growth of this business is therefore only slightly influenced by economic cyclicality. Emerging Mail and Parcels in 2008 improved compared to 2007 due to improved performance and lower losses as a result of the downsizing and transfer of the onerous UK Parcel contract underlying related operations of TNT Mail's division to Parcelnet Ltd. early 2008.

These developments had a significant influence on the operating profit of the Mail business compared to 2007. Restructuring and reorganisation provisions and impairments related to the restructuring of the post offices in the Netherlands had an impact of €89 million, bringing 2008 operating profit to a level of €633 million. This compares to €626 million in 2007, when €138 million provisions and impairments were included.

Cost savings measures

To manage the consequences of the current poor economic conditions (in particular for Express) and the impact of liberalisation and digitisation (in particular for Mail in the Netherlands), TNT announced on 4 December 2008 to target structural cost savings totalling €270-330 million in the period 2009-2010.

As part of this total, TNT Express targets total structural savings of €170-210 million to be realised in full in 2010, of which €90-125 million are to be achieved in 2009. In addition, TNT Express will be ready to implement further volume dependent contingencies up to an amount of €120 million savings in 2009.

Mail will continue the implementation of its current Master Plans and start a new Master Plan. The targeted savings are €60-70 million in 2009 plus a further €40-50 million in 2010. These savings could be enhanced as a result of the full impact of a successful finalisation of the current collective labour agreement negotiations that aim to establish more market conform salary costs for its operations. A new Master Plan III will be launched for the period from 2011 onwards, which aims at achieving an additional €200 million in recurring cost savings based, among other things, on making flexible delivery models and structures and a higher level of part time labour.

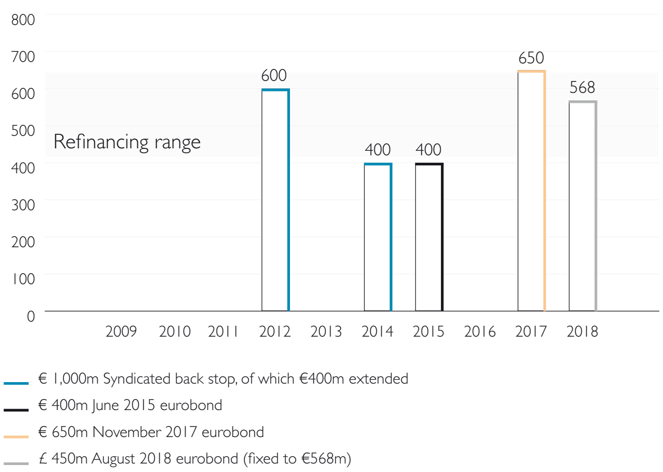
TNT indicated a level of provisions for these cost optimisation initiatives in the period 2008–2010 of €125–200 million (including post offices restructuring) and possible impairments up to €150 million. The indicated range of provisions excludes the possible impact of successful negotiations on a collective labour agreement, which will result in earlier achievement of labour cost related savings. At the end of 2008, a total of €115 million for provisions for these initiatives and €44 million of impairments were charged against the profit and loss account.

Financial policy

TNT targets maintaining its investment grade long term credit rating of "around BBB+". Core to that target is TNT's solid financial position. In December 2008, TNT redeemed a €650 million eurobond, most of which was refinanced in August with a €592 million sterling-denominated 10-year eurobond. Additionally, also in the second half of 2008, TNT placed €222 million of commercial paper under the European commercial paper programme. Due to these efforts, TNT's financing position ultimo 2008 is solid. TNT has covered back-stop facilities of up to €1 billion and the first bond redemption is not until 2015. Ultimo 2008 the net debt of the group stood at €1,744 million and Free Cash Flow over 2008 (see definition in chapter 2 – Financial strategy) was particularly strong over 2008 at a level of €683 million.

The terms and conditions of TNT's material long and short term debts as well as its material (drawn or undrawn) committed credit facilities do not include any financial covenants.

Current debt profile



Working capital and real estate

TNT will continue to improve working capital as a percentage of revenue. The prime areas of focus are trade payables and trade receivables. The objective is to free up more than €200 million of working capital over the period 2009/2010. As a percentage of revenue, the trade working capital is to be improved to around 8%.

To free up cash, TNT also intends to sell real estate in 2009/2010, which has a book value of around €800 million and a market value of at least €1.2 billion. The target proceeds are around €200 million, assuming close to normal market values.

Pensions

Declining equity markets and lower risk free interest rates had their impact on the position of TNT's main Dutch pension fund, which represents around 94% of TNT's defined benefit obligations. The coverage ratio of TNT's largest Dutch pension fund went from around 141% at 31 December 2007 to around 93% at 31 December 2008, well below the 105% minimum funding requirements as prescribed by De Nederlandsche Bank (DNB). The negative return on assets of 14.2% and the increase of its liabilities by around 30%, due to the decreased risk free rates in particular, caused funding levels to decline.

As a result, TNT's main pension fund was around €500 million below the minimum funding requirements on 31 December 2008. The pension fund will have to submit a recovery plan to DNB before 1 April 2009. This recovery plan needs to outline measures on how the pension fund will restore minimum funding requirements within the three-year time frame as currently prescribed by Dutch pension law. In addition, such a plan will have to outline how the coverage ratio will reach the required level of around 120% within a timeframe of 15 years, subject to the risks involved in the pension fund's asset portfolio.
Such a plan is the responsibility of the pension fund, which still has to decide upon its course of action. Since the employer's position and the outcome of current collective labour agreement negotiations are unknown as yet, the exact financial impact for TNT is still uncertain. However, the required additional employer cash contribution to the pension fund may have a material cash impact on TNT. This is estimated at around €140 million in 2009 in addition to the usual annual employer contribution of around €100 million.

There is a significant difference in calculating the pension liabilities in accordance with the requirements of the DNB versus such calculations under IFRS. Liabilities under the DNB requirements are calculated using the swap curve as published by DNB every month end, while under IFRS liabilities are calculated using good quality corporate bond rates. Whilst during 2008, and in particular in the last months, this swap curve has been going down, the corporate bond rate has been going up. That affects the way in which TNT calculates pension charges and the actuarial gains and losses which through their impact on the corridor influences the amortisation charges thereof.

Based on the IFRS convention, the charge to the income statement for defined benefit obligations in 2008 was €24 million in total, of which €14 million is reflected in the Mail results. The cash expense for defined benefit obligations however was €233 million, compared to €212 million in 2007.

For 2009, the charge to the income statement for defined benefit plans is expected to be €64 million and the expected cash contributions could be around €365 million, of which around €255 million relates to pensions and around €110 million to early retirement transitional plans and other post employment defined benefits.

Dividend

Over 2007, TNT paid out 36.7% of normalised net income. TNT's aim is to increase this pay-out to 40% by 2010, barring any unforeseen circumstances. The sharp declining business environment in 2008, continuing in 2009 in a context of global economic and financial crisis will impact all business and financial decisions short term. This might also result in choices on dividend pay-out that are to be aligned with these circumstances.

2009

For 2009, TNT focuses on maintaining and where possible strengthening its investment grade financial standing.

TNT will sharply focus on cash and strict business performance management enabling to manage the balance as reflected below effectively.

Customers

TNT strives to be a company that knows its customers extremely well, what they value, their needs and preferences, and aims to respond to them with tailored products and services. TNT believes that total customer focus is a sustainable competitive differentiator.

TNT aims to exceed customer expectations by providing distinctive levels of customer care at all contact points and bases its improvement programmes on quantitative and qualitative customer feedback. This ensures that improvement actions focus on what is most important to customers rather than focusing on internal measures only. Customer needs and satisfaction and loyalty levels are therefore important markers that are identified through regular contact and structured surveys. To measure the differentiation elements TNT also executes benchmarking surveys, allowing it to differentiate in the most important drivers of customer satisfaction and loyalty. TNT encourages its people to go the extra mile in their service to customers, understanding that engaged and motivated employees will deliver an exceptional customer experience which in turn drives profit.

TNT Express conducts an annual worldwide customer satisfaction research, in which customers have the possibility to complete the survey in writing or online. Last year, TNT received over 30,000 completed surveys of customers across all customer segments. Recently, the Overall Customer Satisfaction measurement changed from 'meeting customer expectations' to 'exceeding customer expectations' aligned to the company mission statement. In 2008, 38% of TNT's customers rated its service as exceeding expectations and in aggregate a total of 92% considered the service as meeting expectations. The survey has been optimised following in-depth statistical analysis and now includes attributes that most matter and influence customer satisfaction. The main score is calculated by taking the percentage of customers that rated TNT Express' services higher and much higher than expected. Analysis has shown that customers that are very satisfied spend more and are also more loyal. The continued aim is to increase the number of customers that rate TNT Express' services as exceeding expectations, as ultimately this will positively impact TNT's business.

TNT Post conducts a customer satisfaction survey among consumers and small sized enterprises served by the call centre (telephone sales) twice a year. An annual survey is conducted among the medium sized and larger business customers. In addition, TNS NIPO (a leading Dutch provider of market surveys) annually collects information from 5,800 customers on five customer values. The final score is calculated by taking the weight customers give to these customer values and multiplying this by the score for each value. The surveys have been optimised by measuring performance on all customer contact points and are compared to competitor performance. This enables direct action and the measuring of its effects.

The graph below shows the final score for small and medium enterprises. From a management point of view this score is more relevant than the consumer score, and in addition the other scores give essentially the same picture.

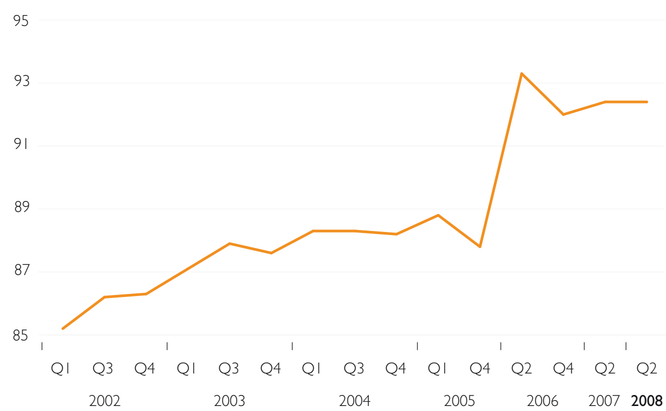
TNT wants to exceed customer expectations. Analysis has shown that satisfied customers are more loyal and easier to retain. Therefore the aim of TNT Post is to increase the percentage of very satisfied customers within the group of satisfied customers. The new measurement method can show the effects of this effort.

The overall customer satisfaction level was not impacted by the publicity around closing post offices and the postal strikes.

The following two charts show the evolution over the past few years of customer satisfaction for Express and Mail respectively.

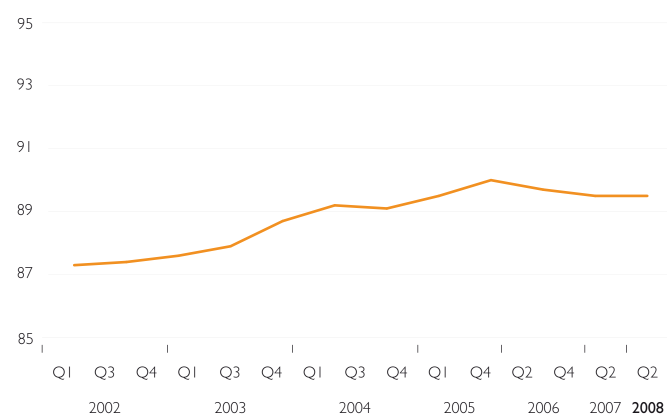
Customer satisfaction Express stabilising at around 92%.

Customer satisfaction Express



Customer satisfaction Mail increasing and stabilising at around 89%.

Customer satisfaction Mail



Human resources (HR)

"Instilling pride in our people" a living reality

TNT aims to make "instilling pride in our people" a living reality. This means that every employee in its workforce perceives that he or she is recognised as a valued individual and that TNT consistently supports development of their capabilities, skills and competencies to deliver performance. TNT aims to create a place where people are engaged, rewarded competitively, work in a safe place, are treated equally, can speak up freely and will be responsible and accountable.

Labour force

	2008		2007	
	Employees	FTE's	Employees	FTE's
Express	75,537	70,667	75,032	70,271
Mail	86,052	42,431	84,929	42,777
Other networks	1,385	1,143	1,385	1,182
Non-allocated	271	252	236	229
TNT	163,245	114,493	161,582	114,459

The global HR approach aims to implement a full scope framework, respecting the local situation and challenges in implementation. Among other things it strives to achieve and retain international standards on working conditions, with respect for human rights and work-related health and safety improvements. Additionally, the global HR community uses the Investors in People (IiP) standard to enforce the company values, and achieve a structured people management and development approach. Further, to attract and retain the right people for the job, TNT has agreed on global compensation and benefits practices. As TNT believes in measuring and employee dialogue to improve its HR strategy, additional actions are based on the indicators resulting from the TNT global engagement survey.

The Investors in People standard in TNT

The IiP standard is a business improvement tool, designed to advance an organisation's performance through effective management and development of its people. It provides TNT with a unique link between individual and organisational growth, aligning the organisation needs with individual learning and development practices. Implementation takes place at local level serving local needs. Nevertheless, special attention is put on communication of the TNT strategy, providing equal learning and development opportunities for all employees, development of leadership and on performance management.

Learning and development

TNT offers training facilities for all employees at each level. Where necessary, staff may attend supplementary training or receive individual coaching, allowing them to expand their professional horizons. In 2008, approximately 20 work hours per FTE were spent on training and development. Each year, progress evaluations are held with employees with a focus on their performance, behaviour and personal development. As TNT strives for the personal development of employees internal promotion is essential. There are explicit guidelines in place regarding local recruitment policy. With some 2,200 locations around the world, guidelines may be complemented where required by local regulations and practices.

Internal promotion

in percentage of management vacancies filled from within in headcount

	2008	2007
Mail	64%	54%
Express (excluding major acquisitions)	64%	60%
Other networks + GHO	32%	32%
TNT Total (excluding major acquisitions)	64%	59%
TNT Total (including major acquisitions)	75%	-

See the CR Report 2008 for more details.

Equal opportunities and diversity

It is important to TNT to create equal opportunities for all employees, without discrimination on the grounds of age, disability, ethnicity, gender, marital status, race, religion, or sexual orientation. TNT aims that each and everyone is able to develop herself/himself to full potential.

Gender profile

in percentage of headcount

	2008		2007	
	Male	Female	Male	Female
Mail	59%	41%	59%	41%
Express (excluding major acquisitions)	67%	33%	68%	32%
Other networks + GHO	64%	36%	65%	35%
TNT Total (excluding major acquisitions)	63%	37%	63%	37%
TNT Total (including major acquisitions)	66%	34%	-	-

See the CR Report 2008 for more details.

To create more awareness on equality and diversity within TNT, there are several networks such as TNT Link, a women's network, TNT Unity, a network with 1,250 members that supports multicultural employees, and TNT GLBT network, a gay, lesbian, bisexual, and trans-gender network, which has 475 members. These networks serve TNT's internal emancipation goals.

Leadership

TNT leadership must be result driven, creating an environment in which employees are enabled, motivated, challenged and developed to perform to their full capabilities. Finding and developing leadership potential is therefore a key building block for TNT's future success.

For 2008, various achievements can be reported in this area. A shared method of identifying and developing talent was implemented and is supported by a new management and development information system. The resource committees have been strengthened throughout the company, ensuring succession planning is connected with the business. Strengthening leadership skills is a focus in the various tailor-made leadership trainings within TNT, such as the Talent Leadership Programme for the most senior levels, Gateway to Leadership and the Mastering Your Leadership Programme. Many TNT managers have followed the programmes successfully.

Performance management

Within TNT each and every employee should work towards clear measurable goals. To communicate targets and other focus areas an Annual Senior Management Meeting is organised followed by various cascades in the company, team meetings and individual meetings. In this way each individual knows TNT's strategy and its own expected individual contribution to it. In many functions annual goal setting is established and realisation measured and discussed.

Global compensation and benefit practices

Completing the above mentioned global HR initiatives, TNT has global compensation and benefit practices. Good progress was made in the redesign and implementation of benchmarked compensation and benefits policies, ensuring that TNT's executive population is rewarded accordingly. Additionally, due to TNT's global pension and benefits inventory, TNT has insight in its benefits landscape. The global inventory measured TNT's compliance and market conformity of local policies on disability, decease, retirement and health. The outcome confirmed TNT's general market conformity and compliance and enabled actions where needed.

Employee engagement

Given TNT's line of business, employee motivation and engagement have always been important. TNT recognises that it is important to have indicators available that enable management to pursue the best possible engagement.

The global engagement survey is TNT's tool to measure TNT's success in increasing employment pride and motivation. TNT started to measure engagement at a global level in 2006 and established a successful methodology and approach over the years. To facilitate as many participants as possible, the survey is translated into 37 languages and available digitally and in paper version. In October 2008, all TNT employees were invited to participate in the global engagement survey with the exception of the employees working for Hoau Group of China (Hoau). The results are available on departmental levels (unless smaller than ten persons), giving managers and their teams sufficient input to action on it.

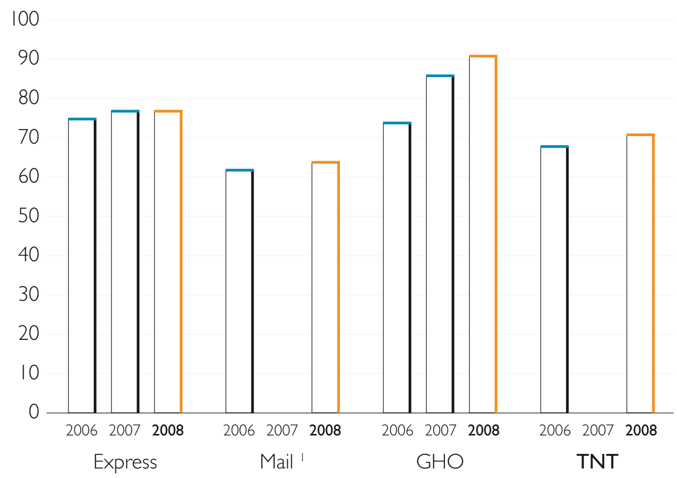
The results in 2008 show that TNT's engagement scores are higher than the industry benchmark. The most important findings include:

- engagement in TNT has improved by 3% points over the last two years,
- overall response rates have increased, and
- specifically high scores on working relationships when compared to the Global Logistics Companies norm.

TNT's engagement improved

Engagement

in percentages



1– includes Mail Netherlands and European Mail Networks

Engaged employees and emphasis on health and safety have a positive influence on absenteeism.

Absenteeism

	2008	2007
Mail	5.0%	5.3%
Express (excluding major acquisitions)	3.4%	4.1%
Other networks + GHO	6.2%	6.2%
TNT Total (excluding major acquisitions)	4.2%	4.6%
TNT Total (including major acquisitions)	3.9%	-

See the CR Report 2008 for more details.

Industrial and labour relations

TNT believes in employee dialogue. Trade unions and works councils therefore continue to be valuable partners. Main principles in all of TNT's relations with the trade unions and works councils are an open and transparent relationship and the timely sharing of as much information as possible. TNT values its good relationship with the trade unions and works councils, as it results in decisions that take account of all interests concerned.

In 2008, the contract with the European works council was revisited and agreed, ensuring a clear route and sense of purpose in the cooperation. The constructive consultations with many other works councils and employee representations were continued.

Wages and general working conditions, amongst others in the Netherlands, are the subject of centrally negotiated collective labour agreements. In 2008, special attention was needed for the collective labour agreement in the Netherlands, mainly due to the fact that further savings were necessary. Discussions were extensive and led to some strikes, the first since 1984. TNT extended the existing collective labour agreement for another year with the prerequisite that the level of a new operations collective labour agreement would be substantially lower than of the current collective labour agreement for TNT. The negotiations started in December 2008. Various other labour agreements were renewed in 2008.

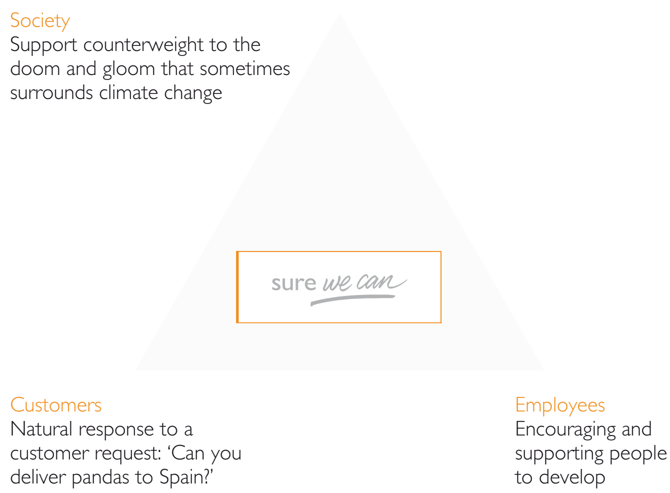
Brand

TNT's corporate culture has been characterised by a strong, robust 'can-do' attitude and spirit for a long time. It is the attitude that TNT's employees bring to solving problems, carrying out their daily tasks and responding to TNT's stakeholders and the world outside of TNT.

sure we can

TNT, however, never used this 'can-do' spirit to differentiate its brand and expose its true character in the many markets served by Mail and Express. That started to change in 2008. By introducing first internally and gradually externally the new strap line 'sure we can', TNT aims to make 'can-do' central to its positioning in a way that is truly meaningful and different. TNT believes 'sure we can' is meaningful and relevant to all its stakeholders, being its employees, customers or even global society (see chart). The exceptional things TNT does in its Express Special Services and initiatives like Planet Me and Driving Clean already demonstrate TNT's 'can-do' mentality. TNT realises 'sure we can' is a bold claim about its collective attitude; it comes to life through the everyday professional behaviour of TNT's employees. That is why the start of this new brand positioning is started with an internal focus. Simultaneously, all existing divisional or service specific strap lines and the category definer 'Global Express, Logistics & Mail' are being phased-out.

TNT's new strap line



'Sure we can' provides the consistent brand positioning for all activities and all geographical markets where TNT operates. In 2009, new marketing initiatives will be developed that support the implementation of the new strap line and further increase brand value.

Corporate responsibility

This section summarises the key elements of TNT corporate responsibility during 2008 and the plans for 2009. Readers are directed to TNT's 2008 corporate responsibility report which is available at group.tnt.com for detailed disclosure and overview of CR performance and objectives.

TNT reviewed and updated its strategy for social and environmental objectives during 2008. The first result was the adoption of a new term: "corporate responsibility". For TNT this combines sustainability, which focuses on the environment, and corporate responsibility, which deals with people and society as a whole.

TNT published its first CR report, which was then called social responsibility report, in 2004. Since then much has been accomplished. Management has been implementing processes, systems and standards across all business operations, and has continued efforts to integrate these standards into the supply chain and to benchmark corporate responsibility practices.

TNT subscribes to internationally recognised initiatives and standards such as the United Nations Global Compact, which embraces, supports and enacts a range of values in the areas of human rights, labour standards and the environment. In 2006, TNT revamped and re-launched the comprehensive TNT Business Principles, which underpin TNT's commitment to integrity, legal compliance, continued improvement and sustainability (see group.tnt.com). In addition, TNT's policy over the past four years has been to lay a solid foundation across both social and environmental agendas to ensure all fully-owned TNT operations comply with five certified management systems as appropriate to each company component:

– OHSAS 18001 (occupational health and safety),
– Investors in People (personal growth of employees),
– SA 8000 (social responsibility in non-OECD countries),
– ISO 9001 (quality management leading to operational excellence), and
– ISO 14001 (environmental management).

Implementing these standards and management systems facilitates TNT to continuously improve its performance in these critical areas in a structured and transparent manner. They also provide management with reliable and quality data on which to judge performance against key performance indicators as well as an evaluation of benchmarking processes.

The table below discloses TNT's performance in the implementation and achievement of certification of these standards. Note that the data below excludes the major acquisitions in Brazil, China and India. TNT Mercúrio (Brazil) and Speedage Express Cargo Services (India) have plans in place to achieve certification to all standards by 2011. For Hoau (China) a phased plan has been agreed that focuses first on achieving OHSAS 18001 and ISO 9001 certification by 2012 and subsequently on achieving the other standards by 2015.

Certificates (% based on FTEs)

	2008	2007	2006
OHSAS 18001	**89%**	86%	82%
Investors in People (based on headcount)	**85%**	82%	79%
SA 8000 (in non-OECD countries)	**94%**	95%	48%
ISO 9001	**90%**	90%	80%
ISO 14001	**89%**	86%	65%

See the CR Report 2008 for more details

Employee health and safety

TNT believes that an embedded and robust safety culture, top-down and bottom-up, must be at the core of operations and management practices. Health and safety risks cannot be treated in isolation from other company processes and therefore must be seen as an integral part of activities. As such, managing health and safety is a primary responsibility of all TNT managers; from the most senior executives to first-line supervisors throughout the company.

Specific responsibilities for health and safety are delegated companywide and these duties are recorded formally in job descriptions. It is TNT's policy to ensure that all operations meet the requirements of TNT's health and safety programme, which is based on the internationally recognised OHSAS 18001 standard.

TNT's global health and safety programme in both the Mail and Express divisions is designed to:

– provide a system to eliminate or minimise risks to employees and others who may be exposed to health and safety risks associated with company activities,
– identify the relevant legal requirements appropriate to company activities,
– ensure any other requirements to which the location subscribes are taken into account, including best practices and any local operational restrictions,
– document all employees' health and safety roles and responsibilities,
– identify and document elements of existing and proposed work activities that present a significant health and safety risk,
– identify, evaluate and control health and safety risks arising from routine and non-routine activities and workplace facilities,
– outline how health and safety objectives and management programmes are to be set and monitored to improve performance,
– outline the documents, procedures and instructions required to implement and maintain the health and safety management system,
– outline the training and competence required to control significant health and safety risks, and
– facilitate planning, control, monitoring, corrective action, auditing and review to ensure compliance with TNT's health and safety policies.

TNT regretfully reports a total of 19 fatal accidents in 2008 (excluding subcontracted activities), of which four were workplace fatal accidents and 15 were fatal road traffic accidents (12 of which were also blameworthy). The 19 fatal accidents resulted in five TNT employees being killed, one subcontractor death and 13 third party fatalities.
An additional 30 road traffic fatal accidents occurred as a result of TNT's subcontracted operations during 2008. These additional accidents resulted in 10 subcontractor fatalities and 29 third party fatalities. TNT actively encourages and supports its subcontractors to meet high road safety standards and to report accidents and fatalities to TNT if they occur.

The increase in fatal workplace and road traffic fatal accidents is mainly related to the growth of the business in the emerging markets of India, China and Brazil. Improved internal reporting systems have been put in place to capture reliable data on workplace and blameworthy and non-blameworthy road traffic accidents. These systems now provide TNT management with timely and detailed reports on the root cause of the accident and management is mandated to specify corrective actions and to execute such actions with the greatest expedience.

The majority of the fatal accidents are caused by road traffic collisions, reflecting that global road traffic injuries and deaths are increasing rapidly, particularly in developing and low-income and middle-income countries. The World Health Organisation's "World report on road traffic injury prevention" estimates that the total number of road traffic fatalities worldwide will rise by some 65% between 2000 and 2020.

Environment

TNT actively seeks to limit the environmental impact of its business activities. In particular, CO_2 emissions, generated by or related to TNT's operational activities, are a key area of focus. Besides its own CO_2 footprint, TNT acknowledges co-responsibility for the emissions resulting from transport activities that are contracted out and reports on the subcontracted CO_2 emission in addition to its own footprint. The CO_2 footprint is completed by including the CO_2 emissions from business travel by air and company cars.

The overall CO_2 emissions for TNT's own operations have increased slightly, which can be attributed mainly to increased fuel consumption in aviation. The CO_2 efficiency for buildings improved by 20% compared to 2007. The sustainable electricity contract in the Netherlands contributed significantly to reducing the CO_2 emissions associated with buildings.

This is illustrated in the table below:

Environment

	2008	2007
CO_2 emissions		
CO_2 emission absolute (ktonnes)	**1,021.9**	1,013.0
CO_2 efficiency small trucks (g CO_2 / km)	**281**	287
CO_2 efficiency large trucks (g CO_2 / km)	**670**	676
CO_2 efficiency aviation (g CO_2 / tonne*km)	**1,107**	1,132
CO_2 efficiency buildings (kg CO_2 / m^2)	**38.6**	48.3
Sustainable electricity		
Sustainable electricity (% of total electricity)	**43.5**	11.0

See the CR Report 2008 for more details.

Setting and implementing CO_2 targets have a key role in managing CO_2 operational efficiency systematically. Sustained management of CO_2 efficiency will only be feasible by embedding CO_2 targets in management structures at all levels and by creating the required accountability structures. In the short term, TNT faces several challenges in setting ambitious and realistic CO_2 targets namely:

- important technological options that exist to reduce emissions drastically are not yet available in the transport sector,
- options for aviation emissions, which comprise a considerable part of TNT's CO_2 footprint, are relative limited in the medium term, and
- a significant part of TNT's business is contracted out to road and air subcontractors, and they contribute significantly to TNT's CO_2 footprint. TNT's ability to directly influence the CO_2 performance of subcontractors is relatively limited.

During 2008, TNT has developed an improved CO_2 metric to allow management to set a reliable baseline position on which initial preliminary targets can be set. It is planned that this preliminary position will be refined and solidified during 2009 and action plans will be set. Please refer to TNT's 2008 corporate responsibility report for more information on these indicators, the preliminary baseline and planned actions.

Voluntary contributions to society

TNT has built a reputation of CR leadership through special initiatives, such as its innovative corporate partnership with the United Nations World Food Programme (WFP). Since 2002 TNT has been bringing its people, capabilities and skills into action to help WFP in its fight against world hunger. This partnership has been very successful, with benefits for WFP and TNT. Total value of in-kind and cash contribution (€6 million) and employee fundraising in 2008 (€2 million) was €8 million. In addition, 66% of TNT's employees indicated in the 2008 annual employee engagement survey that they considered TNT a more attractive employer as a result of the partnership with WFP.

An opportunity TNT has identified within the WFP partnership is the production of cash crops for bio-energy purposes – in particular to cultivate Jatropha trees in a sustainable way with smallholder farmers in Malawi. The Jatropha project is based on a social venture capital model, which brings significant social benefits for the farmer communities in Malawi as well as environmental benefits. TNT has established a social venture with a local Malawian company, Bio Energy Resources Limited (BERL). This project was treated as a normal business case; as such it has been subject to extensive due diligence, both internal and external. TNT gets a fair return as a social investor. In addition, over time this investment could contribute to off setting TNT's CO_2 emissions partially.

In 2009, BERL plans to plant 24 million Jatropha trees in Malawi. Over the next six years, BERL plans to plant up to 250 million trees in total. A warehouse has been built, including two expelling machines, for storing the harvested nuts. These machines are used to crush the nuts. A small refinery unit has also been installed. These assets provide the operational proof of concept needed in 2009. As of 2009, the harvest will be repurchased and collected from the many smallholder farmers that participate in the programme.

In addition, TNT has also co-founded the North Star Foundation (NSF). This was launched in 2006 and is a public-private partnership that is establishing a network of roadside health clinics at major truck stops and border crossings along the major arterial transportation routes in sub-Saharan Africa, India and Asia. The health clinics offer a practical, low-barrier and low-cost response to the transmission of HIV and other sexually-transmitted infections in the transport sector.

Corporate responsibility – 2009 and beyond

Whilst TNT's CR performance has been recognised as innovative and achieved desired outcomes, it is clear from the intensive examination made during 2008 that there are points for continuous improvement, especially in aligning the priorities in TNT's CR strategy with the areas where TNT makes the biggest impact: employees and the environment. Developing a framework that establishes the CR standards for subcontractors and other stakeholders and realigning voluntary and philanthropic contributions behind overall CR objectives are two other priorities.

Internally, corporate responsibility will be integrated further into business practice, and management will be even more involved in CR development to take TNT's employees on the journey towards continuously improving corporate responsibility. TNT will also take into account the varying levels of maturity of its operations and if necessary differentiate execution.

TNT believes in the necessity of being transparent about the challenges involved in developing a sustainable CR strategy. It is also convinced that this strategy realignment is credible, responsible and, above all, achievable. Success in delivering on these ambitions will create value for TNT's people, its business, and for society and the world in which it operates. It will position TNT firmly to carry forward the CR leadership role it has already created.

Integrity

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

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

Guidance is set out in the TNT Business Principles which have been formally adopted and approved by the Board of Management and Supervisory Board.

The TNT Business Principles, together with other integrity-related group policies and procedures, are published on TNT's corporate website. These group policies deal with topics such as compliance with laws and regulations, accurate and timely disclosure of information, transparency, equal opportunities, fair treatment, conflict of interest, corruption, fair competition, and corporate responsibility. The TNT Business Principles are aligned with the UN Global Compact (since 2002) and the Partnering Against Corruption Initiative principles (since 2008). TNT's integrity-related group policies and procedures include the TNT Group Procedure on Whistleblowing, the TNT Group Policy on Fraud Prevention, the TNT Group Policy on Gifts and Entertainment and the TNT Group Policy on Disciplinary Actions. The latter policy makes clear that non-compliance with TNT's group policies will not be tolerated.

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

The TNT Business Principles and related group policies are being embedded in TNT's strategic and operational decision processes. The TNT Integrity Programme is monitored in several ways. See for more details chapter 7.

In 2007 and 2008, TNT was honoured as the leader in the super sector Industrial Goods and Services of the Dow Jones Sustainability Index. In both years TNT scored 100% in the area of codes of conduct and compliance. TNT is proud of this recognition, but at the same time will continue to seek improvement and the further roll-out of its Integrity Programme in order to further enhance its strong ethical culture.

Revenues and earnings group

In this chapter the positive or negative sign of the variance as shown in the tables is determined by the impact of the variance on the result.

Group consolidated results

Consolidated group results

Year ended at 31 December

	2008	variance %	2007
Total operating revenues	11,152	1.2	11,017
Other income	35	(53.3)	75
Operating expenses excluding depreciation, amortisation and impairments	(9,806)	(2.7)	(9,551)
EBITDA	1,381	(10.4)	1,541
Depreciation, amortisation and impairments	(399)	(14.3)	(349)
Total operating income	982	(17.6)	1,192
as % of total operating revenues	8.8		11
Net financial expense	(147)	(56.4)	(94)
Income taxes	(242)	23.4	(316)
Results from investments in associates	(33)		1
Profit for the period from continuing operations	560	(28.5)	783
Profit from discontinued operations	0		206
Profit for the period	**560**	(43.4)	989
Attributable to:			
Minority interests	4	33.3	3
Equity holders of the parent	**556**	(43.6)	986
Earnings per ordinary share (in cents)[1]	152.9	(40.6)	257.4
Earnings per diluted ordinary share (in cents)[2]	152.5	(40.5)	256.1

(in millions, except percentages and per share data)
1 – In 2008 based on an average of 363,566,403 of outstanding ordinary shares (2007: 383,028,938). See note 31 to the consolidated financial statements.
2 – In 2008 based on an average of 364,704,745 of outstanding ordinary shares (2007: 385,071,986). See note 31 to the consolidated financial statements.

In 2008, TNT had total operating revenues of €11,152 million (2007: 11,017). TNT's Express division accounted for 59.7% (2007: 59.5%) of TNT's group operating revenues and 38.3% (2007: 50.3%) of TNT's group operating income. TNT's Mail division accounted for 38.1% (2007: 38.4%) of TNT's group operating revenues and 64.5% (2007: 52.5%) of TNT's group operating income.

Total operating revenues increased by 1.2% in 2008 compared to 2007. Operating income decreased by 17.6%, on balance mainly caused by the economic downturn leading to reduced volumes within Express, resulting in lower operating results predominantly in the International and Domestic business cluster. The significant change of foreign exchange rates against the euro compared to 2007 (mainly the British pound and the US dollar) had a negative impact on group operating revenue of €308 million.

Key factors

Key factors that affect TNT financial results include:
- the number of shipments transported through TNT's networks,
- the volumes of mail TNT delivers,
- the mix of services TNT provides to its customers,
- the prices TNT obtains for its services,
- currency development, mainly the exchange rate of the British pound and US dollar against the euro,
- the average number of working and delivery days in a year,
- the speed of TNT's network expansion,
- TNT's ability to manage TNT's capital expenditures,
- operating expenses, provisions and impairments,
- TNT's ability to adapt its operating expenses to shifting volume levels,
- implementation of cost savings programmes, and
- TNT's ability to integrate acquisitions.

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

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

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

Operating revenues by segment

Year ended at 31 December

	2008	variance %	2007
Express	**6,653**	1.6	6,551
Mail	**4,245**	0.3	4,234
Other networks	**273**	6.6	256
Non-allocated and inter-company	**(19)**	20.8	(24)
Total operating revenues	11,152	1.2	11,017

(in millions, except percentages)

Other income by segment

Year ended at 31 December

	2008	variance %	2007
Express	**7**	(22.2)	9
Mail	**26**	(59.4)	64
Other networks	**2**	0.0	2
Non-allocated	**0**	0.0	0
Total other income	35	(53.3)	75

(in millions, except percentages)

Operating income by segment

Year ended at 31 December

	2008	variance %	2007
Express	**376**	(37.2)	599
Mail	**633**	1.1	626
Other networks	**11**	0.0	11
Non-allocated	**(38)**	13.6	(44)
Total operating income	982	(17.6)	1,192

(in millions, except percentages)

Group operating revenues

Total operating revenues increased by €135 million (1.2%) to €11,152 million in 2008 compared to 2007. TNT's Express business contributed an increase of €102 million. Other networks contributed an increase of €17 million and TNT's Mail business contributed an increase of €11 million to this growth.

Organic growth, defined as the growth calculated against 2007 foreign exchange rates and excluding the effect from the first time consolidation of acquisitions and the deconsolidation of disposals, was responsible for 4.1% of total group operating revenues growth. The consolidation effect from acquisitions and the deconsolidation effect from disposals accounted for a decrease of 0.1%. Unfavourable changes in foreign exchange rates negatively impacted the revenue growth by 2.8%.

TNT's Express business achieved 1.6% higher operating revenues compared to 2007, of which 5.1% organically. The overall increase in operating revenues was achieved mainly from good growth in emerging markets which were not yet strongly impacted by the global economic downturn and from solid overall growth in the first six months of 2008. TNT's Express business is further described in chapter 4.

In TNT's Mail business, operating revenues increased by 0.3% in 2008, of which 2.5% organically. The volumes continued to decline in the Netherlands due to volume decline in addressed mail items. The volume decline impact on revenue in Mail Netherlands was accompanied by a negative price-mix effect. Emerging Mail and Parcels operating revenues increased by 8.5%. TNT's Mail business is further described in chapter 5.

Group operating expenses

Operating expenses

Year ended at 31 December

	2008	variance %	2007
Cost of materials	**484**	(14.4)	423
Work contracted out and other external expenses	**4,978**	(3.6)	4,806
Salaries and social security contributions	**3,617**	(0.2)	3,608
Depreciation, amortisation and impairments	**399**	(14.3)	349
Other operating expenses	**727**	(1.8)	714
Total operating expenses	10,205	(3.1)	9,900

(in millions, except percentages)

Total operating expenses increased by €305 million (3.1%) to €10,205 million in 2008 compared to 2007. Overall, the organic growth in operating expenses was 6.6%. Included in the total operating expenses is an impairment charge relating to the decommissioning of nine aircraft amounting to €37 million and restructuring costs of €33 million mainly to cover for 1,000 redundancies within Express and €82 million restructuring costs and €7 million impairment of assets within Mail relating to Postkantoren B.V. Changes in foreign exchange rates positively impacted the operating expenses by 2.9%.

Total cost of materials increased by €61 million (14.4%) in 2008 compared to 2007. Organically, cost of materials increased by €89 million (21.1%) in 2008, mainly due to higher fuel costs in TNT's Express division.

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. Total work contracted out and other external expenses increased by €172 million (3.6%) in 2008 compared to 2007 partly due to higher fuel costs for subcontractors. Salaries, pensions and social security contributions increased by €9 million to €3,617 million (0.2%) in 2008 compared to 2007. Salaries, pensions and social security contributions increased organically by €111 million (3.0%) which was almost completely offset by an adverse effect of foreign currencies of €99 million (2.7%). The organic increase in salary costs was due to a new collective labour agreement in Mail Netherlands and organic growth in Emerging Mail and Parcels which were partly offset by a reduction of around 1,400 FTE's in Mail Netherlands in connection with the cost flexibility programme and by lower pension costs than in 2007.

Depreciation, amortisation and impairments increased by €50 million (14.3%) compared to 2007 mainly due to an impairment charge relating to the decommissioning of nine aircraft amounting to €37 million and €7 million impairment relating to Postkantoren B.V.

Other operating expenses include items such as marketing expenses, other restructuring costs, insurance costs and various other operating costs. Other operating expenses increased by €13 million (1.8%) in 2008 compared to 2007. Other operating expenses increased organically by €71 million (9.9%) in 2008, mainly due to higher bad debt provisions and vehicle expenses within Express. Other operating expenses decreased by €52 million due to disposals in 2007 and 2008, particulary due to the €23 million costs of the onerous UK Parcels contract in 2007. Changes in foreign exchange rates caused a decrease of €6 million.

Group operating income

Total operating income for the group was €982 million in 2008, a decrease of 17.6% compared to 2007. Express operating income decreased by 37.2%, or 25.5% excluding the €70 million effect of restructuring costs and impairment of aircraft. The decrease was primarily due to the economic downturn resulting in significantly reduced volumes in the international premium product within Express in the International and Domestic business cluster. Operating income of TNT's Mail business increased by 1.1%. This increase was mainly due to lower restructuring costs.

Other networks and Non-allocated

Operating revenues in TNT's business entity Other networks increased by 6.6% compared to 2007 and amounted to €273 million. Operating income remained stable with €11 million (2007: 11), but underlying performance improved because 2007 included various one off items.

In 2008, non-allocated operating costs amounted to €38 million (2007: 44). Included in these costs is €14 million (2007: 13) for new business initiatives, which mainly relate to investigations to optimise TNT's network strategy introduced in 2005 and costs relating to an initiative to further drive value "below the line". Cost made to support the World Food Programme (WFP) and Planet Me amounted to €9 million (2007: 10). Included in the cost for WFP are costs for knowledge transfer, hands on support, raising awareness and funds for the World Food Programme including cash donations. Planet Me is a TNT initiative to have an active contribution to reduce CO_2 emission to avoid further global warming. The other cost were €15 million (2007: 21).

Group financial income and expenses

Net financial (expense)/income

Year ended at 31 December

	2008	variance %	2007
Interest and similar income	70	(27.8)	97
Interest and similar expenses	(217)	(13.6)	(191)
Net financial expense	(147)	(56.4)	(94)

(in millions, except percentages)

Interest and similar income of €70 million (2007: 97) mainly relates to interest income on banks, loans and deposits of €44 million (2007: 69), of which €30 million (2007: 58) relates to a gross-up of interest on cash pools (fully offset by an equal amount in interest expenses) and interest income of €17 million (2007: 8) relating to outstanding hedges or fair value adjustments.

Interest and similar expense of €217 million (2007: 191) mainly relates to interest expenses on short term debt of €46 million (2007: 79), of which €30 million (2007: 58) relates to a gross-up of interest on cash pools (fully offset by an equal amount in interest income), interest expense on long term debt of €124 million (2007: 75) and interest expense of €35 million (2007: 18) relating to outstanding hedges or fair value adjustments.

The interest income and expense on cash pools are reported on a gross basis according to IFRS. From an economic and legal perspective this €30 million (2007: 58) interest income fully nets off against the same amount of interest expense. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

The interest and similar income and expense on various foreign exchange derivatives have been aggregated on a gross basis while economically the €17 million of interest income (2007: 5) is fully set off against the €35 million (2007: 18) of interest expenses on hedges.

In light of the current credit crisis, TNT has conservatively overfunded itself with commercial paper to assure liquidity and subsequently earned €1 million of interest on short term deposits which were at the same time offset by commercial paper with an interest cost of €1 million.

Result from associates

Included in result from associates is an amount of €30 million for the impairments of underlying investments of Logispring triggered by the deteriorated economic environment for such activities.

Group income taxes

Income taxes

Year ended at 31 December

	2008	variance %	2007
Current tax expense	203	(24.5)	269
Changes in deferred taxes	39	(17,0)	47
Total income taxes	242	(23,4)	316

(in millions, except percentages)

Group income taxes amounted to €242 million (2007: 316), a decrease of 23.4% compared to 2007.

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the income before income taxes. In 2008, the effective income tax rate was 30.2% (2007: 28.8%), which is higher than the statutory corporate income tax rate of 25.5% in the Netherlands (2007: 25.5%). This difference is caused by several opposite effects. For further details see note 22 of the consolidated financial statements of TNT N.V.

Group net income

In 2008, profit for the period attributable to the equity holders of the parent was €556 million, a decrease of €430 million (43.6%) compared to 2007. This decrease was on balance mainly the result of lower operational earnings within the Express division and the gain from discontinued operations of €206 million included in 2007 net income.

Net assets and financial position group

Overview

	2008	variance %	2007
Balance sheets			
Non-current assets	**4,730**	(1.9)	4,823
Current assets	**2,430**	7.9	2,252
Assets held for sale	**25**	150.0	10
Total assets	**7,185**	1.4	7,085
Equity	**1,757**	(9.9)	1,951
Non-current liabilities	**2,756**	23.5	2,232
Current liabilities	**2,672**	(7.9)	2,902
Liabilities related to assets classified as held for sale	**0**	0.0	0
Total liabilities and equity	**7,185**	1.4	7,085
Net return on equity[1] (%)	31.6		50.5
Equity as % of total liabilities and equity	24.5		27.5
Cash flow statements			
Net cash from operating activities	**923**	43.5	643
Net cash used in investing activities	**(257)**	(3,112.5)	(8)
Net cash used in financing activities	**(458)**	27.9	(635)
Changes in cash and cash equivalents from continuing operations	**208**		0
Net cash from operating activities	**0**		(19)
Net cash used in investing activities	**0**		4
Net cash used in financing activities	**0**		16
Changes in cash and cash equivalents from discontinued operations	**0**	0.0	1

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

Off-balance sheet items

TNT has no off-balance arrangements other than those disclosed in note 28 of the consolidated financial statements of TNT N.V. Cash and cash equivalents (excluding discontinued operations) totalled €497 million at 31 December 2008 (2007: 295).

Cash flow data

Liquidity and capital resources

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

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

Summary of cash flows from continuing operations

Year ended at 31 December

	2008	variance %	2007
Cash generated from operations	1,330	1.3	1,313
Interest paid	(182)	(2.2)	(178)
Income taxes paid	(225)	54.3	(492)
Net cash from operating activities	923	43.5	643
Net cash used for acquisitions and disposals	(18)	(110.2)	177
Net cash used for capital investments and disposals	(304)	(7.0)	(284)
Net cash used for other investing activities	65	(34.3)	99
Net cash used in investing activities	(257)	(3,112.5)	(8)
Net cash used for dividends and other changes in equity	(631)	35.5	(979)
Net cash from debt financing activities	173	(49.7)	344
Net cash used in financing activities	(458)	27.9	(635)
Changes in cash and cash equivalents	208		0

(in millions, except percentages)

Net cash from operating activities

The net cash from operating activities increased by €280 million from €643 million in 2007 to €923 million in 2008, which is amongst others due to significantly lower tax payments in 2008 and a strong working capital reduction offsetting lower earnings.

Cash generated from operations increased by €17 million despite a lower profit before tax adjusted for non-cash movements of €247 million, partially compensated by an improvement of working capital. In 2008, the net working capital improved with €132 million (2007: 77).

The total cash outflow for interest paid in 2008 is €182 million. In 2008 interest paid mainly includes interest on TNT's long term borrowings of €107 million, interest payments of €48 million relating to short term debt, realised interest on foreign currency hedges of €19 million and interest paid on taxes of €1 million.

The cash outflow of the total tax payments amount to €225 million compared to €492 in 2007. Taxes paid in 2007 included €166 million payments related to prior years.

Net cash used in investing activities

The total net cash used in investing activities amounts to -€257 million (2007: -8).

The net cash used for other investment activities mainly relates to interest received (€64 million).

The net cash used for acquisitions and disposals of €5 million mainly relates to small acquisitions in the Mail division.

Net cash used for capital investments and disposals relates to net capital expenditures on property, plant and equipment of €271 million (2007: 272) and intangible assets of €74 million (2007: 97) and proceeds obtained from the sale of buildings and equipment in 2008 of €40 million (2007: 85). The net expenditures on property, plant and equipment relate mainly to investments in depots, fleet replacements and investments in TNT's network.

Net cash used in financing activities

In 2008, dividends of €324 million (2007: 298) were paid being the final cash dividend over 2007 of €202 million and cash interim dividend for 2008 of €122 million. Together with the cash paid relating to share buy-back programmes of €308 million (2007: 710) and received cash payments for the exercise of employee stock option of €1 million (2007: 29) the total net cash used for dividends and other changes in equity amounted to €631 million (2007: 979).

The net cash from debt financing activities amounted to €173 million and mainly relates to the proceeds on long term borrowings following the newly issued benchmark eurobond offering £450 million due in August 2018. The £450 million proceeds have been swapped into €568 million with a coupon of 7.14%. Newly acquired short term bank debt amounts to €113 million, and €222 million has been issued under TNT's commercial paper programme. The total repayments mainly relate to the repayment of TNT's 5.125% December 2008 eurobond of €646 million and to repayments of short term bank debt of €83 million.

Detailed information on capital expenditures and proceeds

Capital expenditures and proceeds

Year ended at 31 December

		2008	variance %	2007
Property, plant and equipment		271	(0.4)	272
Other intangible assets		74	(23.7)	97
	cash out	345	(6.5)	369
Proceeds from sale of property, plant and equipment		40	(52.9)	85
Disposals of other intangible assets		1		0
	cash in	41	(51.8)	85
Netted total		304	7.0	284

(in millions)

Capital expenditures projection for 2009

The total projected 2009 capital expenditures on property, plant and equipment and other intangible assets for TNT's divisions is estimated to be around €250 million. This capital expenditure is expected to be spent on similar types of property, plant and equipment and other intangible assets as in 2008. TNT believes that the net cash provided by its operating activities will be sufficient to fund the capital expenditures.

Free cash flow and net debt

The Free Cash Flow of the group, as defined in chapter 2, amounts to €683 million (2007: 444). Of the €683 million, an amount of €324 million was distributed as dividend and €308 million as share buy backs. The net debt, defined as total interest bearing debt (long and short term) minus cash and other interest bearing assets per the end of the year, amounts to €1,744 million (2007: 1,789).

Outlook 2009

Due to the highly uncertain macroeconomic and business environment, instead of giving an outlook for 2009 on revenue growth and operating margin, TNT will provide certain indications only:

– Express: revenues expected to decline due to volume declines and lower fuel surcharge
– Mail: as previously guided, addressed volumes in the Netherlands expected to show an increasing rate of decline
– Additional pension P&L charge: €40 million compared to 2008; mainly Mail
– Approximately €400 million total cost savings targets pursued

THE EXPRESS DIVISION

General

TNT's Express division provides on-demand door-to-door express delivery services for customers sending documents, parcels and freight. TNT offers regional, national and worldwide express delivery services, mainly for business-to-business customers. The express services TNT provides and the prices TNT charges are primarily classified by transit times, distances to be covered and sizes and weights of consignments.

TNT Express' customers are small and medium enterprises, major accounts and global customers. Each category of customers is managed by dedicated teams and processes. TNT builds strong relationships with its customers through regular personal calls and visits, as well as a wide range of communications media.

TNT has extensive integrated road and air networks in Europe, with dense coverage in 35 European countries. This gives TNT a leading position in the European market. TNT's worldwide coverage extends to more than 200 countries. In 2008, TNT continued to build its positions in emerging markets while enhancing connectivity between those markets and Europe.

The principal Express facilities are as follows:

Principal facilities of Express

Location	Owned / Financial lease	Principal use	Site area
Liège, Belgium	Owned[1]	International air hub	103,709 sq. metres
Wiesbaden, Germany	Owned	Sorting centre and road hub	65,500 sq. metres
Arnhem, the Netherlands	Owned	International road hub	148,000 sq. metres
Brussels, Belgium	Lease	Sorting centre and road hub	67,150 sq. metres

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

The following aircraft were in use at the end of 2008:

Specification of aircraft in use

Type	Total number	Total capacity in kilos
Owned	29	654,800
Leased	10	142,000
Chartered	7	102,000
Total	**46**	**898,800**

Included in the 29 owned aircraft are nine aircraft that will be decommissioned.

Strategy and actions

TNT's Express division aims to be the leader in day-certain and time-certain, door-to-door delivery, focusing on business-to-business customers, with the widest (value-creating) geographical coverage.

TNT is a global express player, whose strategy is to 'Focus on Networks' by:
- strengthening its number one position in Europe in national and intra-European flows,
- building the number one position in selected emerging markets like India, South-east Asia, China and South America,
- providing a continuum of delivery products and services, which also interconnects with the Mail division, and
- expanding its position in special services (a range of flexible and value-added solutions that are complimentary to its network services).

More specifically, TNT aims to achieve its strategy by:
- maintaining a balanced customer portfolio (large, medium, small and ad hoc customers),
- focusing on service quality,
- strengthening the TNT brand and increasing top-of-mind awareness of the comprehensive range of its reliable on-demand express delivery services,
- providing high-quality and cost-effective intra-European services through connecting its strong domestic and international businesses,
- further tuning the balance between network capacity and short and medium term business development needs,
- achieving a step-change in cost control and network optimisation,
- creating medium term profitable revenue growth through bolt-on acquisitions,
- continuing to deliver outstanding levels of customer satisfaction,
- developing leading-edge support technologies that provide added-value for customers, and
- recruiting, developing and managing its employees towards the highest standard of customer care.

In 2008, TNT's Express business furthered its Focus on Networks strategy with an emphasis on network optimisation, cost control and continued transformation of its new domestic platforms in China, India and Brazil.

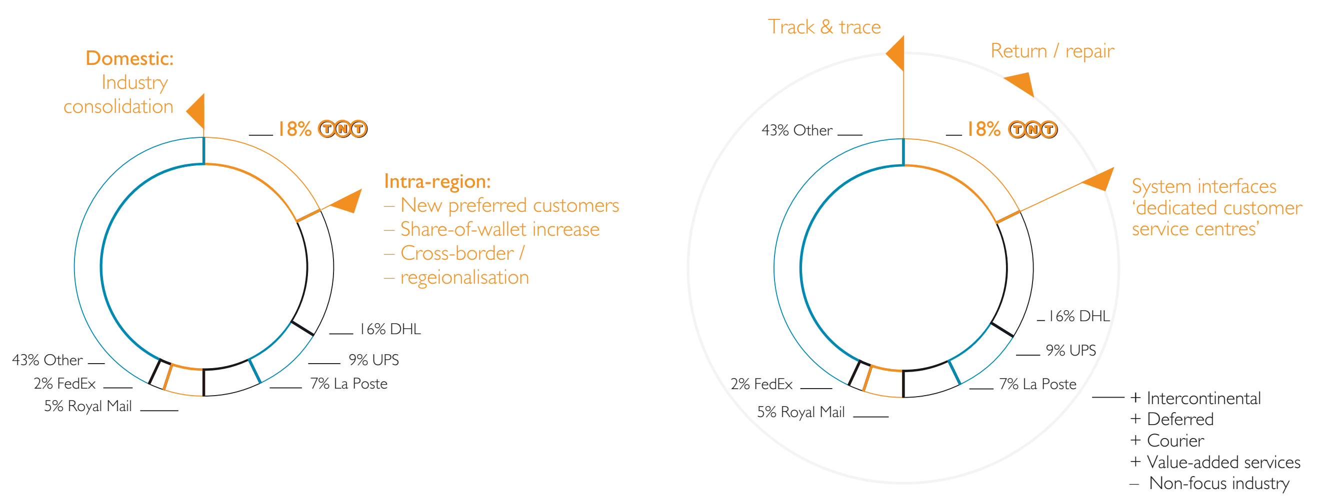
Based on information and analysis of competitors across several market segments in various countries during five years, TNT's core domestic and intra-European market is calculated as having a size of €21 billion (based on TNT's narrow definition, which measures the business-to-business express market, domestic and intra-Europe only, and is based on 2007 data). As customers increasingly look for a more varied express product and service offering, TNT has explored opportunities for expanding its addressable market. TNT now estimates the addressable market value at €35 billion. Some of this increase stems from the potential for enhancing TNT's Economy products with many of the service attributes that customers have come to expect, such as track-and-trace, door-to-door delivery and industry-leading customer service support. More generally, by using its already existing sales platform and networks, TNT can attack a larger market by selling added-value solutions, leveraging from an already comprehensive product portfolio.

B2B Express market: expanded market potential

B2B Express market, Domestic and Intra-Europe

2007: 100% = € 21 billion

2007: 100% = € 35 billion



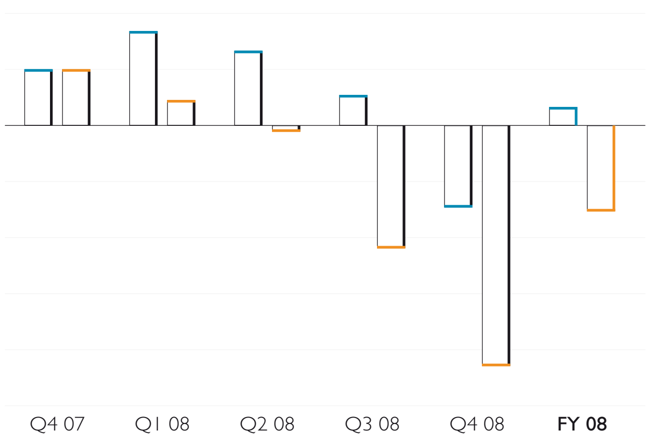
Business performance

In 2008, TNT's Express business achieved revenue growth of €102 million (1.6%) and an operating margin of 5.7%. The underlying organic revenue growth, adjusted for a fuel surcharge of €183 million, was -1.2%. The economic downturn, particularly in Europe, led to significant pressure on the business largely because of lower trading volumes from existing customers. As a result, operating income was adversely affected by sharply lower volumes in premium Express products (air), which could not be compensated by cost reductions in the network.

The volume development in TNT Express reflected these developments and indicates three step-downs in the economic activity in the last six months of 2008 in Europe (see chart on next page). In weeks 25 and 26, for the first time a sharp decline in volumes (in comparison with the previous year) in the air express segment in Europe was noticeable. In the month of September that decline accelerated to a level of around 10%. And in the last two trading months of 2008, the economy seemed to soften even further, leading to a decline of air volumes of close to 20%. Until the third quarter, the volumes in the international economy road networks in Europe continued to grow, but as of November also there the growth turned sharply negative. This negative development forced TNT to revise its 2008 outlook for Express twice. Operating income reduced to €376 million from €599 million in the prior year. In 2008, costs relating to provisions and impairments were €70 million in order to continue to align the business to lower volumes going forward.

Air and Road volumes

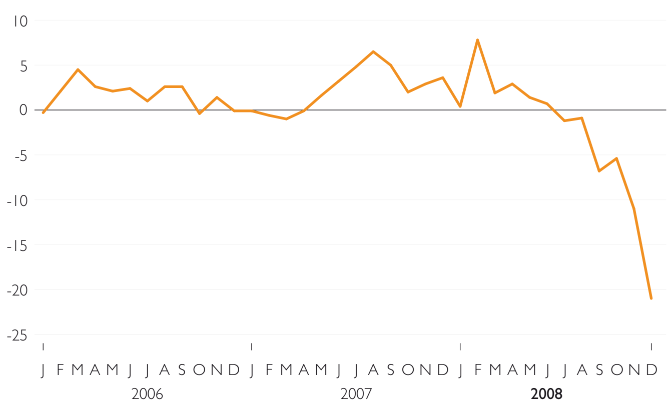
% change year-on-year, rebased to Q4 07=100



This experience with sharp volume declines was not TNT's alone; the air freight sector reported the same negative trend (see chart). With this sectorwide trend in mind, TNT believes that volume developments in 2009 will remain negative compared to 2008, particularly in premium (air) products.

European trend in air freight market

year-on-year % growth in tonne kilometres



Source – Bloomberg Professional

Move from Express to Economy Express in 2008

Down-trading in Express in 2008

Combined with the downturn in trading volumes, TNT continued to see a further shift from its International (premium) Express products to Economy Express products in 2008, a structural change that appeared more pronounced in 2008 as customers sought to control costs. In 2008, Express product volume decreased by 4.0% while Economy Express product volume increased by 2.5%.

Network optimisation and cost savings

The network optimisation plan announced in late 2007 aimed to improve integration of the air and road networks to gain cost savings while maintaining service levels. This plan is even more relevant in a recessionary climate, in which network cost reductions and operational efficiency are key to addressing declining trading conditions.

The significant worsening of trading volumes through the second half of 2008 prompted an amplification of these cost-control and efficiency initiatives. On 4 December 2008, TNT detailed structural cost savings. For 2009/2010, the previously targeted €100-125 million structural cost savings were increased to €170-210 million (of which €90-125 million are to be achieved in 2009), to be achieved mainly through further network optimisation in road networks and centralisation of customer services. In addition, Express will be ready to implement further volume-dependent contingencies up to an amount of €120 million savings in 2009.

Technology and business system solutions continue to be critical elements and enablers in achieving the business strategy. Standardisation throughout TNT's global organisation continues with the development of common systems. In March 2008, TNT launched its e-invoicing solution offering secured electronic invoices in over 30 countries, including most European countries, Australia, Singapore, China (Hong Kong), South Africa, Kuwait, and the United Arab Emirates. With increasing e-invoicing uptake, reduction in administration costs can be achieved.

Standardisation throughout the global organisation of TNT Express continues with the development and implementation of common systems for international and domestic processes. There was accelerated progress in 2008, resulting in 136 depots now using the new Operations Data Entry System. In October

2008, the Road Operational Control System was successfully implemented overnight in 31 European countries.

Beyond helping to achieve needed cost savings, TNT's continued focus on technology innovation provides a key differentiator when integrating its express services with customers' systems.

International and domestic

Economic activities in Europe hardly expanded in 2008 compared to 2007. The European express market grew slower than GDP, mainly because the industry is one of the first to notice a drop in volume demand. Competition in the fragmented European express market intensified further in 2008, with further market consolidation in East European markets. In the mature Western European markets, the focus has been on improving efficiency, improving customer service, and expanding coverage and service levels. Parcel operators have continued to edge into the express market, and initiatives such as expansion of parcel shops, drop-off points and parcel stations have illustrated the perceived increased importance of the business-to-consumer market and lower-cost business-to-business parcel deliveries.

The economic downturn negatively impacted trading volume, particularly in premium air services in Europe. In 2008, the large European countries (the United Kingdom, France, Germany and Italy) as well as the Benelux saw moderate organic revenue growth, albeit at a lower pace than last year. Cost control measures were implemented, with a focus on lowering overhead costs and achieving tighter operational planning.

As part of the network optimisation plan, ten airport connections in Europe were closed in 2008, leading to net annualised cost savings of €20 million of which €5 million was realised in 2008.

Outside Europe, Australia continues to perform well through organic revenue and volume growth. The domestic express market of Australia is the largest market in the Pacific where TNT holds a strong position.

The cost reduction measures within the amplified network optimisation plan are complemented by TNT's aim to improve continuously operational efficiency by strengthening its air and road networks. TNT has a more extensive express delivery road network in Europe than any of its competitors. In 2008, TNT continued to build on its extensive road network by connecting its European road network to Ukraine's largest overnight network. The new route will strengthen network connectivity to and from Europe's fastest growing economies in the east.

Emerging platforms

In 2008, TNT's emerging platforms in China, India, South-east Asia, Middle East, Russia, Turkey and South America continued to achieve double-digit revenue growth and margins slightly below outlook target. Towards the end of 2008, the impact of negative global economic activity became also visible in the emerging platforms.

South-east Asia, China

Economic conditions continued to be relatively favourable in 2008 due to sound fundamentals and growing domestic demand. Nevertheless, economies with high international exposure were increasingly impacted by slowing demand in Europe and the Americas. China and India were driving economic growth in the region. Other markets such as Vietnam and the rest of South-east Asia continued to attract investment and are estimated to accelerate growth and demand for express transportation. The segmentation lines in the Asian international air transportation market are becoming faint as the border between air express and air freight is converging.

In April 2008, TNT announced its plan to invest €100 million over five years to strengthen its network coverage, connectivity and infrastructure to capture freight opportunities between South-east Asia, Europe and China. This is in line with TNT's strategy to build a leading position in these regions and to provide innovative freight solutions for the growing healthcare, high-tech, and equipment and machinery sectors.

During 2008, TNT enhanced the operation of its Boeing 747-400 freighter. The freighter now travels between Singapore, Shanghai and Europe three times a week, which enhanced operating efficiency and, more importantly, offered new solutions to TNT's customers in all three markets.

2008 also saw TNT's unique and market-leading Asia Road Network (ARN) expanded into China. The pioneering international road services now offered by the TNT ARN provide customers with unique transportation solutions that allow a secure and day-definite service that is cheaper than airfreight and faster than sea.

Additionally, TNT added eight new branches to its international Express network in China. This enables TNT to develop further its network and expand the international express services in China's fast growing economic regions.

India

The express sector benefited from India's further integration into the global economy and development of the domestic market. It also emerged as a competitive express market with a trend of market consolidation through strategic acquisitions.

In August 2008, TNT successfully integrated Speedage Express Cargo Services (Speedage) into its global Express network. Speedage, a domestic road express company, was acquired by TNT in September 2006. The integration will further strengthen TNT's strategy to become the market leader in India, using an integrated air and road network and operating under a single brand.

South America

In South America, there was relatively good economic growth in Brazil, albeit at a slower pace than in previous years, due to the other currencies' depreciation and the slowdown in the US economy. Argentina was somewhat less impacted, as a relatively large share of its exports went to Asia.

During 2008, TNT continued its progress towards integration of Expresso Mercúrio S.A. (Mercúrio), a domestic road express company acquired by TNT in January 2007. In May 2008, Mercúrio was rebranded as TNT Mercúrio. Combining the two well established names aims to strengthen TNT's leadership position in Brazil as a service provider of both domestic and international freight services. TNT will invest in new vehicles, depots and infrastructure as well as a state of the art call centre in Brazil. TNT is also looking into strengthening its air connectivity between Brazil and Europe and road connectivity to the other South American countries.

Financial results

In 2008, TNT's Express division earned revenues of €6,653 million. The Express division accounted for 59.7% of TNT's group operating revenues and 38.3% of TNT's group operating income.

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

Express financial overview

Year ended at 31 December

	2008	variance %	2007
Total operating revenues	**6,653**	1.6	6,551
as % of total operating revenues TNT	**59.7**		59.5
Other income	**7**	(22.2)	9
Total operating expenses	**(6,284)**	(5.4)	(5,961)
Total operating income	**376**	(37.2)	599
as % of express operating revenues	5.7		9.1

(in millions, except percentages)

Express operating revenues

Year ended at 31 December

	2008	variance %	2007
International & Domestic	**5,438**	(0.2)	5,448
Express Emerging Platforms[1]	**1,215**	10.2	1,103
Total operating revenues	**6,653**	1.6	6,551
as % of total operating revenues TNT	**59.7**		59.5

(in millions, except percentages)
1 – Apax, India, China, LAM, MEA, Russia and Turkey.

Express operating expenses

Year ended at 31 December

	2008	variance %	2007
Cost of materials	**325**	21.7	267
Work contracted out and other external expenses	**3,330**	2.4	3,252
Salaries and social security contributions	**1,996**	4.3	1,913
Depreciation, amortisation and impairments	**261**	24.9	209
Other operating expenses	**372**	16.3	320
Total operating expenses	**6,284**	5.4	5,961

(in millions, except percentages)

Express operating statistics

Year ended at 31 December

	2008	2007
Number of consignments (in thousands)	**230,431**	228,199
Number of tons carried	**7,451,803**	7,390,779
Average of number of working days	**254**	252
Number of depots/hubs	**2,376**	2,331
Number of vehicles[1]	**26,610**	26,760
Number of aircraft[1]	**46**	47

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

During 2008, TNT's Express division realised modest growth in operating revenues due to strong performance in the first half of 2008 through volume growth in both domestic and international products. This was offset by negative growth in the second half of the year due to the economic downturn especially in Europe. Compared to last year operating income was lower by 37.2% impacted by lower capacity utilisation of the networks due to lower volumes and inflationary pressures due to the peak in fuel prices during July. After adjusting for the restructuring provision and impairments operating income was 25.5% lower than last year.

Express operating revenues

Total operating revenues of TNT's Express business for 2008 increased by €102 million (1.6%) compared to 2007. The organic growth in operating revenues was €327 million (5.1%), partly caused by the fuel surcharge which increased by €183 million compared to 2007. The remaining increase in operating revenue was achieved mainly from solid growth in the first half of 2008 and good growth in emerging markets which, unlike Europe, were not as significantly impacted by the global economic downturn. The economic downturn in the second half of 2008 saw revenue decline, particularly in Western, Central and Southern Europe. Eastern Europe, Australia, Asia and South America have been relatively resilient to the economic downturn. Foreign exchange effects had a negative effect of €241 million (3.7%), mainly due to the strengthening of the euro against most currencies but predominantly the British pound. The effect of acquisitions amounted to €16 million.

International and domestic

International and domestic business showed an overall revenue decline of €10 million (0.2%). Revenue grew organically by €201 million (3.7%) which was offset by a negative foreign exchange effect of €211 million (3.9%), mainly due to the strengthening of the euro versus the British pound.

Emerging platforms

Emerging platforms achieved overall revenue growth of €112 million (10.2%), with an organic growth of 13.0% offset by negative foreign exchange effect of 2.8%. Emerging platforms have not been significantly impacted by the economic downturn with good growth in Middle East, China and South America.

Express operating expenses

Operating expenses of TNT's Express business for 2008 increased by €323 million (5.4%) compared to 2007.

The increase in cost of materials by €58 million (21.6%) was due to higher fuel costs in 2008. Work contracted out increased by €78 million (2.4%) mainly due to inflationary increases (partly due to higher fuel costs for sub-contractors) offset by the volume related decreases in the second half of 2008, together with the start of TNT's cost optimisation programmes. Salaries and wages increased by €83 million (4.3%) due to inflation as well as redundancy costs of €28 million mainly from redundancy plans in the European countries. The increase in depreciation and amortisation by €52 million (24.9%) was mainly due to aircraft impairment costs (€37 million) for the A300 and B146 as part of the air network restructuring plan. Other operating expenses increased by €53 million (16.4%) mainly due to higher bad debt provisions and vehicle expenses and €5 million for other restructuring costs.

Express operating income

The Express business operating income for 2008 decreased by €223 million (37.2%) compared to 2007 or by €153 million (25.5%) after excluding restructuring costs and impairments.

The decline in operating income was primarily due to the economic downturn which has reduced volumes. This has impacted predominantly TNT's European businesses. TNT's emerging platforms business has not been significantly impacted by the economic downturn with good results in South-east Asia, Middle East and South America.

Operating income as a percentage of revenue (ROS) was 5.7% in 2008 compared to 9.1% in 2007 due to the lower volumes and margin pressure caused by the inflationary pressures as well as the restructuring costs and impairments.

Express capital expenditures and proceeds

Capital expenditures

Year ended at 31 December

		2008	variance %	2007
Property, plant and equipment		197		197
Other intangible assets		50	(27.5)	69
	cash out	247	(7.1)	266
Proceeds from sale of property, plant and equipment		10	(47.4)	19
Disposals of other intangible assets		0		0
	cash in	10	(47.4)	19
Netted total		237		247

(in millions, except percentages)

The capital expenditures shown in the table above are excluding the new finance leases, as they do not lead to cash flows.

Capital expenditure on property, plant and equipment and other intangible assets by TNT's Express business totalled €247 million in 2008, which was a decrease of 7.1% compared to 2007 due to lower IT developments.

Some of the larger Express capital expenditures in 2008 included Oslo depot (€12.3 million), Bratislava depot (€6.9 million), UK fleet replacement (€26.9 million), Australia fleet replacement (€5.3 million), Mercúrio fleet replacement (€9 million) and Liège hub expansion (€5.1 million).

During 2008, capital expenditures on other intangible assets totalled €50 million and related primarily to the enhancements to TNT's Global IT Systems.

THE MAIL DIVISION

General

TNT's Mail division provides mail, mail related, and parcel services to its customers. Its mature business, which has its origins mainly in TNT's home market the Netherlands, is organised in the business line Mail Netherlands. This business line is responsible for mail services in the Netherlands, including the provision of the universal service. Related are the data and electronic communication activities, operating under the brand name Cendris, and the cross-border mail services provided through the joint venture Spring Global Mail.

TNT's emerging mail activities include TNT's mail services outside the Netherlands. TNT Post, through its business line European Mail Networks, is active in the Netherlands and seven other countries, where it is a main challenger of the incumbent postal operator. These activities include both addressed and unaddressed mail.

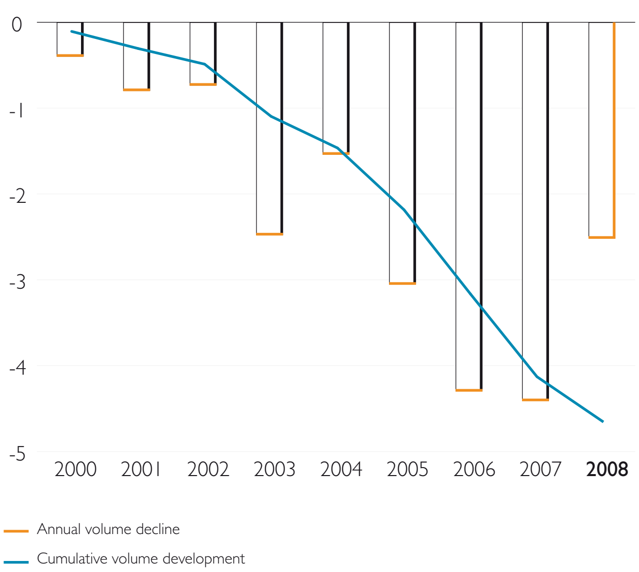
TNT's Mail division provides standard parcel services in the Netherlands and Belgium through TNT Post Pakketservice for both domestic and cross-border parcel distribution.

Strategy and actions

In Mail, TNT's strategic intent in phase I of the Focus on Networks strategy was twofold: to prepare for the full transition to a liberalised market in the Netherlands and to capture growth opportunities outside the Netherlands and in the parcel business. In phase II, started in December 2007, TNT commenced the implementation of these plans.

Overview volume development and compensating strategic initiatives

TNT Mail annual and cumulative volume decline in %



2000 – 2007

Volume decline 3%-4% on average (with slightly higher expected decline in the first two years of full liberalisation) ▸

Measures covering impact

Revenue extention: European Mail Networks
Cost management: Master plans I + II

+

2008 onwards

Preparation for further volume decline in the range of around 6% in the period to 2012 due to changes in behaviour of senders and receivers of mail ▸

Measures covering impact

Revenue extention: Growth initiatives
Cost management: Master plan III

Mail Netherlands and related business

In the Netherlands, TNT is facing increasing substitution by new media (digitisation) and competitive pressure.

The main challenge for the mail market as a whole is the changing role of traditional mail in the communication between consumers and between businesses and their customers. Increasing usage of electronic communication results in a significant decline of mail volumes. These volumes are particularly affected by the loss of large customers that increasingly move to electronic communication in dealing with their clients. For example, large banks are seeking to replace paper statements by electronic statements providing for more cost efficiency and convenience for their customers. In 2008, traditional large mail senders such as telecommunication companies, energy providers, and banks actively stimulated their customers to use electronic channels rather than mail. The high penetration level of fast internet, exceeding 90% in the Netherlands, catalyses that effect. Communication patterns have significantly changed since this penetration reached such a high level. This is most clearly illustrated by the fact that in 2008 TNT saw a considerable decline of single item mail.

Changing communication patterns influence the demand of business customers for mail services. The 'traditional' 6 days a week next day delivery of TNT is no longer required for the demand in large segments of the market. Therefore, competitors and TNT's subsidiary Netwerk VSP offer less frequent delivery for addressed mail, one or two times a week, at lower prices. Netwerk VSP now has a market position amongst TNT's main competitors, Sandd and

SelektMail. TNT estimates that its competitors collectively have a market share of around 13%.

Competitors may currently distribute direct mail regardless of weight and letters over 50 grammes. This constitutes about 50% of the market. Once the mail market is fully liberalised, TNT expects that competition will also target the segment of letters below 50 grammes.

As a consequence of the impact of electronic media on the demand for mail services, TNT anticipates that the mail volumes decline, which was in the range of between 3% and 4% on average between 2000 and 2008, will be around 6% in the period to 2012. This necessitates additional cost management and restructuring programmes that will further impact the employees at TNT Post in the Netherlands on top of the existing Master Plans that were announced in 2006. In addition to the implementation of these plans, TNT is working on a complete redesign of its Mail network. Timing and content of this redesign will largely depend on the outcome of the negotiations of the collective labour agreement for production workers of TNT and of a collective labour agreement for the sector, and on the regulatory framework. The target is that this redesign, currently called Master Plan III, will start in 2011 and will lead to €200 million annual savings as of 2017. This comes on top of the €395 million that is included in the existing plans of which € 86 million was realised in 2007/2008 and €194 million is planned for 2009-2012.

The plans, both the existing and those in preparation, will enable TNT to deal with the combined impact of the transition of the mail market and economic effects.

Emerging mail markets

Since the start of European Mail Networks, its activities have expanded from mainly unaddressed in the Benelux countries to addressed mail in Germany, the United Kingdom and Italy. TNT intends to increase its focus on addressed mail delivery in these larger countries. Furthermore, TNT will take into account the market opportunities for value-added services to support mail, like the Formula Certa service with track-and-trace on individual mail items in Italy. In addition, TNT recognises that regulation has an impact on its business opportunities, for instance in Germany and in the United Kingdom. In Germany, value added tax (VAT) regulation and regulatory discussions on minimum wage remain uncertain despite the ruling of the *Oberverwaltungsgericht* of 18 December 2008 (see below under Business performance - emerging mail markets). Nevertheless, TNT will continue to prepare for further growth in this country. In the United Kingdom, TNT provides services through down stream access. Although regulatory uncertainty makes it difficult to estimate its viability, pilots are currently being held with end-to-end delivery services. In December 2008, TNT expressed its interest in exploring a strategic partnership with Royal Mail. These explorations are in line with TNT's ambition to develop a substantial position in the UK mail market. See for more information chapter 3.

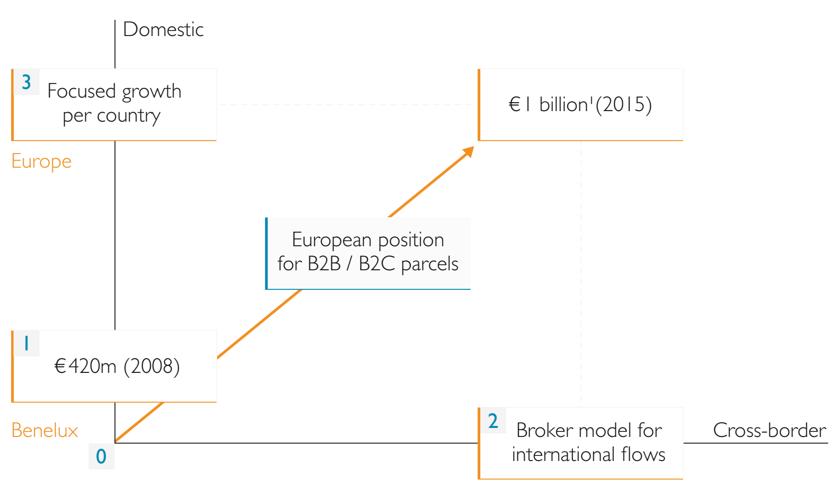
Parcels

In parcels, volumes are growing among other things as a consequence of the growth of e-shopping. As an important player in to-consumer delivery in the Netherlands, TNT Post Pakketservice benefits from this growth and finds itself well positioned to extend its portfolio. Next to the traditional home and office delivery, TNT Post Pakketservice is developing cargo and pallet distribution and is expanding in Belgium and in cross-border services. Further, retail distribution offers new opportunities for TNT Post Pakketservice.

As part of its growth initiatives, TNT will strengthen its position in the parcel market through a combination of e-fulfilment services, special mail and parcel services, and shop and media logistics. Furthermore, using its international contracts and services TNT Post Pakketservice will strengthen its position as a broker for international parcel distribution. This broad range of services will be provided through integrated networks where possible and specialised networks where necessary.

Ambition level for TNT Post Parcels

Growth strategy in two dimensions



0 Optimise costs efficiencies with letter mail – Regulated as USO provider

1 As logistics provider, for instance transport for letter mail

2 Build and strengthen Benelux position: create an unbeatable position with a broad service portfolio

3 Develop and grow broker model as driver for international expansion; focus on suitable acquisition opportunities

1 – excluding e-fulfilment and at margin 10% - 12%

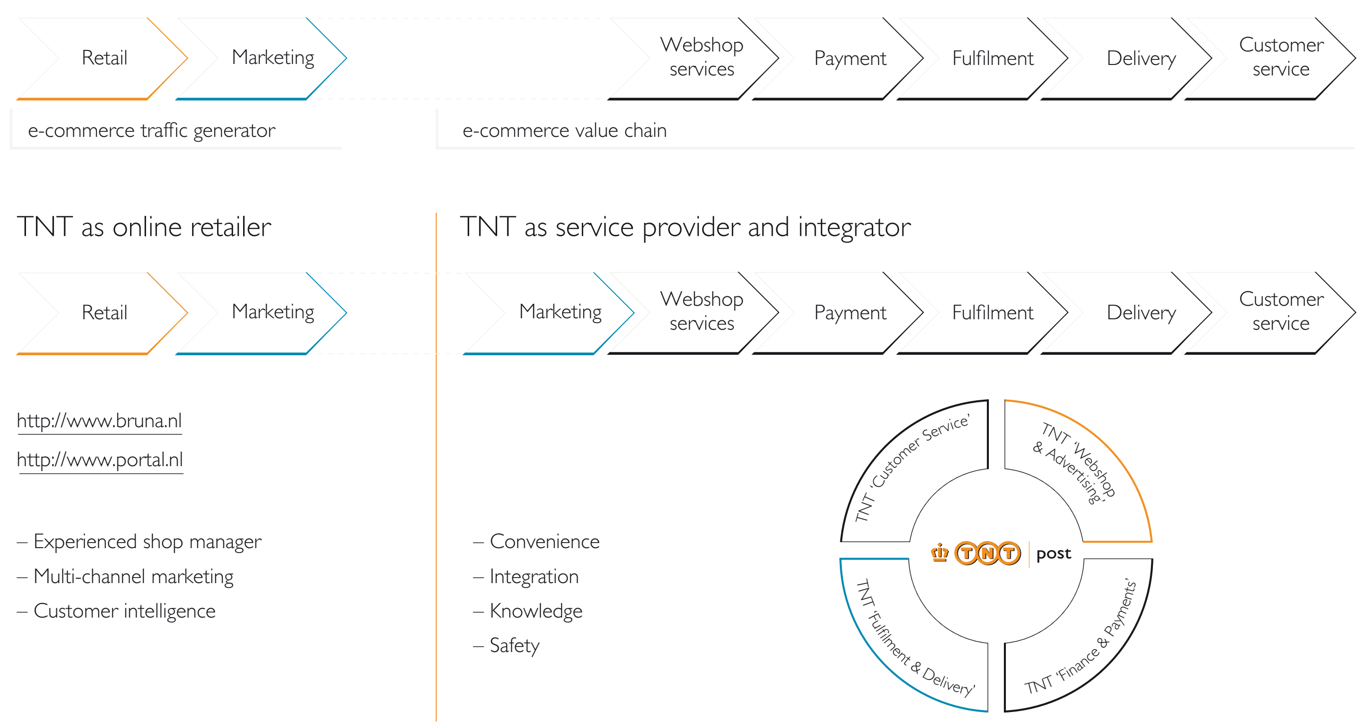
Growth initiatives: e-commerce

TNT Post is developing a range of new initiatives that leverage on its skills and brand position. Electronic media are not just a threat to TNT. On the contrary, they offer opportunities as well. TNT has identified two growth initiatives that are currently being developed. One initiative was highlighted above under Parcels, the other involves e-commerce.

TNT has built experience in many links of the e-commerce value chain. Much of this experience was gained through TNT's position in the mail market, e.g. in delivery and retail via websites such as www.tntpost.nl. With Cendris, TNT is well established in data and document management and call centres. Together, Cendris and TNT Post have experience in both online and offline marketing. Furthermore, in the area of fulfilment TNT is well positioned with the Cendris subsidiary Euromail.

Currently, TNT integrates these links in the chain to provide customers the TNT Post services from its website www.tntpost.nl. This includes ordering stamps, but also services like a photo service, gift shop, ordering magazines and pharmacy services of Nationale-Apotheek.nl, in which TNT Post participates. This portfolio and experience form a solid stepping stone to offering an integrated solution for web-based businesses. TNT will develop a position as an online retailer for end-customers, and as a service provider and integrator for e-commerce businesses. This will be realised through a buy-and-build strategy: TNT will further develop its own experience where possible, and acquire additional capabilities where necessary.

TNT Post positions itself both as online retailer and e-commerce service provider



Business performance

Mail Netherlands and related business

In 2008, TNT Post took further steps in the Netherlands to implement the Master Plans, and reached agreement with the works council on the way forward. Equally important, significant progress was made in the restructuring of the labour costs, and the commercial approach was tuned further to the changing competitive situation.

The Master Plans consist of commercial initiatives to maintain volume on the one hand, and cost initiatives to save €395 million of annual costs between 2007 and 2015 on the other. Commercial initiatives are concentrated in the customer focus programme that is currently rolled-out throughout Mail Netherlands. This programme aims to strengthen the customer centric approach of the organisation. Moreover, TNT will continue to differentiate its price and service strategy based on market demands by using its economy services and next-week services that are partly provided by Netwerk VSP.

The cost initiatives consist of efficiency measures and a restructuring of the labour costs. During 2008, TNT Post made a start with new working routines at its delivery and collection offices, leading to more standardisation. In autumn 2008, agreement was reached with the works council on the way forward with the upcoming efficiency projects. Also, TNT made progress reducing overhead costs.
TNT decided to restructure the traditional post offices for which TNT Post cooperated with Postbank in a joint venture. The traditional post offices had become an outlet channel that did no longer meet the needs of TNT's and ING's customers. New retail outlets, located in shops, are being established to service TNT's customers better, at lower costs.
These cost initiatives mentioned above aim at total cost savings on a structural basis of €45 million per 2013 compared to the level of 2007, of which €8 million was realised by the end of 2008.

Of the €395 million savings target of the Master Plans, TNT aims to realise €125 million through the restructuring of labour costs. It proved to be a lengthy process to reach agreement with the labour unions on a new collective labour agreement and for the first time in 25 years TNT faced some local strikes of its postal workers. The collective labour agreement that was concluded in spring 2008 includes a salary increase of 3% as of 1 April 2008, and another 0.5% conditional on agreement of separate collective labour agreements for target groups with a different labour benchmark.

To TNT, the essential part of this new collective labour agreement is the acceptance by the labour unions that a fundamental step needs to be taken to come to more market oriented labour conditions for production workers. This involves the conclusion of a separate collective labour agreement for production workers as of April 2009, with the aim to reach a substantially lower salary level for these production workers. This should result in labour conditions more in line with the level common in production environments in the Netherlands. The discussions also involve accompanying transition arrangements for production workers.

TNT is of the opinion that a binding collective labour agreement for the postal sector as a whole is a condition for fair competition, and the Dutch government indeed made comparable working conditions a requirement for full liberalisation of the Dutch postal market. More details on the regulatory situation in the mail market can be found in chapter 11.

The volume decline that Mail Netherlands faced in 2008 was 2.7%, corrected for workday effects. This is slightly better than the expected range of 3% to 4% volume decline. The introduction of an economy product delivered through TNT Post and a next week service delivered through Netwerk VSP contributed to retaining volumes in the market. The customer focus strategy proved to be effective as well: notwithstanding losing mail volumes to competitors, TNT won back volumes in the same range.

TNT does not restrict its activities to reactively dealing with the decline of volumes. Technological developments are used in developing new, innovative services. TNT has developed TNT Billing Solutions for electronic billing. TNT Post has taken a share in the online pharmacy Nationale-Apotheek.nl, and offers through its website various web-based services such as photo services, postcards and personalised stamps. A successful initiative in 2008 was Try Now, which invites customers to order samples of new products via sms or internet. This enables manufacturers to directly communicate with their customers and makes them less dependent on retail outlets. In the autumn of 2008, TNT extended its online gift shop to an online shopping mall. With developments like this, TNT maintains a leading position to serve changing customer needs.

The cross-border mail activities of TNT are provided through a 51% share in G3 Worldwide Mail N.V. (Spring Global Mail), with Royal Mail Investments Limited and Singapore Post Limited being the other partners. This joint venture provides cross-border mail services in Europe, Canada and the Asian Pacific area. It uses the services of its three shareholders, and furthermore has its own contracts with local delivery agents.

Cross-border mail volumes are strongly influenced by electronic communication. The speed and cost advantage of electronic media are the main reasons for stronger volume declines. At the same time, the slow pace of liberalisation influences the business model of Spring Global Mail. As a consequence, cross-border mail revenues were stagnant. Spring Global Mail is currently broadening its activities to parcels.

Emerging mail markets

In addressed mail delivery the focus was on the major countries Germany, the United Kingdom and Italy.

Business performance was influenced by regulatory discussions in Germany on a minimum wage generally binding for all companies in the postal and delivery services sector, and the VAT exemption Deutsche Post enjoys. At the same time TNT focused on a healthy underlying performance of the organisation.

TNT challenged the German government regarding the minimum wage, as it considered this minimum wage unconstitutional. In its judgement of 7 March 2008, the administrative court in first instance (*Verwaltungsgericht*) held that the minimum wage ordinance of 28 December 2007, which introduces minimum wages of up to €9.80 for the postal sector in Germany, is invalid. The German government filed an appeal against that decision with the administrative court in second instance (*Oberverwaltungsgericht*).

On 18 December 2008, the *Oberverwaltungsgericht* confirmed the decision of the court in first instance. However, the court also ruled that TNT's claim, being one of three claimants, was not admissible and referred TNT's claim to the labour courts. It is likely that TNT will file an appeal against the inadmissibility of its claim, because the decision of the court on TNT's inadmissibility is not in line with recent jurisprudence as to claims of this nature.
The German government filed a further appeal (*Revision*) against the decision to the Federal Administrative Court (*Bundesverwaltungsgericht*) in Leipzig. The *Bundesverwaltungsgericht* will only review whether the second instance judgement contains legal defects but will not investigate further the underlying facts. There is no statutory time frame for the appeal proceedings.

In September 2008, the German government finally proposed a new VAT arrangement for the mail industry, which should enter into force as of 1 January 2010. TNT regrets that the arrangement still seems to accommodate Deutsche Post in maintaining its VAT advantage. Therefore, TNT has asked the German government to improve the arrangement on certain aspects.

Despite these developments, and although the uncertainty affects both customers and employees, TNT managed to extend its position in the German addressed mail market. In 2008, the activities grew total revenue to €248 million (2007: 227). Pending the outcome of regulatory discussions, it is still the intention of TNT to continue to grow its activities in Germany.

In the United Kingdom, the down stream access business has grown, and TNT started pilots with end-to-end delivery in the Liverpool area. At this moment regulation is however still a hurdle to a further roll-out.

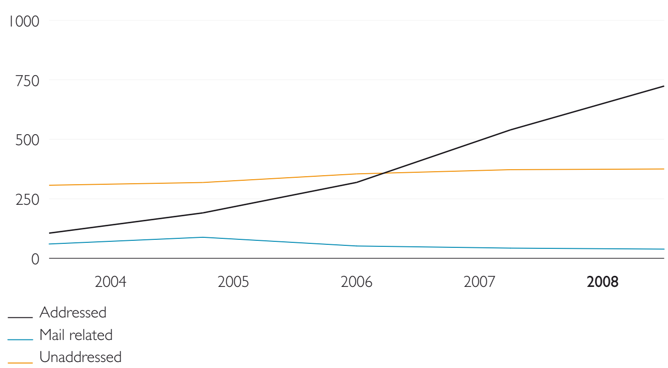
Furthermore, TNT launched its new service TNT-IT, a hybrid mail solution to develop further its services to small and medium enterprises in particular. Customers can send their letters to TNT directly from their computer, where printing and further handling is taken care of. This service, in addition to the existing down stream access services, has caused a solid growth of the UK activities.

In Italy, the service Formula Certa continues to grow rapidly whilst TNT Post Italy continues to provide services to Poste Italiane. With this service, TNT offers a track-and-trace service on regular mail. This service is currently offered in around 25% of Italy. It is the intention to extend this over the coming years.

In 2008, TNT experienced that unaddressed mail services suffered more than addressed mail from the economic downturn. As a consequence, the performance of unaddressed delivery was less than expected, though the market position of TNT compared to competitors has not deteriorated. Unaddressed mail, however, is still of value to TNT in most countries.

Revenue development EMN: increasing focus on addressed mail and larger countries

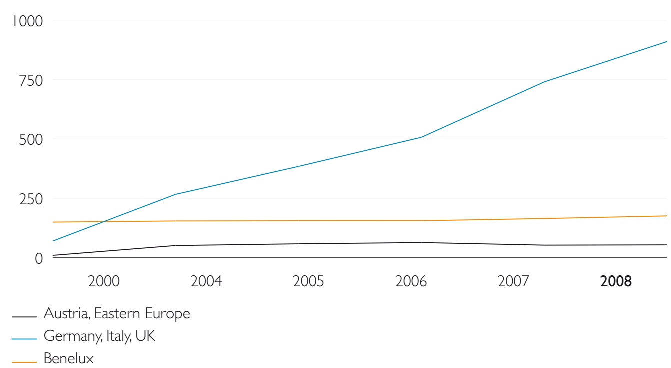
Product development EMN 2004-2008



– Addressed mail revenues have almost quadrupled over the last three years – notwithstanding the absence of a level playing field that affects profitability

– EMN will continue to focus increasingly on addressed mail

Country development EMN 2004-2008



– From a predominantly Benelux company back in 2000 Germany, UK and Italy now comprise 80% of the revenues of EMN

– EMN will continue to focus its growth on the main mail markets in Europe

Parcels

The standard parcel business is developing rapidly, strongly driven by the growth of web shopping, TNT's broadening business-to-business portfolio, such as payment and IT services and supporting services for web shops, and the growth of cross-border parcel volumes.
As a consequence of this rapid growth, the boundaries of the operational capacity are within sight. Therefore, TNT decided to open a fourth parcel sorting centre in 2009, and to review its entire operational structure for parcels as of 2012. Furthermore, TNT is improving its IT system in order to provide the most developed IT services in the industry to its customers.

TNT is in the process of broadening its parcels portfolio. During 2008, TNT developed cargo services with the integration of the earlier acquired AAA-Logistics. Further, the first steps were taken in the area of shop logistics with the signing of a contract with Aldipress.

Financial results

In 2008, TNT's Mail business earned revenues of €4,245 million, a 0.3% increase compared to 2007. Mail accounted for 38.1% of TNT's group operating revenues and 64.5% of TNT's group operating income.

In 2008, approximately 22% of TNT's Mail operating revenues and approximately 8% of the group's operating revenues (2007: 23% and 9%) were derived from reserved postal services in which TNT generally was not subject to competition.

In 2008, TNT experienced a volume decline of 2.4% per annum compared to 2007. The underlying decline of volumes adjusted for a comparable number of working days per year was 2.7% per annum. This is slightly better than the guidance TNT gave in 2004 of an average volume decline between 3% and 4% annually from 2004 up to 2012 onwards. The average decline since 2004 is around 3.5% per annum. The decline in 2008 was due in part to substitution by electronic media and accelerated by competition, offset by various one off mailings.

Mail financial overview

Year ended at 31 December

	2008	variance %	2007
Total operating revenues	4,245	0.3	4,234
as % of total operating revenues TNT	38.1		38.4
Other income	26	(59.4)	64
Total operating expenses	(3,638)	0.9	(3,672)
Total operating income	633	1.1	626
as % of mail operating revenues	14.9		14.8

(in millions, except percentages)

Mail operating revenues

Year ended at 31 December

	2008	variance %	2007
Mail Netherlands and related business	2,751	(3.9)	2,862
Emerging Mail & Parcels	1,494	8.9	1,372
Total operating revenues	4,245	0.3	4,234
as % of total operating revenues TNT	38.1		38.4
of which Emerging Mail & Parcels (excluding Germany)	1,246	8.8	1,145

(in millions, except percentages)

Mail operating expenses

Year ended at 31 December

	2008	variance %	2007
Cost of materials	158	1.3	156
Work contracted out and other external expenses	1,473	5.7	1,394
Salaries and social security contributions	1,532	(5.1)	1,614
Depreciation, amortisation and impairments	131	(3.0)	135
Other operating expenses	344	(7.8)	373
Total operating expenses	3,638	(0.9)	3,672

(in millions, except percentages)

Mail operating statistics[1]

Year ended at 31 December

	2008	2007
Addressed postal items delivered by Mail Netherlands (millions)	**4,693**	4,807
per Netherlands delivery address (items)	**601**	622
per Netherlands inhabitant (items)	**285**	294
per Mail Netherlands FTE[2] (thousands of items)	**162**	160
operating revenues per FTE[2] (thousands of €)	**100**	99
average percentage of national mail sorted automatically (%)	**83**	84
per delivery day (millions)	**15.3**	15.7

1 – Comparitive statistics have been adjusted to reflect the changed business lines.
2 – The FTE (full time employee equivalent) definition is based on a 37-hour work week.

Mail operating revenues

In 2008, operating revenues from TNT's Mail business increased by €11 million (0.3%) compared to 2007. Organic operating revenues increased by €105 million (2.5%). Compared to last year, 2008 showed a €26 million (0.6%) negative acquisition and disposal effect, mainly due to disposals in 2008 (including UK Parcels). Foreign exchange effects (mainly the British pound against the euro) accounted for a decrease of €68 million (1.6%).

Mail Netherlands and related business operating revenues in 2008 decreased by €106 million (3.9%) compared to 2007. The organic volume decline in addressed mail items was accompanied by a negative price-mix effect and other effects.

The continued underlying decline in addressed postal item volumes in 2008 was primarily due to autonomous decline in single items and reduced demand for bulk mail as a result of cost saving programmes initiated by some of TNT's key customers as well as to the continued substitution by electronic media.

Emerging Mail and Parcels operating revenues increased by 8.9% in 2008. The organic growth in operating revenues of TNT's Emerging Mail and Parcels business was €207 million (15.1%). The acquisitions and disposals in 2008 and during 2007 had a negative effect of €21 million (1.5%) on operating revenues. Foreign exchange effects had a negative effect of €64 million (4.7%). Main contributors to the operating revenues growth were the United Kingdom, Germany, Belgium, Italy and Parcels Netherlands, which showed double digit growth.

Other income decreased to €26 million (2007: 64), mainly as a result of €28 million of lower sales of real estate in 2008 and gains on disposed companies in 2007.

Mail operating expenses

TNT's Mail business operating expenses decreased by €34 million (0.9%) in 2008 compared to 2007. The organic growth in operating expenses of TNT's Mail division was €110 million (3.0%). The disposals in 2008 and during 2007 had a lowering effect of €76 million (2.1%) on operating expenses. Foreign exchange effects accounted for a decline of €67 million (1.8%).

Costs for work contracted out increased by €79 million, which is mainly attributable to the organic growth realised in Emerging Mail and Parcels. In 2008, costs of salaries decreased by €82 million, mainly as a result of lower restructuring charges in Mail Netherlands.

Higher costs of salaries due to a new collective labour agreement in Mail Netherlands and organic growth by Emerging Mail and Parcels were offset by a reduction of FTEs in Mail Netherlands in connection with the cost flexibility programme and €24 million lower pension costs compared to 2007. Included in costs of salaries is an amount of €67 million following the agreed social plan for the restructuring of the joint venture Postkantoren B.V.

Other operating expenses decreased by €29 million compared to 2007, mainly due to the cost for downsizing and transferring the onerous contract and related UK Parcel operations of Mail to Parcelnet Ltd. for a total amount of €23 million in 2007. Included in the other operating expenses are the other restructering costs relating to joint venture Postkantoren B.V. of €15 million.

Mail operating income

In 2008 the Mail business operating income increased by €7 million (1.1%) compared to 2007, on balance due to lower restructuring charges, the expansions in Emerging Mail and Parcels, the revenue and cost development in Mail Netherlands and related business and lower book gains on sale of real estate.

In 2008, overall operating income of TNT's Mail division as a percentage of its operating revenues increased to 14.9% (2007 14.8%). Adjusted for restructuring costs and impairments of €7 million (€89 million in 2008, €138 million in 2007) operating income decreased to 16.8% (2007: 17.4%).

Mail capital expenditures and proceeds

Capital expenditures

Year ended at 31 December

		2008	variance %	2007
Property, plant and equipment		**69**	(5.5)	73
Other intangible assets		**23**	(11.5)	26
	cash out	92	(7.1)	99
Proceeds from sale of property, plant and equipment		**31**	(51.6)	64
Disposals of other intangible assets		**0**		0
	cash in	31	(51.6)	64
Netted total		61		35

(in millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets by TNT's Mail division totalled €92 million in 2008, which was a decrease of 7.1% compared to 2007. The main capital expenditures in 2008 related to machinery and equipment (€22 million), IT (€23 million) and housing (€32 million). The remaining €16 million of capital expenditure is related to various smaller projects. Significant investments were made in sorting machines and software in Europe (€21 million).

FINANCIAL STATEMENTS

Index – to financial statements of TNT N.V.

Consolidated balance sheets

At 31 December

Notes			2008	variance %	2007
	Assets				
	Non-current assets				
1	**Intangible assets**				
	Goodwill		1,807		1,828
	Other intangible assets		256		291
		total	2,063	(2.6)	2,119
2	**Property, plant and equipment**				
	Land and buildings		793		847
	Plant and equipment		336		349
	Aircraft		303		387
	Other		163		163
	Construction in progress		39		39
		total	1,634	(8.5)	1,785
3	**Financial fixed assets**				
	Investments in associates		64		83
	Other loans receivable		5		5
22	Deferred tax assets		205		203
	Prepayments and accrued income		33		34
		total	307	5.5	325
10	**Pension assets**		726	22.2	594
	Total non-current assets		4,730	(1.9)	4,823
	Current assets				
4	Inventory		24		30
5	Trade accounts receivable		1,370		1,452
5	Accounts receivable		204		204
22	Income tax receivable		37		35
6	Prepayments and accrued income		298		236
7	Cash and cash equivalents		497		295
	Total current assets		2,430	7.9	2,252
8	**Assets held for sale**		25	150.0	10
	Total assets		7,185	1.4	7,085
	Liabilities and equity				
9	**Equity**				
	Equity attributable to the equity holders of the parent		1,733		1,931
	Minority interests		24		20
		total	1,757	(9.9)	1,951
	Non-current liabilities				
22	Deferred tax liabilities		335		298
10	Provisions for pension liabilities		360		437
11	Other provisions		212		200
12	Long term debt		1,845		1,294
	Accrued liabilities		4		3
		total	2,756	23.5	2,232
	Current liabilities				
	Trade accounts payable		414		336
11	Other provisions		190		162
13	Other current liabilities		890		1,188
22	Income tax payable		47		69
14	Accrued current liabilities		1,131		1,147
		total	2,672	(7.9)	2,902
	Total liabilities and equity		7,185	1.4	7,085

(in € millions, except percentages)

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

Consolidated statements of income

Year ended at 31 December

Notes		2008	variance %	2007
15	Net sales	10,983		10,885
16	Other operating revenues	169		132
	Total revenues	11,152	1.2	11,017
17	**Other income**	35	(53.3)	75
	Cost of materials	(484)		(423)
	Work contracted out and other external expenses	(4,978)		(4,806)
18	Salaries and social security contributions	(3,617)		(3,608)
19	Depreciation, amortisation and impairments	(399)		(349)
20	Other operating expenses	(727)		(714)
	Total operating expenses	(10,205)	(3.1)	(9,900)
	Operating income	982	(17.6)	1,192
	Interest and similar income	70		97
	Interest and similar expenses	(217)		(191)
21	Net financial (expense)/income	(147)	(56.4)	(94)
	Results from investments in associates	(33)		1
	Profit before income taxes	802	(27.0)	1,099
22	Income taxes	(242)		(316)
	Profit for the period from continuing operations	560	(28.5)	783
8	Profit/(loss) from discontinued operations			206
	Profit for the period	560	(43.4)	989
	Attributable to:			
	Minority interests	4	33.3	3
	Equity holders of the parent	556	(43.6)	986
	Earnings per ordinary share (in € cents)[1]	152.9		257.4
	Earnings per diluted ordinary share (in € cents)[2]	152.5		256.1
	Earnings from continuing operations per ordinary share (in € cents)[1]	152.9		203.6
	Earnings from continuing operations per diluted ordinary share (in € cents)[2]	152.5		202.6
	Earnings from discontinued operations per ordinary share (in € cents)[1]	0.0		53.8
	Earnings from discontinued operations per diluted ordinary share (in € cents)[2]	0.0		53.5

(in € millions, except percentages and per share data)
1 – In 2008 based on an average of 363,566,403 of outstanding ordinary shares (2007: 383,028,938). See note 31.
2 – In 2008 based on an average of 364,704,745 of outstanding ordinary shares (2007: 385,071,986). See note 31.

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

Consolidated cash flow statements

Year ended at 31 December

Notes		2008	variance %	2007
	Cash flows from continuing operations			
	Profit before income taxes	802		1,099
	Adjustments for:			
	Depreciation, amortisation and impairments	399		349
	Share based payments	16		13
	Investment income:			
	(Profit)/loss on sale of property, plant and equipment	(30)		(72)
	Interest and similar income	(70)		(97)
	Foreign exchange (gains) and losses	2		3
	Interest and similar expenses	215		188
	Results from investments in associates	33		(1)
	Changes in provisions:			
	Pension liabilities	(209)		(179)
	Other provisions	40		87
	Changes in working capital:			
	Inventory	3		
	Trade accounts receivable	11		(132)
	Other accounts receivable	(9)		38
	Other current assets	(45)		(9)
	Trade accounts payable	113		28
	Other current liabilities excluding short term financing and taxes	59		(2)
	Cash generated from operations	1,330	1.3	1,313
	Interest paid	(182)		(178)
	Income taxes paid	(225)		(492)
23	**Net cash from operating activities**	923	43.5	643
	Interest received	64		85
	Dividend received			13
	Acquisition of subsidiairies (net of cash)	(5)		(287)
	Disposal of subsidiairies and joint ventures			486
	Investments in associates	(13)		(29)
	Disposal of associates			7
	Capital expenditure on intangible assets	(74)		(97)
	Disposal of intangible assets	1		
	Capital expenditure on property, plant and equipment	(271)		(272)
	Proceeds from sale of property, plant and equipment	40		85
	Other changes in (financial) fixed assets	1		1
	Changes in minority interests			
24	**Net cash used in investing activities**	(257)	(3,112.5)	(8)
	Repurchases of shares	(308)		(710)
	Cash proceeds from the exercise of shares/options	1		29
	Proceeds from long term borrowings	563		659
	Repayments of long term borrowings	(3)		(20)
	Proceeds from short term borrowings	367		99
	Repayments of short term borrowings	(729)		(357)
	Repayments of finance leases	(25)		(19)
	Dividends paid	(324)		(298)
	Financing relating to discontinued operations			(18)
25	**Net cash used in financing activities**	(458)	27.9	(635)
	Change in cash from continuing operations	208		0
	Cash flows from discontinued operations			
	Net cash from operating activities	0		(19)
	Net cash used in investing activities	0		4
	Net cash used in financing activities	0		16
	Change in cash from discontinued operations	0		1
26	**Total changes in cash**	208		1

(in € millions, except percentages)

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

Consolidated statements of changes in total equity

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
Balance at 31 December 2006	203	1,245	(5)	(21)	0	561	1,983	25	2,008
Profit for the period						986	986	3	989
Gains/(losses) on cashflow hedges, net of tax				(1)			(1)		(1)
Currency translation adjustment			(81)				(81)		(81)
Total recognised income for the year	**0**	**0**	**(81)**	**(1)**	**0**	**986**	**904**	**3**	**907**
Final dividend previous year						(183)	(183)		(183)
Appropriation of net income					378	(378)			
Interim dividend current year						(115)	(115)		(115)
Repurchases and cancellations of shares	(21)	(263)			(423)		(707)		(707)
Share based compensation					14		14		14
Other			4		31		35	(8)	27
Total direct changes in equity	**(21)**	**(263)**	**4**	**0**	**0**	**(676)**	**(956)**	**(8)**	**(964)**
Balance at 31 December 2007	182	982	(82)	(22)	0	871	1,931	20	1,951
Profit for the period						556	**556**	4	**560**
Gains/(losses) on cashflow hedges, net of tax				(13)			**(13)**		**(13)**
Currency translation adjustment			(129)				**(129)**		**(129)**
Total recognised income for the year	**0**	**0**	**(129)**	**(13)**	**0**	**556**	**414**	**4**	**418**
Final dividend previous year						(202)	**(202)**		**(202)**
Appropriation of net income					669	(669)			
Interim dividend current year						(122)	**(122)**		**(122)**
Repurchases and cancellations of shares	(9)	(106)			(191)		**(306)**		**(306)**
Share based compensation					16		**16**		**16**
Other			(1)		3		**2**		**2**
Total direct changes in equity	(9)	(106)	(1)	0	497	(993)	**(612)**	0	**(612)**
Balance at 31 December 2008	173	876	(212)	(35)	497	434	1,733	24	1,757

(in € millions)

See the accompanying notes 9 and 39 for further details relating to equity.

Notes to the consolidated financial statements

General information and description of the business

TNT N.V. is a public limited liability company domiciled in Amsterdam, the Netherlands. The consolidated financial statements include the financial statements of TNT N.V. and its consolidated subsidiaries (hereafter referred to as "TNT", "Group" 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.

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. The 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 15 February 2009 and are subject to adoption at the Annual General Meeting of Shareholders on 8 April 2009.

Discontinued operations

On 5 February 2007 TNT completed the sale of the freight management business to the French logistic server provider, Geodis SA. In the consolidated 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'.

Summary of significant accounting policies

Basis of preparation

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 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 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 TNT, the company has explained the standards and/or amendments and/or interpretations below.

Interpretations and amendments to published standards effective in 2008

– IFRIC 11 ***Group and Treasury share transactions*** (effective for annual periods beginning on or after 11 March 2007). Group and treasury share transactions require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as equity-settled share base payment transaction regardless of how the equity instruments are obtained. This interpretation does not have an impact on the group's financial statements 2008.
– 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. This interpretation does not have an impact on the group's financial statements 2008.

Standards endorsed but not yet effective in 2008, early adoption by TNT

– IFRS 8 ***Operating Segments*** (effective for annual periods beginning on or after 1 January 2009) has been early adopted by TNT in 2007. This standard replaced IAS 14 'Segment Reporting' and introduces the "management approach" to segment reporting. Consequently, this requires 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. TNT identifies three reportable segments being the two divisions Express and Mail and the Other network as a third segment which is disclosed on a voluntary basis in accordance with IFRS 8.13. There have been no changes in the reportable segments in 2008.

Not endorsed interpretations and standards by the EU and standards not yet effective in 2008

The standards has been issued but not yet endorsed by the EU:
– IFRS 3 ***Business combinations***- Comprehensive revision on applying the acquisition method (effective for annual periods beginning on or after 1 July 2009). This revised standard continues to apply the acquisition method to business combinations, with significant changes. The most important changes for the Group will be expensing all acquisition-related costs and the re-measurement of contingent considerations through the statement of income. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010, subject to the endorsement by the EU.
– IAS 19 ***Employee benefits*** amendment (effective from 1 January 2009) clarifies that a plan amendment that results in a change in the extent to which benefits promises are affected by future salary increases is a curtailment,

while an amendment that changes benefits attributable to past service costs give rise to a negative past service costs if it results in a reduction in the present value of the defined benefit obligation.

TNT has preliminary assessed and reviewed the IFRS 3 revised and concluded that the impact on the financial statements will largely depend on the nature and extent of the transactions. Currently, TNT capitalises acquisition related costs as part of goodwill, changes in contingent considerations are adjusted in goodwill. The group is currently assessing the impact of IAS 19 amendment.

The policies set out below have been consistently applied to all the years presented.

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

Consolidation

The consolidated financial statements include the financial figures of TNT N.V. and its subsidiaries, associates and joint ventures and have 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. 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 Netherlands 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 Netherlands 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 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 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 accumulated losses in an associate exceeds its interest in the associate, the book value of the investment is reduced to zero and TNT does not recognise further losses 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 consolidated proportionately. 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 translated into the functional currency using the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated to the functional currency using year-end exchange rates. 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 for qualifying cash flow hedges and qualifying net investment hedges that are directly recognised in equity.

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 are translated at the closing rate,
– income and expenses 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 (translation reserve).

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 translation reserve. When a foreign operation is sold, such exchange differences are recognised in the statement of income 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

Goodwill represents the excess of the cost of acquisition over the fair value of TNT's share of the identifiable net assets acquired and 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. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately recognised goodwill arising on acquisitions is capitalised and subject to an annual impairment review. Goodwill is carried at cost less accumulated impairment losses.

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. Other intangibles acquired in a business combination are recognised at fair value at the acquisition date.

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

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation and impairment losses.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. Under the component approach, each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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.

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 are depreciated over the shorter of the asset's useful life and the lease term.

Impairment of goodwill, intangibles and property, plant and equipment

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset might be impaired. 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. If the recoverable value of the cash generating unit is less than the carrying amount of the cash generating unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the asset specific risks. For the purpose of assessing impairment, corporate assets are allocated to specific cash generating units before impairment testing. The allocation of the corporate assets is based on the contribution of those assets to the future cash flows of the cash generating unit under review.

Impairment losses recognised for goodwill are not reversed in a subsequent period.

Property, plant and equipment and finite lived intangible assets

At each balance sheet date, the Group reviews the carrying amount of its property plant and equipment and finite lived intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the assets is estimated in order to determine the extent, if any, of the impairment loss. An 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised immediately in the income statement. Impairment losses recognised in prior periods shall be reversed 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. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

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 assets and financial liabilities at fair value through profit or 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 or loss are initially recorded at fair value net of transaction costs incurred and subsequently re-measured 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 equity until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income 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 cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost; 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 allowance for impairment. An allowance 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 allowance 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 loss is recognised in the income statement. The reversal of the impairment loss is included in the income statement at the same line as were the original expense had been recorded.

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 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 are included in equity.

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 in the balance sheet. The portion of the cumulative actuarial gains and losses that exceed the higher of 10% of the obligation or 10% of the fair value of plan assets (corridor approach) are recognised in the statement of income 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 vest 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 statements of income when incurred or due.

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 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. The gross up of the provision following the discounting of the provision is recorded in the profit and loss statement as interest expense.

Provisions are recorded for employee benefit obligations, restructuring, onerous contracts and other obligations.

The provision for employee benefit obligations includes 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. Related service costs are recognised immediately.

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 value.

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 for other obligations concerns mainly provisions for legal and contractual obligations and received claims.

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 tax group are presented net in the balance sheet.

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 or goods are delivered.

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

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 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 options granted, excluding the impact of non-market conditions. These non-market conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, TNT revises its estimates of the number of options 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 compromises 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 hedged items.

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 hedged items.

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.

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 subsidiaries associates and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of subsidiaries are presented net of cash balances acquired. Cash flows from derivatives are recognised in the cash flow statements in the same category as those of the hedged item.

Operating segment information
TNT recognises three operating segments being Express, Mail and Other networks. 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 chief operating decision makers.

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

The preparation of TNT's financial statements requires management 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. 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.

Business combinations
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.

Impairment of assets
In determining impairments of intangible assets including goodwill, tangible fixed assets and financial fixed assets, 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.

Depreciation and amortisation of tangible and intangible fixed assets
Tangible and intangible fixed assets, except for goodwill, are depreciated or amortised at historical cost using a straight-line method based on the estimated useful life, taken into account any residual value. The asset's residual value and useful life are based on TNT's best estimates and reviewed, and adjusted if required, 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 and assets held for sale

Accounting for discontinued operations and assets held for sale 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.

Associates

Investments in Associates are accounted for using the equity method. The most significant investment in an associate is in Logispring Investment Fund Holding B.V., which sole activity is to invest in incubator funds that are accounted for using the lowest of historical cost or fair value. Due to the information time lag which is customary for these types of investments and the current economic climate and relating uncertainty, TNT has to make estimates and assumptions based on the most recent financial valuations reports which are extrapolated using relevant benchmarks and indices to determine the assumed fair values. For further details, see note 3.

Contingent liabilities

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

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

Notes to the consolidated balance sheets

1 Intangible assets: 2,063 million (2007: 2,119)

Statement of changes in intangible assets

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%-35%	0%-35%	
Historical cost	2,086	402	58	2,546
Accumulated amortisation and impairments	(513)	(241)	(7)	(761)
Balance at 31 December 2006	**1,573**	**161**	**51**	**1,785**
Changes in 2007				
Additions	256	72	25	353
Disposals	(2)			(2)
(De)consolidation	3	3	56	62
Internal transfers/reclassifications		22	(22)	
Amortisation and impairments		(56)	(17)	(73)
Exchange rate differences	(2)	(4)		(6)
Total changes	255	37	42	**334**
Historical cost	2,338	463	118	2,919
Accumulated amortisation and impairments	(510)	(265)	(25)	(800)
Balance at 31 December 2007	**1,828**	**198**	**93**	**2,119**
Changes in 2008				
Additions	7	49	25	81
Disposals	(1)			(1)
(De)consolidation			2	2
Internal transfers/reclassifications	3	(1)	(2)	0
Amortisation		(66)	(17)	(83)
Impairments		(8)		(8)
Exchange rate differences	(30)	(12)	(5)	(47)
Total changes	**(21)**	**(38)**	**3**	**(56)**
Historical cost	2,305	469	141	2,915
Accumulated amortisation and impairments	(498)	(309)	(45)	(852)
Balance at 31 December 2008	**1,807**	**160**	**96**	**2,063**

(in € millions, except percentages)

Goodwill including those generated from the acquisition of TNT and GD Express Worldwide is allocated to the group's cash generating units ("CGU's") and tested for impairment. In 2008, no significant acquisitions have occurred. The decrease of goodwill is mainly due to foreign exchange differences resulting from acquisitions in the past outside the eurozone. The CGU's correspond to an operation in a particular country or region and the nature of the services that are provided being: Mail, Express or Other networks. Compared to 2007, the number and nature of the CGU's has remained largely unchanged.

Total goodwill balance as per 31 December 2008 amounts to €1,807 million of which TNT has allocated €1,241 million to the Express Europe CGU, €211 million to the combined European Mail Networks CGU's, €269 million to other Express CGU's, €49 million to Other networks CGU and €37 million to other Mail CGU's. The allocation of the goodwill to the CGU's is comparable with 2007.

The recoverable amount is the higher of the value in use and fair value less cost to sell. In order to determine the recoverable amount TNT applied the fair value less cost to sell approach. Fair value less cost to sell represents the best estimate of the amount the Group would receive if it sold the CGU. The fair value was estimated on basis of the discounted present value of future cash flows.

For mature markets, the estimated future net cash flows are based on a five year forecast and business plans. The applied growth rate does not exceed the long-term average growth rate of the relating operation and market. For markets which are considered to be non-mature no steady state has been achieved to date. As a result a ten-years forecast has been applied to estimate the future net cash flows. These cash projections are extrapolated by applying a zero growth rate to perpetuity. The cash flow projections based on financial budgets have been approved by management.

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 CGU's valuations vary around 9% to 10% (pre-tax) to reflect specific risks relating to the relevant divisions.

Key assumptions used to determine the recoverable values of all CGU's are the following:

- maturity of the underlying market, market share, volume development in order to determine the revenue mix and growth rate,
- level of capital expenditure which may affect by the further roll out of the network,
- level of operating income largely impacted by revenue and cost development taken into the nature of the underlying costs and potential economies of scale, and
- discount rate to be applied following the nature of the underlying cash flows and risk associated with those risks.

Management has carried out an impairment test and concluded that the recoverable amount is higher than the carrying amount. TNT determined the budgeted operating income based on past performance and its expectations for market development. However, due to current market circumstances and relating uncertainty a sensitivity analysis has been applied for all CGU's. This sensitivity analysis included the individual impact of the following items which are considered to be the most critical when determining the recoverable value:

- Increase of the discount factor by 1% and 2%;
- Increase of capital expenditure of 5% per year;
- Decrease of operating income of 15% per year.

The sensitivity analysis showed that the surplus above book value for all CGU's is sufficient.

The software balance includes internally generated software with a book value of €132 million at 31 December 2008 (2007: 153). Of the additions in software, €37 million related to self produced software and €12 million related to purchased software.

The impairment charge of €8 million (see note 19) mainly relates to intangibles of Postkantoren B.V. following the decision of TNT and ING to concentrating on their own sales outlets for handling postal and banking business. As a result, TNT will transfer the currently combined services to own TNT Post facilities.

Other intangible assets relate to customer lists of €57 million (2007: 76) and software under construction of €39 million (2007: 17). The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2009: €61 million, 2010: €60 million, 2011: €44 million, 2012: €28 million, 2013: €20 million and after 2013: €43 million. TNT does not conduct significant research and development and therefore does not incur research and development costs.

2 Property, plant and equipment: 1,634 million (2007: 1,785)

Statement of changes in property, plant and equipment

	Land and buildings	Plant and equipment	Aircraft	Other	Construction in progress	Total
Depreciation percentage	0%-10%	4%-33%	4%-10%	7%-25%	0%	
Historical cost	1,385	877	477	500	45	3,284
Accumulated depreciation and impairments	(562)	(535)	(171)	(338)		(1,606)
Balance at 31 December 2006	823	342	306	162	45	1,678
Changes in 2007						
Capital expenditure	70	57	120	59	84	390
Acquisitions	1	40		1	2	44
Disposals	(8)	(3)		(3)		(14)
Exchange rate differences	(19)	(7)	(7)	(2)		(35)
Depreciation	(62)	(100)	(32)	(77)		(271)
Impairments		(5)				(5)
Transfers to assets held for sale	(2)					(2)
Transfers and reclassifications	44	25		23	(92)	0
Total changes	24	7	81	1	(6)	107
Historical cost	1,459	1,074	592	633	39	3,797
Accumulated depreciation and impairments	(612)	(725)	(205)	(470)		(2,012)
Balance at 31 December 2007	847	349	387	163	39	1,785
Changes in 2008						
Capital expenditure	37	61	2	58	131	289
Disposals	(6)	(2)		(1)		(9)
Exchange rate differences	(53)	(30)	(6)	(10)	(3)	(102)
Depreciation	(65)	(94)	(33)	(79)		(271)
Impairments			(37)			(37)
Transfers to assets held for sale	(10)		(11)			(21)
Transfers and reclassifications	43	52	1	32	(128)	0
Total changes	(54)	(13)	(84)	0	0	(151)
Historical cost	1,421	1,035	456	643	39	3,594
Accumulated depreciation and impairments	(628)	(699)	(153)	(480)	0	(1,960)
Balance at 31 December 2008	793	336	303	163	39	1,634

(in € millions, except percentages)

Land and buildings mainly relate to depots, hubs and other production facilities. Land and buildings of €31 million (2007: 44) are pledged as security to third parties in Express in Germany. 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.

Plant and equipment mainly relate to investments in vehicles and sorting machinery.

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 29 owned aircraft (2007: 29) are operated by the Express business of which 9 aircraft have been transferred to assets held for sale with a total value of €11 million.

The impairment of aircraft of €37 million is based on the fair value less cost to sell, based among others on external pricing information. This impairment has been triggered by a significant decrease in air volumes as from 2008 followed by decommissioning of nine aircraft. The impairment charges have been recognised in the statement of income, see note 19.

Finance leases included in the property, plant and equipment balance as at 31 December 2008 are:

Finance leases

	Land and buildings	Plant and equipment	Aircraft	Other	**Total 2008**	Total 2007
Total	33	18	202	2	255	257
Express	16	17	202	2	**237**	251
Mail	17	1			**18**	6

(in € millions)

Included in land and buildings under financial leases are lease hold rights and ground rent. The book value of the lease hold rights and ground rent in mail is €17 million (2007: 4), comprising a historical cost of €24 million (2007: 7), with accumulated depreciation of €7 million (2007: 3). The book value of the lease hold rights and ground rent in Express is €16 million (2007: 18), comprising a historical cost of €25 million (2007: 25) with accumulated depreciation of €9 million (2007: 7). Aircraft leases amounting to €202 million mainly relates to two Boeing 747 freighters. One of these freighters has been sub-leased to Emirates.

Lease hold and ground rents expiring within 1 year amount to €1 million (2007: 1), lease hold and ground rents between 1 and 5 years amount to €5 million (2007: 6), lease hold and ground rents between 5 and 20 years amount to €18 million (2007: 13) and lease hold and ground rents between 20 and 40 years amount to €9 million (2007: 1), lease hold and ground rents more than 40 years amount to €0 million (2007: 1). There are no lease hold and ground rents contracts with indefinite terms. Lease hold rights and ground rent for land and buildings are mainly in Belgium for €9 million (2007: 10), in the Netherlands for €16 million (2007: 4) and in France for €6 million (2007: 7).

There are no material temporarily idle property, plant and equipment at 31 December 2008 (2007: 0).

3 Financial fixed assets: 307 million (2007: 325)

Statement of changes in financial fixed assets

	Investments in associates	Other loans receivable	Deferred tax assets	Other financial fixed assets: Financial fixed assets at fair value	Other financial fixed assets: Other prepayments and accrued income	Total
Balance at 31 December 2006	58	7	211	17	21	314
Changes in 2007						
Acquisitions/additions	31		82		3	116
Disposals/decreases	(7)		(88)			(95)
Transfers to assets held for sale						0
(De)consolidation			1		1	2
Withdrawals/repayments		(2)		(13)	(4)	(19)
Exchange rate differences			(3)	0		(3)
Other changes	1			9		10
Total changes	25	(2)	(8)	(4)	0	11
Balance at 31 December 2007	83	5	203	13	21	325
Changes in 2008						
Acquisitions/additions	15	1	40		4	60
Disposals/decreases			(32)	(1)		(33)
Transfers to assets held for sale						0
(De)consolidation						0
Withdrawals/repayments	(1)	(1)			(4)	(6)
Exchange rate differences			(6)			(6)
Other changes	(33)					(33)
Total changes	**(19)**	**0**	**2**	**(1)**	**0**	**(18)**
Balance at 31 December 2008	64	5	205	12	21	307

(in € millions)

Investments in associates

As per 31 December 2008, the investments in associates amounted to €64 million. The goodwill balance included in investments in associates at 31 December 2008 is €5 million (2007: 3).

TNT's most significant investment in an associate is Logispring Investment Fund Holding B.V., which sole activity is to invest in incubator funds. Included in the other changes of -€33 million (2007: 1) is an amount of €30 million for the impairments of underlying investments of Logispring triggered by the deteriorated economic environment for such activities. The fair values are derived from the most recent valuation reports, extrapolated using relevant benchmarks and indices.

Deferred tax assets

Deferred tax assets are further explained in note 22.

Financial assets at fair value

Financial assets at fair value include TNT's 3.8% equity stake in CEVA Investments Ltd. (formerly known as Louis Topco Limited), for an amount of €11 million (2007: 11), which TNT obtained as part of the sale of its logistics division as at 4 November 2006.

4 Inventory: 24 million (2007: 30)

Specification of inventory

At 31 December

	2008	2007
Raw materials and supplies	10	10
Finished goods	14	20
Total	24	30

(in € millions)

Total inventory of €24 million (2007: 30) is valued at historical cost for an amount of €28 million (2007: 35) and is stated net of provisions for obsolete items amounting to €4 million (2007: 5). There are inventories carried at net realisable value for an amount of €1 million (2007: 1) and no inventories are pledged as security for liabilities as at 31 December 2008. In 2008 and 2007, no material write offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is nil (2007: 1).

5 (Trade) accounts receivable: 1,574 million (2007: 1,656)

Specification of trade accounts receivable

At 31 December

	2008	2007
Trade accounts receivable - total	1,445	1,514
Allowance for impairment	(75)	(62)
Trade accounts receivable	1,370	1,452
Vat receivable	42	34
Other accounts receivable	162	170
Accounts receivable	204	204

(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 €25 million (2007: 11). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The top ten trade receivables of TNT account for 7% of the outstanding trade receivables as per 31 December 2008. TNT does not hold collateral as security for the outstanding balances. The concentration of the accounts receivable per customer is limited. The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: the Netherlands €274 million (2007: 256), other Europe €865 million (2007: 965), Asia €127 million (2007: 118) and Americas and rest of the world €104 million (2007: 113). For the non-trade accounts receivables no allowance for impairment is required.

As of 31 December 2008, the total trade accounts receivable amounted to €1,445 million (2007: 1,514), of which €660 million (2007: 828) was past due date but not individually impaired. The standard payment terms for both our express and mail business are around 14 days. The total provision for impairment amounts to €75 million (2007: 62) of which €43 million (2007: 35) 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:

Ageing analyses of trade accounts receivable

At 31 December

	2008	2007
Up to 1 month	444	574
2-3 months	141	174
3-6 months	44	45
Over 6 months	31	35
Total	660	828

(in € millions)

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

Statement of changes provision for impairment

At 31 December

	2008	2007
Balance at 1 January	62	61
Provided for during financial year	41	18
Receivables written off during year as uncollectable	(27)	(13)
Unused amounts reversed	(1)	(4)
Balance at 31 December	75	62

(in € millions)

6 Prepayments and accrued income: 298 million (2007: 236)

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 2008, prepayments amounted to €78 million (2007: 79). The balance of prepayments and accrued income that is expected to be recovered after 12 months is €1 million (2007: 4).

Prepayments and accrued income also include outstanding short term foreign exchange forward contracts for an amount of €41 million (2007: 4). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2008. The notional principal amount of the outstanding foreign exchange forward contracts is €837 million at 31 December 2008 (2007: 461). At 31 December 2007 also two outstanding forward starting interest rate swaps were included for an amount of €1 million and a notional value of €400 million.

7 Cash and cash equivalents: 497 million (2007: 295)

Cash and cash equivalents comprise cash at bank and in hand of €135 million (2007: 169) and short term bank deposits of €362 million (2007: 126). The effective interest rate during 2008 on short term bank deposits was 4% (2007: 4%) and the average outstanding amount was €189 million (2007: 77). The individual deposits have an average maturity of 1.6 days (2007: 1.6). Included in cash and cash equivalents is €26 million (2007: 41) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

8 Assets held for sale: 25 million (2007: 10)

The assets held for sale as at 31 December 2008 amount to €25 million (2007: 10) and relates to the decommissioning of 9 aircraft within the Express division for an amount of €11 and to buildings held for sale of €14 million (2007: 10) of which €9 million within Mail and €5 million within Express.

The profit from discontinued operations in 2007 related to the completion of the sale of its freight management business. This transaction resulted in a book gain of €206 million which has been reported as income from discontinued operations in 2007. 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.

9 Equity: 1,757 million (2007: 1,951)

Equity consists of equity attributable to the equity holders of TNT N.V. of €1,733 million (2007: 1,931) and minority interest of €24 million (2007: 20). Equity attributable to the holders of TNT N.V. consists of the following items:

Issued share capital

Issued share capital amounted to €173 million at 31 December 2008 (2007: 182). The number of authorised, issued and outstanding shares by class of share is as follows:

Authorised, issued and outstanding shares

At 31 December

	2008	2007
Authorised	**1,600,000,000**	1,600,000,000
Ordinary shares	**800,000,000**	800,000,000
Preference B	**800,000,000**	800,000,000
Issued and outstanding	**360,021,821**	379,224,255
Ordinary shares	**360,021,821**	379,224,255
of which held by the company to cover share plans	**1,059,931**	1,716,060
of which held by the company for cancellation	**0**	6,977,275
Preference B	**0**	0

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.

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 2008, the company purchased no ordinary shares (2007: 0) to cover its obligations under the existing management option plans and share grants. At 31 December 2008 the total number of shares held for this purpose was 1,059,931 (2007: 1,716,060). 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

The €500 million share buyback programme as announced on 30 July 2007, has been completed in 2008 following the purchase of 12,225,159 ordinary shares by TNT in 2008 (2007: 6,977,275) for an amount of €306 million.

On 11 April 2008 the annual general meeting of shareholders resolved to cancel a total number of 11,034,904 of ordinary shares. The cancellation of these shares became effective as of 24 June 2008. In addition, 8,167,530 shares have been cancelled on 22 September 2008. Both cancellations relate to the €500 million share buyback programme as announced on 30 July 2007. The company held no ordinary shares for cancellation at 31 December 2008 (2007: 6,977,275). Therefore, in 2008, the total number of issued and outstanding ordinary shares decreased by 19,202,434 shares. At a nominal value of €0.48 per share, the cancellation equals an amount of €9.2 million.

Foundation Protection TNT and preference shares B

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

TNT's articles of association provide for protective preference shares B that can be issued to the Foundation to serve these interests. The preference shares B have a nominal value of €0.48 and have the same voting rights as TNT's ordinary shares. There are currently no preference shares B issued, although the Foundation has a call option to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to the Foundation.

The exercise price with respect to the call option is the nominal value of €0.48 per preference share B, although upon exercise only €0.12 per preference share B is required to be paid. The additional €0.36 per preference share B is due at such time as TNT makes a call for payment by resolution of its Board of Management, which resolution is subject to the approval of the Supervisory Board. The Foundation has credit facilities in place to enable it to pay the exercise price.

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

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

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

The members of the board of the Foundation are R. Pieterse (chairman), J.H.M. Lindenbergh, W. van Vonno and M.P. Nieuwe Weme. All members of the Board of the Foundation are independent from TNT. This means that the Foundation is an independent legal entity in the sense referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht).

Additional paid in capital

Additional paid in capital of €876 million (2007: 982) is exempt for Dutch tax purposes to the extent that this has been paid in by shareholders of the Company. The decrease in additional paid in capital of €106 million is due to the repurchase of shares of €306 million in 2008. The remainder of €200 million has been deducted from the other reserves.

Translation reserve

In 2008 the translation reserve decreased from -€82 million in 2007 to -€212 million in 2008. An amount of -€129 million (2007: -81) 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 2008, an amount of -€1 million 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.

Hedging reserve

Movements on cash flow hedges amounted to -€13 million (2007:-1) resulting from the fair value movement on the €568/£450 million cross currency swaps (2007: 0) and the carrying value of the US dollar $262 million (2007: $273) of interest rate swaps, net of taxes. The €568/£450 million cross currency has been entered into to mitigate foreign currency exposure on the £450 million Eurobond which has been issued in 2008. The US dollar interest rate swaps have been entered into to mitigate the cash flow interest rate risk relating ot the Boeing 747 ERF financial lease contracts. Please refer to note 30 Financial instruments.

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 2008, €400 million (2007: 600) and $0 million (2007: $154 million) of forward starting swaps were unwound with a €2 million positive effect in the income statement. In 2008, €0 million of fair value (2007:1) adjustment has been recycled to the income statement due to ineffective hedging. For further information on the interest rate swaps, see note 30.

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

Other reserves

As per 31 December the other reserves are €497 million (2007: 0). The appropriation of net income from 2007 which is added to the other reserves in 2008 amounts to €669 million (2007: 378). In 2008, the other reserves decreased by €191 million. This is a net balance of € -200 million following the repurchase of shares (2007: -423) and the cancellation of shares of €9 million. The remainder of €106 million from the total repurchase share of €306 million has been deducted from additional paid in capital. In 2008, TNT increased its other reserves representing the fair value of share based payments to an amount of €16 million (2007: 14).
The other movement in the other reserves of €3 million (2007: 31) includes the proceeds obtained from the share grants of 2008 and 2007 and exercise rights of option plans of prior years.

Retained earnings

The profit for 2008 has been calculated as the 2008 net income of TNT N.V. and all its subsidiaries. The 2008 unappropriated component is €434 million

(2007: 871), containing the net profit of €556 million (2007: 986) and the paid interim dividend 2008 of €122 million (2007: 115). The Board of Management has determined to add €434 million (2007: 669) to other reserves and to put €0 million (2007: 202) as final dividend at the disposal of the general meeting of shareholders.

10 Pension assets: 726 million (2007: 594) and provisions for pension liabilities: 360 million (2007: 437)

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. The majority of the Dutch pension plans are defined benefit plans and consist of a main plan, transition plan and other pension plans.

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 96,000 participants including approximately 16,000 pensioners and around 36,000 former employees. By Dutch law the plan is carried out by an independent legal entity, Stichting Pensioenfonds TNT, that is not owned or controlled by any other legal entity and that falls under the supervision of the Nederlandsche Bank (DNB) and the Authoriteit Financiële Markten (AFM).

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 €100 million (2007: 94) and is estimated to be €240 million in 2009. This estimate includes the expected additional employer contribution as a result of the funding shortfall as described below. The contribution for the transitional plans amounted to €104 million (2007: 103) and are estimated at €98 million for 2009.

Derivatives of equity and debt instruments (e.g. swaps) may be used by the Pensionfund to realise changes in investment portfolio, to hedge against unfavourable market developments or to adjust the matching of assets and liabilities. During 2008 interest rate swaps were used to increase the interest risk hedge strategically from around 60% to around 75%.

The turmoil on the financial markets during 2008 had a significant impact on the investment portfolio of the main fund and the fair value of its pension liabilities. Per 31 December 2008, the main defined benefit plan in the Netherlands had a coverage ratio of 93%, as calculated under the requirements of DNB, a more than significant drop from the 141% as per 31 December 2007. As this coverage ratio has dropped below the minimum funding requirement of 105%, Stichting Pensioenfonds TNT is required to prepare a recovery plan which aims to increase financial buffers over time. By letter of 18 November 2008, DNB has extended the deadline to submit a recovery plan for practically all pension funds to 1 April 2009 at the latest. Given het funding shortfall in the main plan, both a short-term recovery and a long-term recovery plan are required. Stichting Pensioenfonds TNT is currently in the process of preparing the recovery plans. The short term recovery plan will have to outline how the 105% minimum funding level will be restored within a three year timeframe as currently prescribed by Dutch Pension Law. Such a plan will outline one or more of the following measures: increase of employer contributions, reduction of future benefit increases, a change in asset portfolio and or a reduction of pension entitlements. The long-term recovery plan will outline how by one or a combination of the measures described above the funding level will reach at or beyond the required level of around 120%, subject to the amount of risk of the investment portfolio, within fifthteen years as currently prescribed by Dutch Pension Law.

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 2008, the dynamic weight of equity investments decreased to 37.5%, the dynamic weight of fixed interest investments increased to 44.5% and the weight of real estate and alternative investments decreased to 18.0%. 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.

The pension defined benefit obligation of TNT's main plan and transitional plan covers approximately 94% of the group pension obligation for post-employment benefits and the plan assets cover approximately 93% of the group pension plan assets.

Asset mix of main pension plan

At 31 December

	Actual mix		Strategic mix	
	2008	2007	2009	**2008**
Equities	37.5%	42.1%	42%	42%
Fixed interest and inflation linked Bonds	44.5%	38.1%	40%	40%
Real estate and alternative investment	18.0%	19.8%	18%	18%
Total	100.0%	100.0%	100%	100%

Historical returns of main pension plan

	2008	average since plan inception
Equities	-41.4%	6.3%
Fixed interest and inflation linked Bonds	0.8%	6.7%
Real estate and alternative investment	-17.1%	6.6%
Swaps	8.4%	2.4%
Total weighted average	-14.2%	6.8%

The return on the group plan assets was -14.2 % (2007: 2.4%). The average return of the group assets since inception of the plan is 6.8% which is based on the actual return of the investments in combination with their relative weight per year. This weight can vary based on the actual mix.

Pension costs recognised in the statements of income

The valuation of TNT's pension and the determination of its pension cost are based on 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 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 at year-end. The difference between the projected pension liability based on the assumptions and the actual pension liability at year-end are reflected in the balance sheet and part of the actuarial gains and losses. If the cumulative actuarial gains and losses exceed the corridor, this will be amortised over the expected remaining average service life and reflected as an additional profit or expense in TNT's statement of income in the next year.

In 2008, TNT's expense for post-employment benefit plans was €24 million (2007: 45). Total cash contributions for pensions in 2008 amounted to €224 million (2007: 212) of which €204 for the Dutch Plans (including transitional plan) and are estimated to amount to approximately €365 million in 2009 of which €338 million for the Dutch Plans.

Statement of changes in net pension asset/(liability)

	Balance at 1 January 2008	Employer pension expense	Contributions and Other	**Balance at 31 December 2008**
Pension assets/(liabilities)	207	(20)	224	**411**
of which main pension plan in the Netherlands	536	14	100	**650**
of which transitional plan in the Netherlands	(387)	(31)	104	**(314)**
of which other pension plans	58	(3)	20	**78**
Other post-employment benefit plans	(50)	(4)	9	**(45)**
Total post-employment benefit plans	157	(24)	233	366

(in € millions)

The total net post employment benefit plans of €366 million as per 31 December 2008 (2007: 157) consist of a pension asset of €726 million (2007: 594) and a pension liability of €360 million (2007: 437).

The funded status of TNT's pension plans at 31 December 2008 and 2007 and the employer pension expense for 2008 and 2007 is presented in the table below.

Pension disclosures

	2008	2007
Change in benefit obligation		
Benefit obligation at beginning of year	(4,805)	(5,373)
Service costs	(113)	(139)
Interest costs	(275)	(255)
Amendments/foreign currency effects	10	2
Curtailments/settlements		1
Actuarial (loss)/gain	754	762
Benefits paid	214	197
Benefit obligation at end of year	(4,215)	(4,805)
Change in plan assets		
Fair value of plan assets at beginning of year	4,787	4,668
Actual return on plan assets	(683)	104
Contributions	224	212
Amendments/foreign currency effects	(10)	0
Benefits paid	(214)	(197)
Fair value of plan assets at end of year	4,104	4,787
Funded status as per 31 December		
Funded status	(111)	(18)
Unrecognised net actuarial loss	516	217
Unrecognised prior service costs	7	8
Pension liabilities	412	207
Other employee benefit plans	(46)	(50)
Net pension asset/(liability)	366	157
Components of employer pension expense		
Service costs	(113)	(139)
Interest costs	(275)	(255)
Expected return on plan assets	377	373
Amortisation of actuarial loss	(5)	(20)
Curtailment gain		1
Other costs	(4)	(1)
Employer pension expense	(20)	(41)
Other post employment benefit plan expenses	(4)	(4)
Total post employment benefit expenses	(24)	(45)
Weighted average assumptions as at 31 December		
Discount rate	6.1%	5.7%
Expected return on plan assets	7.1%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.2%	2.0%

(in € millions, except percentages)

TNT's pension expense is 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 'sensitivity of 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 for which management has assessed available AA yields and the historical spreads between AA and A yields 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 pension liabilities is around 16 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 and is calculated as the geometric mean over fifteen years from two-thousand future scenarios taking into account the relevant standard deviations of, and correlations between, the various asset categories, as derived from historical evidence. This main fund controls 93% 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. However for 2009 Stichting Pensioenfonds TNT has decided to reduce such strategies and in particular has stopped the Global Tactical Asset Allocation overlay strategy. 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 18.1 years (2007: 18.0). The equivalent expectancy for women is 21.3 years (2007: 21.0). The applied mortality rates derived from the mortality table "GBM/GBV 2007-2012 with age corrections -1/-1 (male/female)".

Funded status defined benefit plans

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the other defined benefit pension plans. Included in the provision for pension liabilities are other employee benefits for the unfunded defined benefit Trattamento di Fine Rapporto ("TFR") in Italy of €46 million (2007: 50).

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

Balance sheet calculations

At 31 December

	2008	2007
Present value of funded benefit obligations	**(3,842)**	(4,175)
Fair value of plan assets	**4,104**	4,787
(Un)Funded status	**262**	612
Present value of unfunded benefit obligations	**(373)**	(630)
Unrecognised liability	**523**	225
Other employee benefit plans	**(46)**	(50)
Net pension asset/(liability)	**366**	157
of which included in pension assets	**726**	594
of which included in provisions for pension liabilities	**(360)**	(437)

(in € millions)

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

Sensitivity of assumptions

	%-change in assumptions	change in employer pension expense
Employer pension expense 2008		**(20)**
Discount rate	+0.5%	19
Expected return on plan assets	+0.5%	31
Rate of compensation increase	+0.5%	(55)
Rate of benefit increase	+0.5%	(53)
Employer pension expense 2008		**(20)**
Discount rate	-0.5%	(22)
Expected return on plan assets	-0.5%	(31)
Rate of compensation increase	-0.5%	48
Rate of benefit increase	-0.5%	46

(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 2004-2005.

Status of funding

At 31 December

	2008	2007	2006	2005	2004
Funded and Unfunded Defined benefit obligation	**(4,215)**	(4,805)	(5,373)	(5,398)	(4,887)
Experience adjustment gain/(loss)	**0.7%**	0.9%	-0.4%		
Fair value of plan assets	**4,104**	4,787	4,668	4,216	3,693
Experience adjustment gain/(loss)	**-20.5%**	-5.4%	1.2%	4.7%	0.4%
(Un)Funded status	(111)	(18)	(705)	(1,182)	(1,194)

(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 funds to the pensioners and by TNT for the Dutch transitional plan.

Expected benefit payments

Year	amounts
2009	206
2010	227
2011	238
2012	223
2013	207

(in € millions)

Amounts expensed in the consolidated statements of income related to defined contribution plans were €36 million (2007: 36).

11 Other provisions: 402 million (2007: 362)

Statement of changes in other provisions

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2007	60	141	89	72	**362**
of which included in other provisions (non-current)	55	86	12	47	200
of which included in other provisions (current)	5	55	77	25	162
Changes in 2008					
Additions	8	102	21	37	**168**
Withdrawals	(5)	(47)	(25)	(29)	**(106)**
Exchange rate differences	(3)	(2)	(3)	(6)	**(14)**
(De)consolidation	(1)				**(1)**
Interest		6			**6**
Reclassification		(8)	(1)	9	**0**
Other/releases		(10)	(4)	1	**(13)**
Total changes	(1)	41	(12)	12	40
Balance at 31 December 2008	59	182	77	84	402
of which included in other provisions (non-current)	45	112	7	48	**212**
of which included in other provisions (current)	14	70	70	36	**190**

(in € millions)

Other employee benefits consist of provisions related to jubilee payments €38 million (2007: 34), long-service benefits €5 million (2007: 13) and other employee benefits of €16 million (2007: 13). Short term employee benefits, such as salaries, profit sharing and bonuses are discussed in note 18.

As per 31 December 2008, the restructuring provision amounted to €182 million of which €154 million (2007: 140) relates to restructuring projects within the Mail division and €28 million (2007: 1) within the Express division. The additions to the restructuring provision over 2008 were €102 million which €74 million for Mail and €28 million for Express. The additions for Mail relate mainly to the estimated financial compensation following the agreed social plan for the restructuring of the joint venture Postkantoren B.V. (€67 million) as both TNT and ING decided to concentrate on their own sales outlets for handling postal and banking business. The addition of €28 million within the Express division concerns the restructuring plans in European countries which involves approximately 1,000 employees.

The withdrawals from the restructuring provision of €47 million (2007: 13) relates mainly to payments for an amount of €34 million to employees which have applied for collective mobility agreements within the Mail division. Following these agreements restructuring provisions have been established to compensate employees which have been made redundant due to the implementation of efficiency projects which aim to standardise the collection, preparation and delivery of mail.

In 2008 2,051 employees have been made redundant of which 1,367 within the mail division (2007: 121) and 684 within the express division (2007: 55).

This restructuring provision within the Mail division is discounted at 6% (2007: 7%) as this provision is expected to be utilised during the period 2009-2012. The relating interest of €6 million has been recorded as part of the financial expenses, please refer to note 21.The restructuring provision within the Express division is expected to be utilised during the period 2009.

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. 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, dilapidation provisions, non employee related restructuring provisions and guarantees provided to third parties. The additions of €37 million relate to onerous contracts and other settlement of €15 million for Postkantoren and provisions for guarantees of €15 million and €5 million relating to other costs with respect to the restructuring of express. The withdrawals of €29 million concern mainly settlements of €23 million following the downsizing and transferring of TNT's operations in the UK parcel business in 2007.

The estimated utilisation in 2009 is €190 million, in 2010 €87 million, in 2011 €26 million and in 2012 €81 million and beyond €18 million.

12 Long term debt: 1,845 million (2007: 1,294)

Carrying amounts and fair value of long term debt

At 31 December

	2008		2007	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Euro Bonds	**1,489**	**1,379**	1,019	1,078
Finance leases	**214**	**185**	223	220
Other loans	**7**	**11**	23	23
Interest rate swaps	**135**	**135**	29	29
Total long term debt	1,845	1,710	1,294	1,350

(in € millions)

In the table above, the fair value of long term interest bearing debt, net of its 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 the current portion of long term debt approximate their fair value.

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

Total borrowings

	Euro Bonds	Finance leases	Other loans	Interest rate swaps	Short term bank debt	Total
2009		16	344		36	**396**
2010		19	2			**21**
2011		18	1			**19**
2012		14	1	9		**24**
2013		13	1			**14**
Thereafter	1,489	150	2	126		**1,767**
Total borrowings	1,489	230	351	135	36	2,241
of which included in long term debt	1,489	214	7	135		**1,845**
of which included in other current liabilities		16	344		36	**396**

(in € millions)

For underlying details of the financial instruments, see note 29 and 30.

13 Other current liabilities: 890 million (2007: 1,188)

Other current liabilities

At 31 December

	2008	2007
Short term bank debt	**36**	46
Other short term debt	**360**	745
Total current borrowings	396	791
Taxes and social security contributions	**245**	204
Expenses to be paid	**37**	35
Other	**212**	158
Total	890	1,188

(in € millions)

Total current borrowings

Other short term debt includes Commercial Paper of €222 million (2007: 0), short term bank facilities of €122 million (2007: 82) and the current portion of outstanding lease liabilities of €16 million (2007: 18). There are no balances of 31 December 2008 that are expected to be settled after 12 months (2007: 0). At 31 December 2007, other short term debt also included the 5.125% Eurobond maturing in 2008 for an amount of €646 million.

Other

Other includes short term foreign exchange forward contracts with a fair value of €43 million (2007: €9) and a nominal value of €766 million (2007: 642).

14 Accrued current liabilities: 1,131 million (2007: 1,147)

Accrued current liabilities

At 31 December

	2008	2007
Amounts received in advance	**145**	120
Expenses to be paid	**640**	673
Vacation days/vacation payments	**188**	173
Terminal dues	**67**	68
Other accrued current liabilities	**91**	113
Total	1,131	1,147

(in € millions)

Amounts received in advance include €52 million (2007: 50) for stamps which were sold but not yet used.
An amount of €47 million is expected to be settled after 12 months (2007: 51).

Notes to the consolidated statements of income

15 Net sales: 10,983 million (2007: 10,885)

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 34.

16 Other operating revenues: 169 million (2007: 132)

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 €111 million (2007: 75), customs clearance/ administration revenue €23 million (2007: 33) and rental income of temporarily leased-out property €3 million (2007: 4).

17 Other income: 35 million (2007: 75)

Other income in 2008 mainly includes net proceeds from the sale of property, plant and equipment for €30 million (2007: 62) and other income of €5 million (2007: 13).

18 Salaries, pensions and social security contributions: 3,617 million (2007: 3,608)

Salaries and social security contributions

Year ended at 31 December

	2008	2007
Salaries	**3,050**	3,071
Share based payments	**16**	13
Pension charges:		
Defined benefit plans	**24**	45
Defined contribution plans	**36**	36
Social security charges	**491**	443
Total	3,617	3,608

(in € millions)

Labour force

	2008	2007
Employees[1]		
Express	**75,537**	75,032
Mail	**86,052**	84,929
Other networks	**1,385**	1,385
Non-allocated	**271**	236
Total at year end	163,245	161,582
Employees of joint ventures[2]	**4,424**	4,621
External agency staff at year end	**29,919**	38,639
Full-time equivalents (FTEs)[1]		
Express	**70,667**	70,271
Mail	**42,431**	42,777
Other networks	**1,143**	1,182
Non-allocated	**252**	229
Total year average	114,493	114,459
FTEs of joint ventures[2]	**3,858**	4,000

1 – Including temporary employees on our payroll.
2 – These numbers represent all employees and FTEs in the joint ventures.

At the end of 2008, 4,424 people (2007: 4,621) were employed by joint ventures, of whom 2,350 (2007: 2,674) were on the payroll of Dutch companies, primarily Postkantoren B.V. and 2,074 (2007: 1,947) 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 2008 the average number of FTE's in the Mail division was 42,431. The expansion of European mail networks mainly in Germany and the UK resulted in an increase of around 700 FTE's which was offset by the decrease in mail Netherlands of around 1,400 FTE's resulting from efficiency initiatives.

The headcount and average number of FTE's in the Express division as at 31 December 2008 remained stable.

Remuneration of members of the Supervisory Board

For the year 2008, the accrued remuneration of the current members of the Supervisory Board amounted to €573,250 (2007: 564,214). The remuneration of the individual members of the Supervisory Board is set out in the table below:

Supervisory Board compensation

	Base compensation	Other payments[1]	Total remuneration
Mr R.J.N. Abrahamsen	45,000	18,000	**63,000**
Mr R. Dahan[2]	18,750	3,000	**21,750**
Mr V. Halberstadt	45,000	18,000	**63,000**
Ms M.E. Harris	45,000	6,000	**51,000**
Mr J.H.M. Hommen	60,000	5,500	**65,500**
Ms G. Kampouri Monnas	45,000	6,000	**51,000**
Mr R. King	45,000	4,500	**49,500**
Mr P.C. Klaver[3]	32,750	13,000	**45,750**
Mr W. Kok	45,000	10,000	**55,000**
Mr S. Levy	45,000	8,000	**53,000**
Mr G.J. Ruizendaal[3]	32,750	3,000	**35,750**
Mr R.W.H. Stomberg[4]	14,000	5,000	**19,000**
Total	473,250	100,000	573,250

(in €)
1 – Payments relating to number of Supervisory Board committee meetings attended
2 – R. Dahan resigned on 1 June 2008
3 – Appointed on 11 April 2008
4 – R.W.H. Stomberg resigned on 11 April 2008

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 2008 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 2008 values of each of these remuneration elements will be reported per member of the Board of Management.

Total remuneration

In 2008, the remuneration (calculated in accordance with International Financial Reporting Standards as adopted by the EU), including pension and social security contributions, of the current and the former members of the Board of Management amounted to €7,901,020 (2007: 9,198,005).

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

Remuneration Board of Management

	Base salary	Other periodic paid compensation	Accrued short term incentive	Accrued for long term incentive	Pension related costs	**Total 2008**	Total 2007
Peter Bakker	918,000	159,998	684,268	485,125	86,083	**2,333,474**	2,713,469
Henk van Dalen	612,000	525,459	361,052	212,617	254,816	**1,965,944**	2,327,858
Harry Koorstra	612,000	142,302	506,124	248,304	84,315	**1,593,045**	1,770,434
Marie-Christine Lombard	612,000	501,958	259,906	353,173	281,520	**2,008,557**	2,386,244
Total	2,754,000	1,329,717	1,811,350	1,299,219	706,734	7,901,020	9,198,005

(in €)

Base salary

Base salary for the members of the Board of Management has been increased in 2008 by 2% as decided by the Supervisory Board on advice of the Remuneration Committee, effective from 1 January 2008. The 2% increase is determined by reference to the average increase based on collective labour agreement developments in base salaries in major countries where TNT is carrying business.

Other periodic paid compensation

The other periodic paid compensation includes company costs related to tax and social security, company car and other costs. It also includes salary allowances made as compensation for the change in pension system as from 2006 onwards. In the other paid compensation of Henk van Dalen (employed as per 1 April 2006) the third yearly instalment (out of four) of €325,000 of the total compensation of €1,300,000 for the loss of long term incentive rights at his former employer has been included. For Marie-Christine Lombard other periodic paid compensation includes French social taxes and French security contributions, calculated on the full salary package i.e. base salary, bonus and performance shares.

Variable compensation

In the table below the total variable compensation in 2008 to the members of the Board of Management is shown:

Total variable compensation Board of Management

	Accrued for short term incentive	Accrued for long term incentive	**Total variable compensation**
Peter Bakker	684,268	485,125	**1,169,393**
Henk van Dalen	361,052	212,617	**573,669**
Harry Koorstra	506,124	248,304	**754,428**
Marie-Christine Lombard	259,906	353,173	**613,079**
Total	1,811,350	1,299,219	3,110,569

(in €, except percentages)

Accrued short term incentive

The accrued short term incentive consists of the accrued bonuses for the performance of the year reported, paid in cash in the next year and the costs relating to the bonus/matching share plan.

Bonus accrual for 2008 performance

Since 2002, TNT accounts for bonus payments on the basis of the accrued bonuses for the performance of the year reported. In 2008, an amount of €2,025,000 (2007: €1,953,000) was paid to the members of the Board of Management for performance over 2007.

In the table below the amount of €1,560,141 reflects the accrued bonuses for performance over 2008, which will be paid in 2009.

The 2008 accrued short term incentive amounts for the members of the Board of Management are accrued as set out below:

Accrued short term incentive Board of Management

	Accrued for 2008 performance	as % of base pay	Accrued for matching shares[1]	**Accrued for short term incentive**
Peter Bakker	587,795	64%	96,473	**684,268**
Henk van Dalen	336,784	55%	24,268	**361,052**
Harry Koorstra	439,722	72%	66,402	**506,124**
Marie-Christine Lombard	195,840	32%	64,066	**259,906**
Total	1,560,141		251,209	**1,811,350**

(in €, except percentages)
1 – Includes costs for matching shares granted in 2005, 2006 and 2007. As of 2008 the members of the Board of Management are no longer eligible to receive matching shares.

Bonus/matching share plan

As of 2008, the members of the Board of Management are no longer eligible to participate in the bonus/matching plan. The amount of €251,209 reflects the accrued costs in 2008 for the rights on matching shares that were granted in 2007, 2006 and 2005.

Under the bonus/matching plan, of the net bonus amount received an amount equal to 25% of the gross bonus was used by the Board members to purchase own TNT shares (bonus shares). Upon such purchase, a right on matching shares was granted. The number of bonus 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 bonus shares is retained for a period of three years and provided continued employment, the right will vest and the company will match the number of shares on a one-to-one basis. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their matching shares before the earlier of five years from the date of grant or the end of the employment, although any sale of shares for the purpose of using the proceeds to pay for the tax relating to the grant of these shares is exempted. These matching shares are held in a trust by TNT's share administrator.

All members of the Board of Management participated in the scheme for the bonus earned during their membership of the Board of Management, up until 2008.

Their current matching entitlement is set out in the following table.

Bonus-related matching rights Board of Management[1]

		Number of matching rights on shares				
	Year	Outstanding 1 Jan 2008	Vested during 2008	Forfeited during 2008	**Outstanding 31 Dec 2008**	Remaining years in contractual life
Peter Bakker	2005	8,211	8,211			
	2006	4,159			**4,159**	0.3
	2007	5,213			**5,213**	1.3
Henk van Dalen	2007	2,919			**2,919**	1.3
Harry Koorstra	2005	5,474	5,474			
	2006	3,043			**3,043**	0.3
	2007	3,476			**3,476**	1.3
Marie-Christine Lombard	2005	4,562	4,562			
	2006	3,043			**3,043**	0.3
	2007	3,476			**3,476**	1.3
Total		43,576	18,247		**25,329**	

1 – As of 2008 the members of the Board of Management are no longer eligible to receive matching shares.

In 2008 the average price on vesting for matching shares for the members of the Board of Management was €25.41.

Accrued long term incentive

Costs of the long term incentive

The maximum numbers of performance shares that can vest are disclosed in this report and amount to 150% of base allocation for performance shares granted in 2008 and 2007, and to 120% of base allocation for performance shares granted in 2006. In the table below, the total costs of the rights on performance shares granted to the members of the Board of Management are shown:

Accrued long term incentive Board of Management

	Costs in 2008 from performance shares granted in 2005	Costs in 2008 from performance shares granted in 2006	Costs in 2008 from performance shares granted in 2007	Costs in 2008 from performance shares granted in 2008	**Accrued for long term incentive**
Peter Bakker	71,374	168,117	178,569	67,065	**485,125**
Henk van Dalen		84,064	93,455	35,098	**212,617**
Harry Koorstra	35,687	84,064	93,455	35,098	**248,304**
Marie-Christine Lombard	35,687	188,933	93,455	35,098	**353,173**
Total	142,748	525,178	458,934	172,359	1,299,219

(in €)

The costs 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 by taking into account statistical evidence of non-market conditions, which costs then subsequently are amortised over the vesting period.

Vesting of the long term incentive

The vesting of the performance shares depends on the company's performance on total shareholder return. TNT's relative total shareholder return over the period from 28 April 2008 through 27 April 2011 governs the performance share grant for 2008. For the 2007 grant that period is from 4 May 2007 through 3 May 2010 and for the 2006 grant it is from 4 May 2006 through 3 May 2009. In compliance with the Dutch corporate governance code, the members of the Board of Management may not sell their performance 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 performance shares are held in a trust by TNT's share administrator.

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 2008.

Pro forma vesting per year end according to TSR performance schedules

		Performance shares	
	Year	Vesting % of base allocation	Vesting as if per 31 Dec 2008
Peter Bakker	2006	25.2%	6,733
	2007	2.5%	621
	2008	29.5%	7,331
Henk van Dalen	2006	25.2%	3,367
	2007	2.5%	325
	2008	29.5%	3,837
Harry Koorstra	2006	25.2%	3,367
	2007	2.5%	325
	2008	29.5%	3,837
Marie-Christine Lombard	2006	25.2%	7,567
	2007	2.5%	325
	2008	29.5%	3,837
Total			41,472

Long term incentive/performance share plan
The table below summarises the status of the rights awarded under the performance share plan to the members of the Board of Management.

Rights on performance shares Board of Management

	Year	Outstanding 1 Jan 2008	Granted during 2008	Vested during 2008	Forfeited during 2008	Outstanding 31 Dec 2008	Remaining years in contractual life
		Number of rights on performance shares					
Peter Bakker	2005	29,094		29,094			
	2006	32,062				**32,062**	0.3
	2007	37,275				**37,275**	1.3
	2008		37,275			**37,275**	2.3
Henk van Dalen	2006	16,032				**16,032**	0.3
	2007	19,508				**19,508**	1.3
	2008		19,508			**19,508**	2.3
Harry Koorstra	2005	14,547		14,547			
	2006	16,032				**16,032**	0.3
	2007	19,508				**19,508**	1.3
	2008		19,508			**19,508**	2.3
Marie-Christine Lombard	2005	14,547		14,547			
	2006	36,032				**36,032**	0.5
	2007	19,508				**19,508**	1.3
	2008		19,508			**19,508**	2.3
Total		254,145	95,799	58,188		291,756	

In 2008 the average price on vesting for performance shares for the members of the Board of Management was €25.41.

Long term incentive/share option plan
The table below summarises the status of the outstanding options (no relating costs in 2008) to acquire a number of TNT ordinary shares granted to the Board of Management.

Options Board of Management

	Year	Outstanding[1] Jan 2008	Exercised during 2008	Forfeited during 2008	Outstanding 31 Dec 2008	Exercise price in €	Share price on exercise date	Remaining years in contractual life
		Number of options						
Marie-Christine Lombard	2004	30,000			**30,000**	18.44		3.3
Total		30,000			30,000			

Pension
The pension costs consist of the service costs for the year. 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.

Included in the pension costs for Henk van Dalen is the actuarial calculated annual instalment in accordance with the employment agreement of Henk van Dalen that an amount of €1,350,000 will be made available to be contributed by the company in four equal annual instalments. This will only become payable to the Stichting Ondernemingspensioenfonds TNT under the condition that he is still employed by the company on the payment dates.

Senior Management

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

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

- Performance shares were granted in April 2008 to 824 TNT managers at a fair value of €13.00 each. These grants were part of the policy to annually grant rights on performance shares to eligible members of senior management from 2005 onwards.
- Rights on performance shares will vest and shares comprising these rights will be released after the third anniversary of the grant.
- The right on performance shares forfeits upon termination of employment prior to vesting. However, 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 2008 is stated below.

Rights on performance shares management

		Number of rights on performance shares					
	Year	Outstanding 1 Jan 2008	Granted during 2008	Vested during 2008	Forfeited during 2008	**Outstanding 31 Dec 2008**	Remaining years in contractual life
Management	2005	446,005		431,057	14,948		
	2006	532,145		9,842	41,169	**481,134**	0.3
	2007	1,043,204		2,560	85,640	**955,004**	1.3
	2008		1,424,815	118	28,974	**1,395,723**	2.3
Total		2,021,354	1,424,815	443,577	170,731	2,831,861	

In 2008 the average price on vesting for performance shares for the management was €25.16.

Option plan senior management
In 2005 the option plan was replaced by the performance share plan. Final option awards occurred in 2004.

Statements of changes of outstanding options
The table below also includes the outstanding options of the members of the Board of Management and senior management. All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

Statement of changes of outstanding options

		Number of options						
	Year	Outstanding 1 Jan 2008	Exercised during 2008	Forfeited during 2008	**Outstanding 31 Dec 2008**	Exercise price in €	Share price on exercise date	Remaining years in contractual life
Board of Management	2004	30,000			**30,000**	18.44		3.3
Management	2003	79,584	10,925		**68,659**	13.85	24.54	2.1
	2003	3,000			**3,000**	14.51		2.4
	2004	341,029	33,678		**307,351**	18.44	24.48	3.3
Total		453,613	44,603		409,010			

Historic overview outstanding options

	2008		2007	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at beginning of year	453,613	17.61	1,663,242	18.08
Exercised	**(44,603)**	**24.49**	(1,167,849)	32.27
Forfeited			(41,780)	21.54
Balance at end of year	409,010	17.64	453,613	17.61
Exercisable at 31 December	409,010	17.64	453,613	17.61

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 bonus in cash and can convert 25% as a grant of TNT shares with an associated matching right in 2008 (103,558), 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. Grants are made in accordance with the bonus/matching plan, which has been approved by the Supervisory Board.

The significant aspects of the plan are:

- bonus shares are purchased from the participant's net income using 25% of the gross bonus amount and bonus shares are delivered upon the grant of the right on matching shares,
- 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 (2008: €25.00/ 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 on 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 matching rights for Management

		Number of matching rights on shares				
	Year	Outstanding 1 Jan 2008	Granted during 2008	Vested or forfeited during 2008	**Outstanding 31 Dec 2008**	Remaining years in contractual life
Management	2005	81,226		81,226		
	2006	62,337		3,196	**59,141**	0.3
	2007	73,328		3,548	**69,780**	1.3
	2008		103,558	1,067	**102,491**	2.3
Total		216,891	103,558	89,037	**231,412**	

In 2008 the average price on vesting for matching shares for the management was €25.33.

Fair value assumptions and hedging

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

Principal fair value assumptions

	2008	2007
Share price (in €)	**25.16**	32.28
Volatility (%)	**23.40**	19.30
Vesting period (in years)	**3**	3
Risk free rate (%)	**4.42**	4.33
Dividend yield (%)	**2.64**	2.48

As of 28 April 2008, the 2008 grant date, the fair value of the matching shares awarded was €23.17 and the fair value of the performance shares awarded was €13.00.

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 was €28.13 and of TNT's performance shares awarded was €18.64.

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 2008, TNT did not purchase any additional shares to cover its obligations under the existing share and option schemes.

At 31 December 2008, TNT held a total of 1,059,931 shares to cover its obligations under the existing share and options schemes (2007: 1,716,060).

19 Depreciation, amortisation and impairments: 399 million (2007: 349)

Depreciation, amortisation and impairments

	2008	2007
Amortisation of intangible assets	**83**	73
Depreciation property, plant and equipment	**271**	271
Impairment of intangible assets	**8**	
Impairment of property, plant and equipment	**37**	5
Total	399	349

(in € millions)

The amortisation of intangible assets of €83 million relates to customer list €17 million (2007: 17) and software €66 million (2007: 56). The impairment of intangibles mainly relates intangibles of "Postkantoren B.V." The recoverable value has been determined based on the value in use approach.

The impairment charges of 2008 of property, plant and equipment of €37 million relates to the decommissioning of 9 aircraft of the Express division due to a decrease in air volumes. The recoverable value has been determined based on the fair value less cost to sell approach taken into account external quotes, the current status of the aircraft and current market circumstances.

In 2007, the impairment charge related to the assets of the UK parcel contract in the Mail division.

20 Other operating expense: 727 million (2007: 714)

The other operating expenses largely relate to Express for €372 million (2007: 320) and Mail for €344 million (2007: 373). 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 2008, 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:

Fees statutory auditors

Year ended at 31 December

	2008	2007
Audit fees	**6**	9
Audit related fees	**1**	3
Tax advisory fees	**1**	0
Other fees	**1**	1
Total	9	13

(in € millions)

In accordance with the Dutch legislation, article 2:382a the total audit fee related to accounting organisation PricewaterhouseCoopers Accountants N.V. seated in the Netherlands amounted to €4 million (2007: 5).

21 Net financial income and expenses: -147 million (2007: -94)

Net financial expenses

Year ended at 31 December

	2008	2007
Interest and similar income	**62**	85
Fair value change fair value hedges	**8**	3
Fair value change of financial assets through profit and loss		9
Total interest and similar income	70	97
Interest and similar expenses	**(206)**	(184)
Fair value change cashflow hedge recycled to profit and loss	**(1)**	(1)
Fair value change fair value hedges	**(8)**	(3)
Net foreign exchange losses	**(2)**	(3)
Total interest and similar expenses	(217)	(191)
Net financial expenses	**(147)**	(94)

(in € millions)

Interest and similar income: 70 million (2007: 97)

Interest and similar income in 2008 of €70 million (2007: 97) mainly relates to interest income on banks, loans and deposits of €44 million (2007: 69) of which €30 million (2007: 58) relates to a gross up of interest on notional cash pools, interest on taxes of €3 million (2007: 5) and interest on foreign currency hedges of €17 million (2007: 5).

The change of the fair value hedges of €8 million negative relates to the short term €500 million interest rate swaps which is off set by the fair value change of €8 million positive on the 5.125% Eurobond 2008 which matured in 2008 (see notes 6 and 14).

Interest and similar expenses: 217 million (2007: 191)

Interest and similar expenses in 2008 of €217 million mainly relate to interest expense on bank overdrafts and bank loans of €46 million, (2007: 79) of which €30 million (2007: 58) relate to a gross up of interest on notional cash pools, interest expenses on long term borrowings of €124 million (2007: 75), interest on foreign currency hedges of €35 million (2007: 18), interest on provision of €6 million (2007: 1) and interest on taxes €1 million (2007: 6).

The interest income and expense on cash pools are reported on a gross basis according to IFRS. From an economic and legal perspective this €30 million (2007: 58) interest income fully nets off against the same amount of interest expense. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

The interest and similar income and expense on various foreign exchange derivatives have been aggregated on a gross basis while economically the €17 million of interest income (2007: 5) is fully set off against the €35 million (2007: 18) of interest expenses on hedges.

In light of the current credit crisis, TNT has conservatively overfunded itself with commercial paper to assure liquidity and subsequently earned €1 million of interest on short term deposits which were at the same time offset by commercial paper with an interest cost of €1 million.

22 Income taxes: 242 million (2007: 316)

Income taxes in the statements of income of 2008 amount to €242 million (2007: 316), or 30.2%, (2007: 28.8%) of income before income taxes.

Effective income tax rate

Year ended at 31 December

	2008	2007
Dutch statutory income tax rate:	**25.5**	25.5
Adjustment regarding effective income tax rates other countries	**2.0**	2.6
Permanent differences:		
Non and partly deductible costs	**1.5**	1.0
Exempt income		(0.4)
Other	**1.2**	0.1
Effective income tax rate	30.2	28.8

(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 2008, the effective income tax rate was 30.2% (2007: 28.8%), which is higher than the statutory corporate income tax rate of 25.5% in the Netherlands (2007: 25.5%). This is largely caused by the impact of several non-deductible costs and the effect of different statutory tax rates in countries outside the Netherlands. Furthermore, included in the line "other" is the adverse effect of losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets. This caused the effective tax rate to increase by 4.7%. This effect was partly offset by the positive impact of 2.2% 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 projected results, enabling the group to substantiate that recoverability of the assets is probable. The remaining "other" decrease of 1.3% reflects the net impact of several smaller positive and negative effects.

Income tax expense consists of the following:

Income tax expense

Year ended at 31 December

	2008	2007
Current tax expense	203	269
Changes in deferred taxes		
(excluding acquisitions / foreign exchange effects)	39	47
Total income taxes	242	316

(in € millions)

In 2008, the current tax expense amounted to €203 million (2007: 269). 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.

At 31 December 2008, the income tax receivable amounts to €37 million (2007: 35) and the income tax payable amounts to €47 million (2007: 69). In 2008 TNT paid income taxes for an amount of €225 million (2007: 492) of which 166 related to prior years.

The following table shows the movements in deferred tax assets in 2008:

Movements in deferred tax assets

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2006	32	8	63	108	211
Reclassifications	(3)	(6)	(1)	(11)	(21)
Changes charged directly to equity				(5)	(5)
Changes via statements of income	(2)	5	46	(29)	20
(De)consolidation/foreign exchange effects			(1)	(1)	(2)
Deferred tax assets at 31 December 2007	27	7	107	62	203
Reclassifications					0
Changes charged directly to equity				4	4
Changes via statements of income	3	(1)	4	(2)	4
(De)consolidation/foreign exchange effects	(2)	(1)	(3)		(6)
Deferred tax assets at 31 December 2008	28	5	108	64	205

(in € millions)

For deferred tax assets an amount of €27 million (2007: 10) is to be recovered within 12 months and an amount of €178 million is to be recovered after 12 months (2007: 193).

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 taxation authority.

Out of the total "other" deferred tax assets of €64 million (2007: 62) an amount of €36 million (2007: 40) relates to temporary differences for assets that are capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2008 amounted to €788 million (2007: 720). With these losses carried forward, future tax benefits of €221 million could be recognised (2007: 203). 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 €104 million (2007: 96) of the potential future tax benefits and has recorded deferred tax assets of €117 million at the end of 2008 (2007: 107). Of the total recognised deferred tax assets for loss carry forward an amount of €9 million was offset against deferred tax liabilities.

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

Expiration of total accumulated losses

2009	9
2010	28
2011	31
2012	30
2013 and thereafter	323
Indefinite	367
Total	788

(in € millions)

The following table shows the movements in deferred tax liabilities in 2008:

Movements in deferred tax liabilities

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2006	145	65	30	240
Reclassifications	(3)	7	(25)	(21)
Changes via statements of income	58	12	(3)	67
(De)consolidation/foreign exchange effects		3	9	12
Deferred tax liabilities at 31 December 2007	200	87	11	298
Reclassifications				**0**
Changes via statements of income	45	(4)	2	**43**
(De)consolidation/foreign exchange effects		(8)	2	**(6)**
Deferred tax liabilities at 31 December 2008	245	75	15	335

(in € millions)

For deferred tax liabilities an amount of €14 million (2007: 44) is to be settled within 12 months and an amount of €321 million (2007: 254) is to be settled after 12 months.

Notes to the consolidated cash flow statements

23 Net cash from operating activities (continuing operations): 923 million (2007: 643)

The net cash from operating activities increased by €280 million from €643 million in 2007 to €923 million in 2008. 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 increased from €1,313 million in 2007 to €1,330 million in 2008. In 2008 the profit before income taxes contributed €802 million and €1,201 million if adjusted for the non-cash impact of depreciation, amortisation and impairments. This is €247 million lower compared to 2007 (2007: 1,448).

The changes in net pension positions of -€209 million compared to 2007 (2007: -179) reflects the lower total non-cash pension charge for the defined benefit pension schemes of €24 million (2007: 45) and comparable TNT's total cash contributions to various pension plans and early retirement payments for a total amount of €233 (2007: 212).

The change in other provision of €40 million in 2008 is mainly related to restructuring provision.

In 2008, the net working capital improved by €132 million compared to 2007 (2007: -77) mainly as a result of more focus on cash flow and particularly payment behaviour of our customers and payment terms for suppliers in combination with slightly lower revenues in the fourth quarter and favourable timing of certain recurring payments.

Trade working capital improved by €124 million compared to 2007. Non-trade working capital improved by €8 million.

Interest paid

The total cash out flow for interest paid in 2008 is €182 million (2007: 178). In 2008 interest paid mainly includes interest on TNT's long term borrowings of €107 million (including financial leases of €15 million and long term interest derivatives of €9 million) (2007: 67), interest payments of €48 million relating to short term debt (of which €32 million (2007: 89) is a gross up due to cash pools which is offset in the interest received), realised interest on foreign currency hedges of €19 million (2007: 17), and interest paid on taxes of €1 million (2007: 11).

The interest paid and received on notional cash pools are reported on a gross basis according to IFRS. From an economic and legal perspective this €32 million (2007: 69) interest paid fully nets off against the same amount of interest received. The amounts are not netted in the income statement because under IFRS such offset needs in practice to be irreversibly exercised from time to time.

Similarly, the interest paid and received on various foreign currency derivatives have been aggregated on a gross basis while economically the €7 million of interest received (2007: 5) is fully set off against the €19 million (2007: 18) of interest paid on hedges.

TNT has received €1 million of interest on short term deposits, which were at the same time off set by payments on commercial paper for an amount of €1 million.

Taxes paid

The cash outflow of the total tax payments decreased by €267 million from €492 million in 2007 to €225 million in 2008. Taxes paid in 2007 included €166 million payments related to prior years.

24 Net cash used in investing activities (continuing operations): -257 million (2007: -8)

Interest received

In 2008 interest received amounted to €64 million (2007: 85). In 2008 interest received mainly includes interest relating to short term bank balances and deposits of €46 million (2007: 69) (of which €32m (2007: 58) is a gross up due to nominal cash pools which is offset in the interest paid), realised interest on foreign currency hedges of €7 million (2007: 5) and interest received on taxes of €6 million (2007: 5).

Acquisition of group companies (net of cash)

In 2008, the total payments net of cash for acquisitions of group companies amounted to €5 million (2007: 287) and is largely related to small acquisitions within the Mail division.

Capital expenditure on intangible assets and property, plant and equipment

In 2008, net capital expenditures on property, plant and equipment amounted to €271 million (2007: 272). Of this amount, €198 million (2007: 197) related to Express, €69 million (2007: 73) to Mail and €4 million (2007: 2) to other. The capital expenditures on intangible assets of €74 million (2007: 97) mostly related to software. In 2008, 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 2008 totalled €40 million (2007: 85), which mainly related to the sale of several buildings from TNT Real Estate B.V. and TNT Real Estate Development B.V. (totalling €28 million) and buildings and equipment from the joint venture Postkantoren B.V. (€3 million) in the Mail segment and equipment in the Express operations (€10 million).

25 Net cash used in financing activities (continuing operations): -458 million (2007: -635)

Repurchases of shares

Under the €500 million share buyback programme as announced on 30 July 2007, TNT purchased 12,225,159 ordinary shares (2007: 22.9 million) in 2008 for an amount of €306 million (2007: 710). The total net cash paid amounted to €308 million (2007: 710) which covers the shares bought in 2008 and €2 million of share purchases during the last days of 2007 which have been paid in 2008.

The company purchased no ordinary shares in 2008 to cover TNT's obligations under the existing management option plans and share grants.

TNT received cash payments of €1 million (2007: 29) for the exercise of employee stock options in 2008.

Proceeds from and Repayments to long term borrowings

The total proceeds on long term borrowings relate to TNT's new issued benchmark Eurobond offering £450 million due in August 2018. The £450 million proceeds have been swapped into €568 million with a coupon of 7.14%. After deducting issuing costs and the discount for issuance under par an amount of €563 million was received.

Proceeds from and repayments to short term borrowings

The total proceeds on short term borrowings mainly relate to new acquired short term bank debt of €113 million (2007: 99) and to receipts on TNT's commercial paper programme of €222 million (2007: -287). The repayments relate to the repayment of TNT's 5.125% December 2008 Eurobond of €646 million and to repayments of short term bank debt of €83 million (2007: 45).

Repayments to finance leases

The total repayments relate to redemptions on the two Boeing 747's of €8 million (2007: 10) and to redemptions on other lease contracts of €17 million (2007: 9).

Dividends paid

A final cash dividend over 2008, amounting to €202 million or €0.55 per ordinary share and a cash interim dividend for 2008 of 122 million or €0.34 per ordinary share were paid in 2008.

Financing related to TNT's discontinued operations

In 2008, no discontinued operations occurred. In 2007, the net cash flow used for financing TNT's discontinued freight management business amounted to €1 million.

26 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:

Reconciliation of cash flow statements and the balance sheets

Year ended at 31 December

	2008	variance %	2007
Cash at the beginning of the year	295	(9.5)	326
Cash from divested businesses	0		(29)
Exchange rate differences	(6)		(3)
Total change in cash (as in consolidated cash flow statements)	208		1
Cash at the end of the year as reported	497	68.5	295

(in € millions, except percentages)

Additional notes

27 Business combinations

(No corresponding financial statement number)

In 2008, TNT entered into two small Mail acquisitions being Idomail GmbH&Co KG (51%) and Sierra Nova BV (35%) with a total acquisition cost of €2 million and relating goodwill of €2 million. Both fully paid in cash. In addition, contingent considerations for previous acquisitions accounted for the majority of the remaining acquisition costs of €3 million and goodwill of €5 million.

In 2007, goodwill arising from the acquisitions of interest in newly acquired group companies and from extending TNT's interest in group companies amounted to €256 million, mainly due to investments in Expresso Mercúrio S.A. (Mercúrio) and Huaya Hengji Logistics Company LIM (Hoau).

28 Commitments and contingencies

(No corresponding financial statement number)

Specification off-balance sheet commitments

At 31 December

	2008	2007
Guarantees	**22**	20
Rent and operating lease	**914**	959
Capital expenditure	**19**	42
Repurchases own shares	**0**	6
Purchase commitments	**112**	80

(in € millions)

Of the total commitments indicated above, €372 million are of a short term nature (2007: 377).

Guarantees

TNT has issued €22 million (2007: 20) in guarantees for the benefit of unconsolidated companies and third parties, that when due, would result in an additional obligation. In addition, TNT group companies have issued various corporate and bank guarantees on behalf of subsidiaries which do not lead to additional obligations as they guarantee the performance of TNT subsidiaries under its ordinary course of business. As of 2008 those guarantees are no longer included in the total commitments and contingencies since that resulted in a double count of the total commitments. The comparative numbers have been adjusted accordingly. Guarantees provided by TNT N.V. are disclosed in note 41.

Rent and operating lease contracts

In 2008 operational lease expenses (including rental) in the consolidated statements of income amounted to €419 million (2007: 404). Future payments on non-cancellable existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

Repayment schedule of rent and operating leases

At 31 December

	2008	2007
Less than 1 year	**254**	249
Between 1 and 2 years	**202**	208
Between 2 and 3 years	**139**	144
Between 3 and 4 years	**91**	94
Between 4 and 5 years	**66**	64
Thereafter	**162**	200
Total	**914**	959
of which guaranteed by a third party/ customers	**34**	9

(in € millions)

Capital expenditure

Commitments in connection with capital expenditure are €19 million (2007: 42), of which €19 million is related to property, plant and equipment. These commitments primarily related to projects within the operations of the Express division.

Purchase commitments

At 31 December 2008 TNT had unconditional purchase commitments of €112 million (2007: 80) which were primarily related to various service and maintenance contracts. These contracts for service and maintenance relate primarily to information technology, security, salary registration, cleaning and aircraft.

Contingent tax liabilities

Multinational groups 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.

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.

Liège court case

In Belgium, judicial proceedings were launched by people living around Liège airport to stop night flights and seek indemnification from the Walloon Region, Liège airport and its operators (including TNT). On 29 June 2004 the Liège 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 did cancel the 2004 judgement of the Liège Court of Appeal on 4 December 2008. The matter has been sent to the Brussels Court of Appeal for new submissions and pleadings. A new decision is not expected before at least two to three years.

29 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 risk in close cooperating 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 fair value, but do cause cash flow interest rate risks.

Group policy is to significantly limit the impact of interest fluctuations over a term of seven years as a percentage of earnings before interest, taxes, deprecation and amortisation At 31 December 2008, TNT's gross interest bearing borrowings, including finance lease obligations, totalled €2,241 million (2007: 2,085), of which €1,977 million (2007: 1,860) 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 2008, if interest rates on borrowings had been 1% higher with other variables held constant the profit before income tax would have been €2 million higher (2007: -3), mainly due to €497 million of outstanding cash and €264 million of short term debt. The profit before operating taxes is less sensitive to interest rate movements compared to 2007 due to a decrease in short term interest bearing debt. Equity would be impacted by €11 million (2007: 36), due to the outstanding interest rate swap(s) with a carrying value of US$262 million (see also 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 2008 exchange rates are shown below:

Principal exchange rates

	Year end closing[1]	Annual average[2]
British pound	0.95250	0.80165
US dollar	1.39170	1.47430

1 – Source: European Central Bank, reference rate on the last day of the year.
2 – The annual average is calculated as the 12-months' average of the month-end-closing rates of the European Central bank.

Management has set up a policy to require group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with Group Treasury, whereby a financing company operated by Group Treasury trades these foreign exchange derivatives 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 2008, if the euro had weakened 10% against the US Dollar with all other variables held constant, the profit before income tax on the foreign exchange exposure on financial instruments would have been €1 million higher (2007: 1). The net income sensitivity to movements in EUR /USD exchange rates compared to 2007 has not changed. Equity would have been negatively impacted by €3 million (2007: -1).

At 31 December 2008, if the Euro had weakened 10% against the British Pound with all other variables held constant the profit before income tax on the foreign exchange exposure on financial instruments would have been €0 million lower (2007: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2007 has not changed. Equity would have been positively impacted by €17 million (2007: 0).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom TNT enters into financial transactions are unable to fulfil 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. The top ten customers of TNT account for 7% of the outstanding trade receivables as per 31 December 2008.

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 undrawn committed facilities:

Committed facilities

At 31 December

	2008	2007
Multicurrency Revolving Credit Facility	1,000	1,000
Total commited facilities	1,000	1,000

(in € millions)

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 contains the redemptions and interest payments.

Liquidity risk schedule

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Bookvalue
Outgoing flows based on the financial liablities 2008					
Euro Bonds	86	172	172	1,870	1,489
Other loans	349	2	2	3	351
Financial leases	25	44	34	162	230
Interest rate swaps - outgoing	65	122	360	792	135
Foreign exchange contracts - outgoing	766				43
Short term bank debt	36				36
Trade accounts payable	414				414
Other current liabilities	169				169
Mitigation incoming flows based on the financial liabilities 2008					
Interest rate swaps - incoming	48	95	330	663	
Foreign exchange contracts - incoming	766				
Total liquidity risk	1,096	245	238	2,164	2,867
Outgoing flows based on the financial liablities 2007					
Euro Bonds	729	101	101	1,271	1,656
Other loans	92	3	2	5	105
Financial leases	47	65	64	263	241
Interest / rate swaps - outgoing	52	49	298	27	37
Foreign exchange contracts - outgoing	642				9
Short term bank debt	46				46
Trade accounts payable	336				336
Other current liabilities	149				149
Mitigation incoming flows based on the financial liabilities 2007					
Interest rate swaps - incoming	49	38	271	28	
Foreign exchange contracts - incoming	642				
Total liquidity risk	1,402	180	194	1,538	2,579

(in € millions)

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 of €600 million until 2012 and €400 million until 2015); (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.

A downgrade in TNT's credit rating may negatively affect its ability to obtain funds from financial institutions, retain investors 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. This could affect TNT's returns for shareholders and benefits for other stakeholders.

The terms and conditions of TNT's material long and short term debts as well as its material (drawn or undrawn) committed credit facilities do not include any financial covenants. There are also no possibilities to accelerate these material debts and committed facilities in case of a credit rating downgrade. The debt and credit facility instruments vary on a case by case basis and mostly contain customary clauses as are generally observed in the market such as negative pledge conditions, restrictions on (the use of the proceeds of) the sale of assets or businesses and in most cases change of control clauses.

30 Financial instruments

(No corresponding financial statement number)

Summary financial instruments

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

Impact financial instruments on assets

At 31 December

	Notes	Loans and receivables	Financial assets at fair value through profit and loss	Held to maturity investments	Available for sale	Total
Assets as per balance sheet 2008						
Other loans receivable	3	5				**5**
Other prepayments and accrued income	3	21	12			**33**
Accounts receivable	5	1,574				**1,574**
Prepayments and accrued income	6	257	41			**298**
Cash and cash equivalents	7	497				**497**
Total		**2,354**	**53**	**0**	**0**	**2,407**
Assets as per balance sheet 2007						
Other loans receivable	3	5				5
Other prepayments and accrued income	3	21	13			34
Accounts receivable	5	1,656				1,656
Prepayments and accrued income	6	232	4			236
Cash and cash equivalents	7	295				295
Total		2,209	17	0	0	2,226

(in € millions)

Impact financial instruments on assets

At 31 December

	Note	Financial liabilties measured at amortised costs	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet 2008					
Long term debt	12	1,710	135		**1,845**
Trade accounts payable		414			**414**
Other current liabilities	13	565	43		**608**
Total		**2,689**	**178**	**0**	**2,867**
Liabilities as per balance sheet 2007					
Long term debt	12	1,265	29		1,294
Trade accounts payable		336			336
Other current liabilities	13	932	17		949
Total		2,533	46	0	2,579

(in € millions)

Eurobond

The total €1,050 million (2007: 1,696) and £450 million (2007: 0) of Eurobonds is measured at amortised cost of €1,489 million (2007: 1,664), being the nominal value corrected for the costs and issuance under par ('at a discount') that are still to be amortised. The book value is equal to the amortised cost value. The foreign exchange exposure on the £450 million Eurobond is hedged via the £450/ €568 cross currency swap.

At 31 December 2008 a fair value adjustment of positive €8 million (2007: 8) adjusted the amortised cost value of €1,664 to the book value of €1,656 million. The fair value adjustment of positive €8 million was mitigated by the negative €8 million of fair value on the €500 million of interest rate swaps. Both balance sheet items have matured. The value changes of €8 million have been booked in to the income statement, see note 12.

For the outstanding Eurobonds, see the table below:

Overview of Eurobonds

At 31 December

	Nominal value	Costs / discount to be amortised	Hedge accounting	Fair value adjustment	Carrying value	Fair value
3.875% Eurobond 2015	400	23	No		377	347
5.375% Eurobond 2017	650	4	No		646	583
7.500% Eurobond 2018 (GBP)[1]	568	5	Yes		466	449
Total outstanding Eurobonds 2008	**1,618**	**32**		**0**	**1,489**	**1,379**
Eurobonds 2007						
5.125% Eurobond 2008	646	1	Yes	8	637	645
3.875% Eurobond 2015	400	27	No		373	390
5.375% Eurobond 2017	650	4	No		646	688
Total outstanding Eurobonds 2007	1,696	32		8	1,656	1,723

(in € millions)

1– The difference between the nominal value and the carrying value mainly relates to movements in the GBP/EUR exchange rate. The difference between the carrying value and the fair value relates to changes in the relevant interbank interest rates.

Finance leases

Total debt on finance leases consist of financial lease contracts on buildings (depots), trucks and airplanes.

For the outstanding Finance leases, see the table below:

Overview of Finance leases

At 31 December

	Nominal value	Fixed / floating interest	Hedge accounting	Carrying value	Fair value
Boeing 747 ERF	189	floating	Yes	189	158
Other leases	41	floating/fixed	No	41	43
Total outstanding Finance leases 2008	230			230	201
Boeing 747 ERF	186	floating	Yes	186	186
Other leases	44	floating / fixed	No	55	52
Total outstanding Finance leases 2007	230			241	238

The fair value of all financial instruments has been calculated using interbank interest rate swap ('IRS') and foreign currency rates whereby the fair value of these instruments has been adjusted for the euro credit spread of TNT's obligations over these IRS rates.

Interest rate swaps

TNT has USD 262 million (2007: 273) of interest rate swaps outstanding for which TNT pays fixed and receives floating interest. These interest rate swaps act as a hedge on the cash flow interest rate risk on the Boeing 747 ERF financial lease contracts.

During the financial year TNT had €500 million of interest rate swaps outstanding for which TNT received fixed and paid floating interest. These interest rate swaps acted as a hedge against the fair value interest rate risk of TNT's 5.125% December 2008 Eurobond. Both the interest rate swaps and the Bond matured as per December 2008.

Furthermore TNT unwound €400 million of forward starting interest rate swaps because of the £450 million Eurobond that was issued in GBP instead of euro. The fair value of €2 million is booked to the income statement.

As all prior 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. The market value will stay in equity (the hedge reserve) and will be straight-line amortised to the income statement. Net financial expense includes an amortisation of €1 million from the hedge reserve.

The total ineffective portion recognised in the income statement that arises from the usage of fair value hedges amount to a profit/loss of €0 million (2007: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to a loss of €0 million (2007: 1 million).

An overview of interest rate and cross currency swaps is presented below:

Overview of interest rate swaps

At 31 December

Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value in €	Settlement amount in €
Interest rate swaps 2008								
128	No	USD	Yes	fixed	floating	cash flow	(14)	
134	No	USD	Yes	fixed	floating	cash flow	(17)	
400	Yes	Euro	No	fixed	floating	cash flow		2
500	No	Euro	No	floating	fixed	fair value		
Cross currency swaps 2008								
250	No	USD/EUR	Yes	floating	floating	cash flow	(9)	
568[1]	No	GBP/EUR	Yes	fixed	fixed	cash flow	(95)	
Interest rate swaps 2007								
500	No	Euro	Yes	floating	fixed	fair value	(8)	
400	Yes	Euro	Yes	fixed	floating	cash flow	1	
600	Yes	Euro	No	fixed	floating	cash flow		0
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)
Cross currency swaps 2007								
250	No	USD/EUR	Yes	floating	floating	cash flow	(23)	

(in € millions)
1 – Please also see under explanatory text relating foreign exchange contracts.

The fair value has been calculated against the relevant market rates at 31 December 2008 and 31 December 2007 respectively.

Foreign exchange contracts.
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 of the GBP/EUR swap cross currency swap mainly relates to movements in the GBP/EUR exchange rates and off sets the movement in the carrying value of the £450 million 7.5% Eurobond 2018.

The details relating to outstanding foreign exchange contracts are presented below:

Outstanding foreign exchange contracts

	Note	At 31 December Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2008						
Asset	6	41	41	837	Fair value	0
Liability	13	(43)	(43)	766	Fair value	0
Foreign exchange contracts 2007						
Asset	6	4	4	461	Fair value	0
Liability	14	(9)	(9)	642	Fair value	0

(in € millions)

The fair value has been calculated against the relevant market rates at 31 December 2008 and 31 December 2007 respectively.

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 2008 amount to €0 (2007: 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 amount to a profit/loss of €0 million (2007: 0 million). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to a profit/loss of €0 million (2007: 0 million).

31 Earnings per share

(No corresponding financial statement number)

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. At 31 December 2008 TNT had potential obligations under stock option and share grants to deliver 3,788,712 shares (2007: 3,294,553). 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 363,566,403 ordinary shares is taken into account. For calculating diluted earnings per share an average number of 364,704,745 ordinary shares is taken into account.

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

Outstanding shares information

Year averages and numbers at 31 December

	2008	2007
Number of issued and outstanding ordinary shares	**360,021,821**	379,224,255
Shares held by the company to cover share plans	**1,059,931**	1,716,060
Shares held by the company for cancellation	**0**	6,977,275
Average number of ordinary shares per year	**363,566,403**	383,028,938
Diluted number of ordinary shares per year	**1,138,342**	2,043,048
Average number of ordinary shares per year on fully diluted basis in the year	364,704,745	385,071,986

32 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 2008 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%:

Key pro rata information on joint ventures

Year ended at 31 December

	2008	2007
Non-current assets	45	48
Current assets	195	155
Equity	28	54
Non-current liabilities	119	77
Current liabilities	93	72
Net sales	359	339
Operating income	(16)	15
Profit attributable to the shareholders	(19)	12
Net cash provided by operating activities	30	5
Net cash used in investing activities	(5)	(3)
Net cash used in financing activities	(30)	(13)
Changes in cash and cash equivalents	(5)	(11)

(in € millions)

33 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 2008, sales made by TNT companies to its joint ventures amounted to €14 million (2007: 18). Purchases of TNT from joint ventures amounted to €134 million (2007: 83). The net amounts due to the joint venture entities amounted to €69 million (2007: 65). As at 31 December 2008, no material amounts were payable by TNT to associated companies.

Related party transactions with TNT's pension fund and the Board of Management and Supervisory Board are presented in note 10 and 18 respectively.

34 Segment information

(No corresponding financial statement number)

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

- Express business. The Express business provides demand door-to-door express delivery services for customers sending documents, parcels and freight.
- Mail business. The Mail business provides services for collecting, sorting, transporting and distributing domestic and international mail.
- Other network business. The other network business provides time-critical deliveries to individually agreed delivery point for business customers during the night.

Although the Other network 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:

Segment information relating to the income statement

Year ended at 31 December 2008

	Express	Mail	Other networks	Inter-company	Non-allocated	Total
Net sales	6,515	4,199	269		0	**10,983**
Inter-company sales	6	12	1	(19)		
Other operating revenues	132	34	3			**169**
Total operating revenues	**6,653**	**4,245**	**273**	**(19)**	**0**	**11,152**
Other income	7	26	2			**35**
Depreciation/impairment property, plant and equipment	(208)	(95)	(3)		(2)	**(308)**
Amortisation/impairment intangibles	(53)	(36)	(1)		(1)	**(91)**
Total operating income	**376**	**633**	**11**		**(38)**	**982**
Net financial income/(expense)						**(147)**
Results from investments in associates						**(33)**
Income tax						**(242)**
Profit/(loss) from discontinued operations						**0**
Profit for the period						**560**
Attributable to:						
Minority interests						**4**
Equity holders of the parent						**556**
Number of employees	75,537	86,052	1,385		271	**163,245**

(in € millions, except employees)

Taxes and net financial income are dealt 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 non cash items in the 2008 income statement are impairment charges relating to property, plant and equipment of €37 million and intangible assets of €8 million of which €38 million relates to the Express division and €7 million relates to the Mail division. In addition, restructuring charges of €102 million have been recorded of which €74 million for Mail and €28 million for Express. Other material non cash items are book profits on the sale of property, plant and equipment of €31 million (2007: 72) and the impairment on Logispring of €30 million.

Segment information relating to the income statement

Year ended at 31 December 2007

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

(in € millions, except employees)

In 2007, the discontinued freight management business was not included in the segment information shown but reported as profit/loss from discontinued operations.

Non-allocated operating income

Year ended at 31 December

	2008	2007
Business initiatives	(14)	(13)
World Food Programme/Planet Me	(9)	(10)
Other costs	(15)	(21)
Total	(38)	(44)

(in € millions)

In 2008, non-allocated operating costs amounted to €38 million (2007: 44). Included in these costs is €14 million (2007: 13) for business initiatives, which mainly relate 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 €9 million (2007: 10). Included in the cost for WFP are costs for knowledge transfer, hands on support, raising awareness and funds for the World Food Programme including cash donations. Planet Me is a TNT initiative to have an active contribution to reduce CO_2 emission to avoid further global warming. The other cost were €15 million (2007: 21).

Balance sheet information

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

Segment information relating to the balance sheet

At 31 December 2008

	Express	Mail	Other networks	Non-allocated	Total
Goodwill paid in the year	3	4			7
Intangible assets	1,700	312	50	1	2,063
Capital expenditure on property, plant and equipment	214	70	1	4	289
Property, plant and equipment	1,045	576	7	6	1,634
Investments in associates	1	7		86	94
(Trade) accounts receivable	991	521	33	29	1,574
Total assets[1]	4,189	1,691	96	1,209	7,185
Total liabilities	1,492	1,066	23	2,847	5,428

(in € millions)
1 – Identifiable assets also used for the segments have been allocated on the basis of estimated usages.

The capital expenditure relating to intangible assets amount to €50 million (2007: 69) for Express and €23 million (2007: 26) for Mail and €1 million (2007: 0) for Other networks.

The balance sheet information at 31 December 2007 is as follows:

Segment information relating to the balance sheet

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
(Trade) accounts receivable	1,147	441	35	33	1,656
Total assets[1]	4,504	1,622	95	864	7,085
Total liabilities	1,483	1,113	27	2,511	5,134

(in € millions)
1 – Identifiable assets also used for the segments have been allocated on the basis of estimated usages.

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; and
- segment assets and investments are allocated to the location of the assets, except for TNT goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide which is not allocated to other countries or regions but to the Netherlands.

Geographical information relating to total net sales

Year ended at 31 December

	2008	2007
Europe		
The Netherlands	**3,579**	3,619
United Kingdom	**1,445**	1,599
Italy	**857**	825
Germany	**1,098**	1,041
France	**725**	703
Belgium	**332**	300
Rest of Europe	**1,188**	1,158
Americas		
USA and Canada	**50**	52
Brazil	**259**	244
South & Middle America	**35**	32
Africa & the Middle East	**123**	103
Australia & Pacific	**486**	478
Asia		
China and Taiwan	**510**	447
India	**74**	77
Rest of Asia	**222**	207
Total net sales	10,983	10,885

(in € millions)

Geographical information relating to the total assets and capital expenditures

At 31 December 2008

	Intangible assets	Property, plant and equipment	Financial fixed assets	Pension assets	Trade receivable	Other currents assets	**Total assets[1]**	Capital expenditures assets
Europe								
The Netherlands[2]	1,010	617	80	726	274	591	**3,298**	97
United Kingdom	168	280	5		174	96	**723**	92
Italy	48	41	35		253	59	**436**	23
Germany	135	81	60		115	38	**429**	18
France	287	75	8		100	24	**494**	17
Belgium	31	314	15		73	33	**466**	14
Rest of Europe	69	80	20		150	85	**404**	46
Americas								
USA and Canada		3	35		6	4	**48**	1
Brazil	130	37	2		22	15	**206**	16
South & Middle America	1	2	1		9	5	**18**	1
Africa & the Middle East	3	3	1		27	14	**48**	2
Australia & Pacific	21	64	38		40	7	**170**	18
Asia								
China and Taiwan	131	22			72	48	**273**	8
India	28	3	2		16	9	**58**	3
Rest of Asia	1	12	5		39	32	**89**	7
Total	2,063	1,634	307	726	1,370	1,060	7,160	363

Geographical information relating to the total assets and capital expenditures

At 31 December 2007

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

(in € millions)
1 – Total assets exclude Assets held for sale.
2 – Including the goodwill arising from the acquisition of TNT Ltd/GD Express Worldwide.

Gegraphical information relating to the employees

At 31 December

	Express	Mail	Other networks	Non-allocated	2008	2007
Europe						
The Netherlands[1]	2,901	59,196	196	269	**62,562**	62,166
United Kingdom	12,119	899			**13,018**	12,909
Italy	3,159	1,468			**4,627**	4,534
Germany	4,386	14,243	963		**19,592**	19,563
France	4,740	26		1	**4,767**	4,899
Belgium	2,480	601	46		**3,127**	3,086
Rest of Europe	8,790	9,433	180		**18,403**	17,123
Americas						
USA and Canada	805	57			**862**	844
Brazil	6,312				**6,312**	6,428
South & Middle America	546				**546**	549
Africa & the Middle East	1,777	10			**1,787**	1,569
Australia & Pacific	5,112				**5,112**	4,935
Asia						
China and Taiwan	16,649	118		1	**16,768**	16,692
India	2,192				**2,192**	2,395
Rest of Asia	3,569	1			**3,570**	3,890
Total	75,537	86,052	1,385	271	163,245	161,582

1 – Including temporary employees on TNT's payroll.

35 Subsequent events

(No corresponding financial statement number)

Acquisition of Lit Cargo

On 16 February 2009 TNT announced to acquire 100 per cent of the shares of LIT Cargo, a leading express delivery company in Chile. The acquisition gives TNT a strong nationwide road network in Chile and strengthens its position in the country's domestic express delivery market. Furthermore, it adds a key building block to the development of its South American Road Network (SARN), linking Chile to Brazil and Argentina. The acquisition fits fully in TNT's strategy to become the intra-regional express leader in South America and to leverage this regional strength to grow intercontinental flows. Lit Cargo has the largest owned express parcel network in Chile and operates with new facilities, a modern fleet and several market-leading technologies. The company operates with almost 500 vehicles, 1,500 employees and has a nationwide coverage, through its 55 distribution centers.

Revenue for 2008 amounted up to €32 million and net profit after tax amounted to €2 million. Over the last 3 years, Lit Cargo has shown high revenue growth rates (25%+).

The acquisition price of Lit Cargo is €39 million. The pre-acquisition balance sheet and the preliminary opening balance sheet of the acquired business are summarised below:

Balance sheet data of LIT Cargo

	Pre-acquisition balance sheets (unaudited)	Acquisition
Goodwill	0	21
Other non-current assets	17	26
Total non-current assets	17	47
Total current assets	9	9
Total assets	26	56
Equity	8	39
Non-current liabilities	9	9
Current liabilities	9	9
Total liabilities and equity	26	56

(in € millions)

Other non-current assets include an amount of approximately €9 million relating to separately identified intangible assets with respect to the acquisition. For customer relationship we estimate a useful life of 12 years and for brand name 3 years.

TNT Mail increases services on transaction mail

On 9 February 2009, TNT Mail announced to further increase its activities relating to transaction mail by acquiring the activities from Getronics Document Services in the Netherlands. By this acquisition TNT reinforces its position on the printing market. TNT expects to finalise this transaction in the course of 2009.

36 Postal regulation and concession

(No corresponding financial statement number)

Postal regulation in the Netherlands

Proposed legislation

On 5 June 2007 the Dutch Second Chamber of Parliament adopted a new Dutch 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, it is intended to assign Koninklijke TNT Post B.V. the Universal Postal Service. The Postal Act will have to be approved by the Dutch First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms at the postal markets of Germany and the United Kingdom, as well as on acceptable employment conditions at the new postal operators in the Netherlands.

In December 2007, May 2008, and November 2008, the Dutch junior Minister of Economic Affairs made use of the so-called 'emergency-brake procedure' when liberalisation was postponed. The Minister based his decisions on two arguments. Firstly, the lack of clarity about the level playing field in Germany and secondly, the ongoing discussion in the Netherlands on labour conditions.

The effects of the introduction of a high and generally binding minimum wage in the German postal sector are considered undesirable by the Bundesnetzagentur, the German postal regulator. Furthermore, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics (see also below under value added tax on postal services). TNT challenged the German government regarding the minimum wage, as it considered this minimum wage unconstitutional. In its judgement of 7 March 2008, the administrative court in first instance (Verwaltungsgericht) held that the mandatory €9.80 minimum wage is invalid. The German government filed an appeal against that decision with the administrative court in second instance (Oberverwaltungsgericht). On 18 December 2008, the Oberverwaltungsgericht confirmed the decision of the court in first instance. However, the court also ruled that TNT's claim, being one of three claimants, was not admissible and referred TNT's claim to the labour courts. It is likely that TNT will file an appeal against the inadmissibility of its claim, because the decision of the court on TNT's inadmissibility is not in line with recent jurisprudence as to claims of this nature. The German government filed a further appeal (revision) against the decision to the Federal Administrative Court (Bundesverwaltungsgericht) in Leipzig.

As a result, these minimum wages are still generally binding. Moreover, the German Labour Ministry is in the process of preparing changes in social legislation to simplify declaring generally binding minimum wages. On 26 March 2008, TNT lodged a complaint at the European Commission against the German government for infringement of European Treaty in concern to the fundamental rules on competition and freedom of establishment. The discussion in the Netherlands on labour conditions is still ongoing. Although the new postal operators and the unions reached a collective labour agreement in November 2008, the unions have asked for political support for compliance of this agreement. Therefore, the Dutch cabinet started talks with employers and unions. An intended new date for liberalisation has not been set yet.

The Dutch First Chamber of Parliament is expected to vote on the Dutch Postal Act only if the conditions are satisfactorily met. A new Dutch Postal Decree, being lower legislation, has passed the Dutch Second Chamber of Parliament, while a new Dutch Postal Regulation still has to be published. This Postal Regulation deals amongst others with tariff and reporting requirements.

Current legislation

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 Koninklijke TNT Post B.V.

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

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

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 other than standard single 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 or 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 other than standard single 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 Guidelines 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 return-to-sender items of competitors that enter TNT's processes through the collection boxes.

With respect to service levels, the General Postal Guidelines 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 assess 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. Up to 2008 the levels of the indices for both baskets were not to exceed the official national index of wages for employees in the market sector.

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 (currently €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 EU 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, services with individually negotiable prices included. According to the European Commission, this distorts the functioning of the Internal Market for postal services. It has launched an infringement procedure against Sweden, Germany and the United Kingdom on this VAT issue in order to resolve it.
TNT has launched a procedure in the United Kingdom. The competent Court has asked the European Court of Justice some pre-judicial questions. The Advocate General advised on 15 January 2009 in Case C-357/07 that only the universal services provided in the public interest are exempt from VAT. The advice continues that the exemption cannot, in any event, apply where items are carried at individually negotiated prices. This advice and the answers of the European Court of Justice will be of interest to the European Commission in the infringement procedures.
In Germany, new VAT-legislation is under construction. It seems that in practice Deutsche Post will be able to maintain its exemption.

TNT N.V. Corporate balance sheets
At 31 December

Notes	Before proposed appropriation of profit	2008	variance %	2007
	Assets			
	Non-current assets			
	Investments in group companies	5,633		4,250
	Investments in associates	56		77
	Financial fixed assets at fair value	11		11
	Deferred tax assets			1
37	Total financial fixed assets	5,700	31.4	4,339
38	Pension asset	790	25.2	631
	Total non-current assets	6,490	30.6	4970
	Current assets			
	Accounts receivable from group companies	4		5
	Other accounts receivable	1		1
	Cash and cash equivalents	1		7
	Total current assets	6	(53.8)	13
	Total assets	6,496	30.4	4,983
	Liabilities and equity			
9 39	**Equity**			
	Issued share capital	173		182
	Additional paid in capital	876		982
	Cumulative translation adjustment	(212)		(82)
	Hedge reserves	(35)		(22)
	Other reserves	497		
	Unappropriated profit	434		871
	Total shareholders' equity	1,733	(10.3)	1,931
	Non-current liabilities			
13	Euro Bonds	1,489		1,019
	Total non-current liabilities	1,489	46.1	1,019
	Current liabilities			
	Accounts payable to group companies	3,131		1,289
	Short term provision	33		44
	Other current liabilities	73		671
	Accrued current liabilities	37		29
	Total current liabilities	3,274	61.0	2,033
	Total liabilities and equity	6,496	30.4	4,983

(in € millions, except percentages)

TNT N.V. Corporate statements of income
Year ended at 31 December

	2008	2007
Results from continuing operations	579	720
Results from discontinued operations	0	206
Results from investments in group companies after taxes	579	926
Other income and expenses after taxes	(23)	60
Profit attributable to the shareholders	556	986

(in € millions)

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

Notes to the corporate balance sheets and statements of income

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

The corporate financial statements for the year ended 31 December 2008 have been prepared in accordance with Part 9 of Book 2 of the Netherlands 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 stated using the equity method. 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.

37 Total financial fixed assets: 5,700 million (2007: 4,339)

Statement of changes financial fixed assets

	Investments in group companies	Investments in associates	Deferred tax assets	Financial fixed assets at fair value	Total
Balance at 31 December 2006	3,672	56	5	0	3,733
Changes in 2007					
Results	926	(5)			921
Acquisitions/additions to capital	192	26		15	233
Disposals/dividend	(459)		(4)	(13)	(476)
Exchange rate differences	(81)				(81)
Other changes				9	9
Total changes	578	21	(4)	11	606
Balance at 31 December 2007	4,250	77	1	11	4,339
Changes in 2008					
Results	579	(32)			547
Acquisitions/additions to capital	3,041	11			3,052
Disposals/dividend	(2,108)		(1)		(2,109)
Exchange rate differences	(129)				(129)
Total changes	1,383	(21)	(1)	0	1,361
Balance at 31 December 2008	5,633	56	0	11	5,700

(in € millions)

38 Pension asset: 790 million (2007: 631)

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 IAS 19.34a 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.

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT N.V. sponsored group pension plans.

Pension disclosures

	2008	2007
Change in benefit obligation		
Benefit obligation at beginning of year	(4,010)	(4,468)
Service costs	(95)	(119)
Interest costs	(231)	(214)
Actuarial (loss)/gain	681	701
Benefits paid	106	90
Benefit obligation at end of year	(3,549)	(4,010)
Change in plan assets		
Fair value of plan assets at beginning of year	4,721	4,602
Actual return on plan assets	(674)	104
Participant contributions	116	105
Benefits paid	(106)	(90)
Fair value of plan assets at end of year	4,057	4,721
Funded status as per 31 December		
Funded status	508	711
Unrecognised net actuarial loss	253	(114)
Unrecognised prior service costs	29	34
Pension assets	790	631
Components of employer pension expense		
Service costs	(95)	(119)
Interest costs	(231)	(214)
Expected return on plan assets	373	369
Amortisation of actuarial loss	(5)	(1)
Other costs		(3)
Participant contributions	116	105
Total post employment benefit income/(expenses)	158	137
Weighted average assumptions as at 31 December		
Discount rate	6.1%	5.7%
Expected return on plan assets	7.1%	7.9%
Rate of compensation increase	2.0%	2.0%
Rate of benefit increase	1.2%	2.0%

(in € millions, except percentages)

For additional details on the Dutch pension plans, see note 10.

39 Equity: 1,733 million (2007: 1,931)

Consolidated statements of changes in total equity

	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Total shareholders' equity
Balance at 31 December 2006	203	1,245	(5)	(21)	0	561	1,983
Profit for the period						986	986
Gains/(losses) on cashflow hedges, net of tax				(1)			(1)
Currency translation adjustment			(81)				(81)
Total recognised income for the year	0	0	(81)	(1)	0	986	904
Final dividend previous year						(183)	(183)
Appropriation of net income					378	(378)	0
Interim dividend current year						(115)	(115)
Repurchases and cancellations of shares	(21)	(263)			(423)		(707)
Share based compensation					14		14
Other			4		31		35
Total direct changes in equity	(21)	(263)	4	0	0	(676)	(956)
Balance at 31 December 2007	182	982	(82)	(22)	0	871	1,931
Profit for the period						556	556
Gains/(losses) on cashflow hedges, net of tax				(13)			(13)
Currency translation adjustment			(129)				(129)
Total recognised income for the year	0	0	(129)	(13)	0	556	414
Final dividend previous year						(202)	(202)
Appropriation of net income					669	(669)	0
Interim dividend current year						(122)	(122)
Repurchases and cancellations of shares	(9)	(106)			(191)		(306)
Share based compensation					16		16
Other			(1)		3		2
Total direct changes in equity	(9)	(106)	(1)	0	497	(993)	(612)
Balance at 31 December 2008	173	876	(212)	(35)	497	434	1,733

(in € millions)

The translation and hedge reserves are legal reserves. The total amount of these legal reserves amount to -€247 million (2007: -104) which limits the dividend distribution for this amount. For additional details on equity, see note 9.

40 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 IAS 19.34 the net defined benefit cost shall be recognised in the corporate financial statements of TNT N.V. For further information on defined benefit pension costs, see note 38. For the remuneration of the Board of Management and Supervisory Board, see note 18.

41 Commitments not included in the balance sheet

(No corresponding financial statement number)

Declaration of joint and several liability

As at 31 December 2008 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 Netherlands 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.
- TNT Finance B.V.
- TNT Real Estate B.V
- TNT Real Estate Development B.V
- Cendris Customer Contact B.V.
- Cendris Dataconsulting B.V.
- Cendris Document Presentment B.V.
- BSC South Africa B.V.
- Euro Mail B.V.
- Netwerk VSP B.V.
- TNT Express Worldwide N.V.
- TNT Express Road Network B.V.
- TNT Innight B.V.
- TNT Skypak Finance B.V.
- TNT Skypak International (Netherlands) B.V.
- TNT Transport International B.V.
- TNT Fashion Group B.V.
- TNT Express Nederland B.V.
- PTT Post Holdings 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 Netherlands 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

TNT N.V. has provided parental support in the form of specific guarantees to various subsidiaries, in addition to the declaration of joint and several liability in compliance with article 403, Book 2 of the Netherlands Cival Code: €1,000 million for a revolving current credit facility, several loan and guarantee facilities including a €1,000 million commercial paper programme and a €175 million cash pooling credit facility as well as various guarantees included in International Swaps and Derivatives Association (ISDA) agreements with banks for the trading of financial derivatives.

Furthermore, guarantees of €39 million (2007: 20) were issued for credit and foreign exchange facilities to its indirect subsidiaries TNT China Holdings Co. Ltd.,TNT Express Worldwide (China) Ltd. and Mach++ Express Worldwide Ltd. In addition, TNT N.V. issued €22 million (2007: 20) in guarantees for the benefit of unconsolidated companies and third parties, that when due, would result in an additional obligation.

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.

42 Subsidiaries and associated companies at 31 December 2008

(No corresponding financial statement number)

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

Amsterdam, 16 February 2009

Board of Management

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

Supervisory Board

P. Klaver (Chairman)
R.J.N. Abrahamsen
M. Harris
V. Halberstadt
J.A.M. Hommen
G. Kampouri Monnas
R. King
W. Kok
S. Levy
G. Ruizendaal

TNT N.V.

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

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 2008 of TNT N.V., Amsterdam, set out on pages 49 - 106. 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 2008, 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 2008, 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 7 - 46, pages 109 - 112 and pages 136 - 137 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 company'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 49 - 101, give a true and fair view of the financial position of TNT N.V. as at 31 December 2008, 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 102 - 106, give a true and fair view of the financial position of TNT N.V. as at 31 December 2008, 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 f 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 7 - 46, pages 109 - 112 and pages 136 - 137, is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 16 February 2009
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 2008 dividend has been set at €34 cents per ordinary share of €48 cents. The dividend of €34 cents has been paid as an interim dividend and consequently there will be no final dividend.

Appropriation of profit

	2008
Profit attributable to the shareholders	556
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)	(434)
Dividend on ordinary shares	122
Interim dividend paid	122
Final dividend	0

(in € millions)

Other Distributions

TNT expects the severe downturn in the economic environment which occured in 2008 to continu in 2009 without any substansive improvement. Consequently, the Board of Management of TNT has decided, with the approval of the Supervisory Board, not to distribute a further cash dividend over 2008, but to propose a stock dividend to be paid out of the distributable reserves of one share for every 40 shares which, based on the volume weighted average share price of 11 - 13 February 2009 (€14.66) equals €37 cents per share.

The stock dividend level is derived from the decision to maintain the dividend pay-out percentage of normalised net income over 2008 at about the 2007 level, resulting in a proforma 36.3% over 2008.
As a result, the dividend over 2008 will be €34 cents per share being the already paid interim dividend in cash. Together with the proposed stock dividend to be paid out of distributable reserves, the total proforma dividend relating to 2008 will thus be €71 cents per share.

The ex-dividend date is 14 April 2009, the dividend distribution date is 21 April 2009.

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

Information relating to subsequent events is disclosed in note 35 to the financial statements.

BOARD OF MANAGEMENT COMPLIANCE STATEMENT

The management of risks, internal control, integrity and compliance forms an integral part of the business management within TNT and continues to be strengthened and embedded into TNT's business objectives setting processes and its operations.

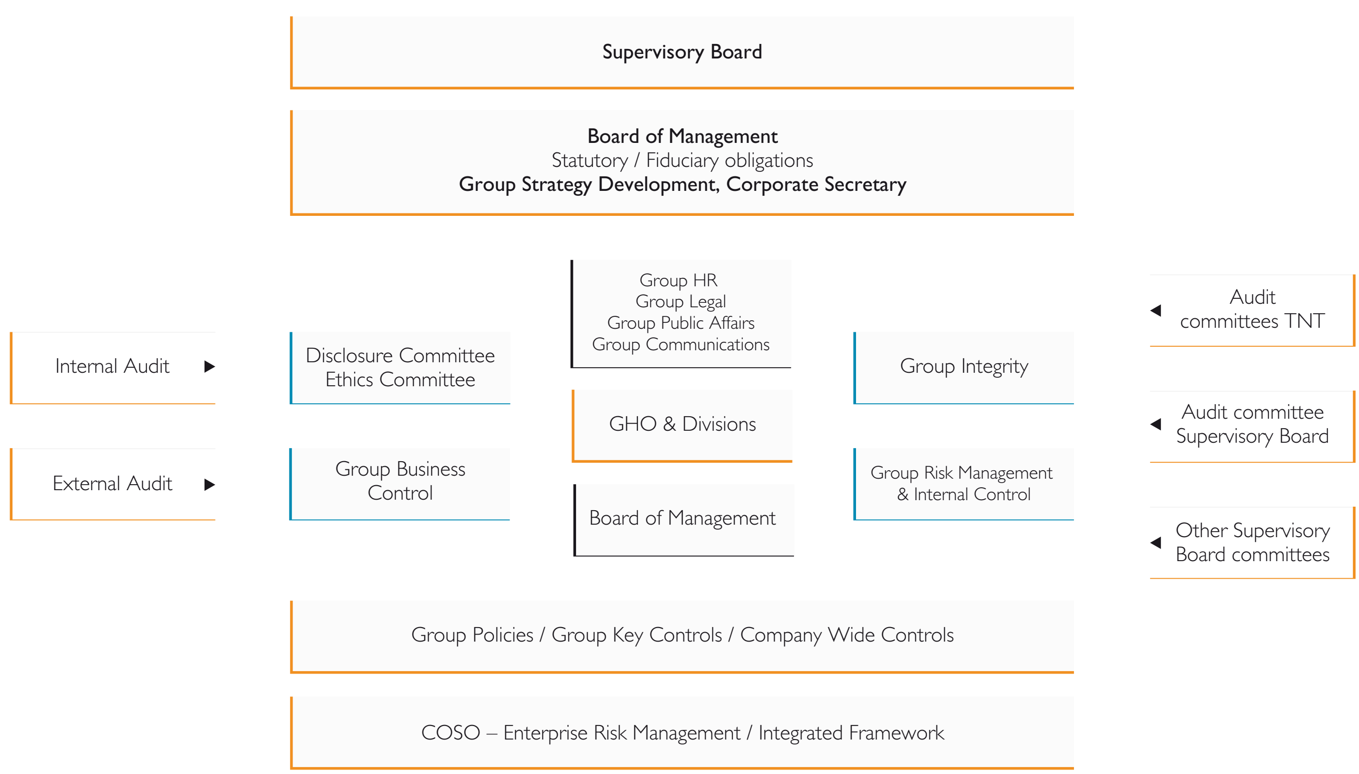
Risk management, internal control, integrity and compliance systems

This section provides an overview of TNT's approach to risk management, internal control, integrity and compliance. It also documents the necessary disclosures as required by the Board of Management under the most recent best practice provisions of the proposed revised Dutch corporate governance code and the EU Transparency Directive as incorporated in chapter 5.3 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*). The nature and, where possible, the extent of TNT's exposure to risks is described in chapter 13.

The TNT approach to risk management, internal control, integrity and compliance

A pictorial and narrative description of TNT's risk management and control framework and its structure is provided below.

Risk Management, Internal Control, Integrity and Compliance Framework



The framework shows that the Board of Management is supported in developing and achieving its strategic, operational and financial objectives by group and division functions in the areas of risk management, control, integrity, reporting, tax, treasury, legal and corporate secretary, HR, public affairs and communications. These supporting functions are responsible for ensuring that the legal and regulatory compliance objectives are achieved. The Board of Management and the related group and divisional functions have ensured that the framework is established primarily around eight business cycles of group policies, procedures and internal controls covering revenue, procurement, HR, financial reporting, treasury, tax, legal and compliance, and information systems. Independent and internal monitoring and oversight functions provide a second and third line of control and assurance in addition to that provided by the line functions.

TNT has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework as the foundation of its risk management and control system. Built upon this framework is a comprehensive portfolio of group policies and key controls which direct and instil discipline in the company's business operations. The Board of Management has created a structure to support the development and implementation of these policies and controls, thus facilitating the discharge of statutory and fiduciary obligations. The Supervisory Board, its Audit Committee and other committees perform an oversight role, whilst the TNT internal audit function and the company's external auditors support the Board of Management and the Supervisory Board in monitoring the risk management, internal control, integrity and compliance framework.

General Compliance

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

Strategies have been established for the group and translated into clear objectives, among other things with regard to business, markets, financial results, human resources and sustainability. The objectives are reviewed in the annual strategic review and the budget process for the group and at the level of TNT's operational units. Performance and compliance are monitored regularly in discussions between the appropriate management and the Board of Management, through the Letter of Representation (signed by all managing and finance directors of TNT's group entities, and divisional and group level employees that report directly to the Board of Management), by internal audits carried out by the corporate audit services function, and by the monitoring duties of TNT's divisional audit committees.

Risk management

In 2008, the impact of the global macroeconomic downturn accompanied by significant uncertainty within the financial markets has created an environment in which risk management processes have also had to adapt to the changing dynamics. TNT recognises that risk remains as an intrinsic component of doing business, however a structured and transparent risk management process facilitates management to identify, manage and prepare for risks in an informed, controlled and transparent manner. TNT's enterprise-wide risk management systems are therefore designed to identify principal key strategic, operational, legal and regulatory, and financial risks facing the group in the pursuit of its Focus on Networks strategy outlined in chapter 2.

Whilst continuous emphasis has been placed on the identification of risks at all levels of the organisation and to develop mitigating actions, the constant changes in the environment in 2008 has made it challenging to keep abreast of the rapidly evolving situation. During 2008 the risk profile within TNT changed significantly with many previously reported inherent risks becoming specific within a very short period of time. TNT management has reviewed the risk profile regularly throughout the year and will continue to do so regularly during 2009. For those risks deemed to be material, comprehensive mitigating action plans are developed and reviewed regularly by the Board of Management. All operational units worldwide continued to participate in the comprehensive risk identification process, the outcome of which is reported to the relevant divisional group and functional management. In addition, regular status reports of risk mitigating actions are provided to the Board of Management to further strengthen the company's risk management processes. The outcome of the risk management process is shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board.

The risks currently facing TNT's strategic, operational, legal and regulatory, and financial objectives are outlined in chapter 13. Chapter 13 also sets out the impact the current economic situation is having on TNT and its operations and financial performance, and outlines and where possible describes the extent of the corrective actions which are either in progress, have been realised or are in preparation. In addition key risks have been classified by risk category and further classified into specific risks and inherent risks facing the group. Specific risks are risks that the Board of Management believes could negatively impact TNT's short to medium term objectives, whilst inherent risks are those risks that are constantly present in the business environment but which are considered sufficiently material to require disclosure and management. The main specific risks which the Board of Management believes key risks in 2009 in summary are:

- sharp volume declines and shifts in customer preferences from premium international express products to international economy products in TNT Express (directly related to the declining macroeconomic situation) could result in further rationalising TNT's Express operations and the air and road networks,
- the loss of key customers/suppliers due to insolvency/bankruptcy in a worsening macroeconomic environment and the impact this could have on cash flow,
- the further liberalisation of the Dutch and EU postal markets,
- a downturn in the capital markets and/or a decline in interest rates may increase the discounted present value of TNT's defined benefit pension fund liabilities, which in turn could require significant additional funding by TNT,
- measures taken to reduce costs, including employee redundancies, may not achieve the results intended and could adversely affect TNT's employee relations, reputation, revenues and profitability, and
- a downgrade in TNT's credit rating may increase TNT's financing costs and could harm TNT's ability to finance its operations and acquisitions.

For the mentioned key risks mitigation actions were defined.

The Board of Management believes that this approach to risk management and the disclosure of both specific and inherent risks is comprehensive and prudent given the shift seen over 2008 with many inherent risks, particularly finance risks which have a direct correlation with macroeconomic factors, becoming specific.

Internal control over financial reporting

TNT's Board of Management is and remains committed to continuing to provide a high standard of corporate governance, information and disclosure, in line with the current Dutch corporate governance code and regulatory requirements. The Board of Management is focused on continuously strengthening TNT's internal control over financial reporting, whereby the positive elements of TNT's former obligations under the Sarbanes-Oxley Act continue to form a key part of TNT's approach to governance, internal control and reporting because the Board of Management fully believes that this approach and investment will continue to support a solid platform for sustainable value creation for the group. TNT's Board of Management has chosen to expand the scope of the internal controls over financial reporting framework beyond the minimum requirements that would have been mandatory according to the Sarbanes-Oxley Act, to include some smaller entities as well as the newly acquired entities in China and Brazil. In 2009 the design scope will also be expanded to include the newly acquired entity in India and some additional smaller entities.

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

Throughout 2008, TNT continued to invest considerable time and resources documenting and evaluating the design of internal controls over financial reporting as well as continuing the comprehensive programme of testing the operational effectiveness of the company's internal control over financial reporting. TNT has also refined its system of entity level controls which are applicable to all entities worldwide. This latter system includes an integrity awareness and training programme (see below) and a robust portfolio of group policies and procedures.

Integrity

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

Guidance is set out in the TNT Business Principles which have been formally adopted and approved by the Board of Management and Supervisory Board. The TNT Business Principles, together with other integrity-related group policies and procedures, are published on TNT's corporate website. These group policies deal with topics such as compliance with laws and regulations, accurate and timely disclosure of information, transparency, equal opportunities, fair treatment, conflict of interest, corruption, fair competition and corporate responsibility. The TNT Business Principles are aligned with the UN Global Compact (since 2002) and the Partnering Against Corruption Initiative principles (since 2008). TNT's integrity-related group policies and procedures include the TNT Group Procedure on Whistleblowing, the TNT Group Policy on Fraud Prevention, the TNT Group Policy on Gifts and Entertainment and the TNT Group Policy on Disciplinary Actions. The latter policy makes clear that non-compliance with TNT's group policies will not be tolerated.

Awareness and compliance are enhanced by communication, and web-based and face-to-face training. Interactive integrity workshops have been and continue to be held for senior and higher management in all parts of the world. Senior managers, on the basis of the "train the trainer" principle, thereafter cascade this training and communication down into their organisations, thus fulfilling their responsibility for the roll-out of the Integrity Programme. TNT facilitates and monitors this process. Furthermore, TNT developed a web-based training on the TNT Business Principles, fraud prevention and fraud detection, which is used to train critical management as well as a large group of other managers and employees.

The TNT Business Principles and related group policies are being embedded in TNT's strategic and operational decision processes. Integrity has become part of TNT's Group Policy on Mergers and Acquisitions and an integrity due diligence procedure as well as an integrity post-acquisition review have become part of TNT's mergers and acquisitions process. Furthermore, new employees of TNT are required to certify their acknowledgement and understanding of the TNT Business Principles when entering employment.

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

Another important monitoring tool is the TNT Group Procedure on Whistle-blowing. Under this procedure employees are encouraged to promptly report any breach or suspected breach of any law, regulation, the TNT Business Principles or other company policies and procedures, and any other alleged irregularities. Employees can report the (suspected) breach directly to their line manager or to the Group Integrity department. In 2008, 140 reports were received (in 2007: 82). Approximately 19% of these complaints involved employment related matters (in 2007: 32%). The total financial impact of the substantiated cases is not material and appropriate remedial actions have been taken.

Directors' responsibility statement

The Dutch corporate governance code under section II.1.4 requires the Board of Management to examine strategic, operational, legal and regulatory, financial and financial reporting risks.

The Board of Management confirms that it is responsible for TNT's risk management, internal control, integrity and compliance systems and has reviewed the operational effectiveness of these systems for the year ended 31 December 2008. The outcome of this review and analysis has been shared with the audit committee and the Supervisory Board and has been discussed with TNT's external auditors.

The Board of Management believes to the best of its knowledge based on the outcome of the TNT-specific approach to risk management, internal control, integrity and compliance as outlined above, that TNT's risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2008 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatement.

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

In view of the above, the Board of Management believes that it is in compliance with the requirements of II.1.4 of the Dutch corporate governance code taking into account the most recent best practice provisions of the proposed revised code.

In conjunction with the EU Transparency Directive as incorporated in chapter 5.3 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) the Board of Management therefore confirms to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2008 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT and its consolidated companies,
- the additional management information disclosed in the annual report gives a true and fair view of TNT and its related companies as at 31 December 2008 and the state of affairs during the financial year to which the report relates, and
- the annual report describes the principal risks facing TNT. These are described in detail in chapter 13.

Hoofddorp, 16 February 2009

Peter Bakker – Chief Executive Officer
Henk van Dalen – Chief Financial Officer
Harry Koorstra – General Managing Director Mail
Marie-Christine Lombard – General Managing Director Express

REMUNERATION

REMUNERATION

The first part of this chapter outlines the remuneration policy with the different compensation elements as approved by TNT's annual general meeting of shareholders on 20 April 2007. The second and third parts reflect the remuneration of the members of the Board of Management in 2008 and 2009 respectively. Finally, the remuneration of the members of the Supervisory Board is described.

Remuneration Committee

The remuneration committee of the Supervisory Board is responsible for assessing and preparing the remuneration policy for the members of the Board of Management. The Supervisory Board approves the proposal and submits, in case of policy changes, the proposed remuneration policy to the general meeting of shareholders for adoption. In preparing the remuneration policy, the remuneration committee also takes into account the remuneration of the senior management reporting to the Board of Management. The remuneration committee prepares its proposal independently after careful consideration, and taking into account the advice of independent advisors. The remuneration policy is prepared in accordance with all relevant Dutch legal requirements, is compliant with the Dutch corporate governance code, and takes into account the recommendations of the Corporate Governance Code Monitoring Committee.
The remuneration committee has four members. In 2008 the remuneration committee members were Mr R.W.H. Stomberg (chairman and member until 11 April 2008), Mr S. Levy (chairman as of 11 April 2008), Mr R. King, Mr J.H.M. Hommen, and Mr P.C. Klaver (member as of 11 April 2008). During 2008, the remuneration committee met five times. In 2008, none of the members of the remuneration committee was a member of the management board of another Dutch listed company or a member of the TNT audit committee.

The remuneration committee used professional internal and external advice. These advisors do not advise the members of the Board of Management personally on their remuneration.

Current remuneration policy

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

In order to consistently review the level and structures of the total remuneration, the remuneration elements of the members of the Board of Management are benchmarked against a Dutch reference group. All comparisons are made on a euro basis.

2008 Dutch peer group (AEX companies)

Unilever; Ahold; Philips Electronics; Akzo Nobel; KPN; Heineken; DSM; Randstad; Reed Elsevier; Wolters Kluwer; ASML Holding; SBM offshore; USG people

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

Short term compensation: base salary

Base salary for the members of the Board of Management is set at median level when compared to the peer group benchmark data. A check against the peer data is performed every two years. As a reference for annual increases a weighted average of collective labour agreement increases in TNT's key bussiness areas is taken.

Short term compensation: bonus

In accordance with the policy, the CEO receives an "at target" bonus opportunity equal to 80% of his base salary and 120% for "stretch" performance. The other members of the Board of Management receive an "at target" bonus opportunity equal to 70% of their base salary and 100% for "stretch" performance.

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

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

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

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

Mission related non-financial targets:
– general targets related to the implementation of TNT's strategy,

– exceeding customers' expectations: continued improvements in TNT's relations with customers, which are measured through customer satisfaction surveys and by assessing the relationship with its customers in person,
– "instilling pride in our people": continuous improvement in engaging TNT's staff, which is measured through employee engagement surveys, and
– sharing responsibility for the world, implementing the agreed standards on responsible corporate citizenship and realising other measurable targets in relation to TNT's CR ambitions.

The realisation of each financial or non-financial target can independently result in bonus payments. In 2008, 30% of the bonus opportunity at target level related to non-financial targets.

TNT does not disclose the targets set, as this qualifies as commercially sensitive information.

Long term compensation: performance shares

In order to align the objectives of the Board of Management with the value-creation objectives of the shareholders, members of the Board of Management are awarded conditional rights on TNT shares under the TNT Performance Share Plan. The grant is based on a value of 80% of base salary for the CEO and 65% of base salary for the other members of the Board of Management. This grant value is translated into the 150% maximum number of shares that are granted and can vest. This maximum number of shares is based on the IFRS value per share as calculated on the basis of the average day-end share price of TNT shares in the month of January of the year of the grant.

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

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

The remuneration committee advises the Supervisory Board on the percentage of performance shares that vest: between 0% and 150% – vesting on the basis of a sliding performance scale using a performance zone that ranges between -20% and +20% TSR performance in comparison to the TSR peer group.

The performance schedule is designed in such a way that a TSR performance of the company at median level (half of the companies in the peer group deliver a higher TSR and half of the companies deliver a lower TSR) leads to a vesting of half of the maximum allocation (150%) of granted rights on shares.

% difference company performance versus customised index	% of base allocation of performance shares that vest
≥ + 20%	150.0%
+ 10%	112.5%
+ 7%	100.0%
0%	75.0%
- 10%	37.5%
≤ - 20%	0.0%

The value of the total of shares granted to the members of the Board of Management under the Performance Share Plan is benchmarked against market practice, using the peer group as reference, resulting in the grant value of the performance shares. This number of granted shares represents 150% of the "at target" base allocation, which was capped at a level of 37,275 shares for the CEO and 19,508 shares for the other members of the Board of Management in 2008.

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

Pension

The pension scheme applicable to the Dutch members of the Board of Management is a career average scheme. The main features of the career average scheme are:
– retirement age at 65,
– pensionable income is based on average annual base salary only,
– annual accrual rate for the old-age pension is 2.25%,
– offset for state pension at fiscal minimum,
– benefits are indexed during accrual, and
– no employee contribution.

Pension arrangements should be in line with local practice in the country of residence of the member of the Board of Management. The pension arrangements for all members of the Board of Management include entitlement to a pension in the event of illness or disability and a spouse's/dependant's pension on death.

Members of the Board of Management

Members of the Board of Management are appointed for a period of four years. On expiry of the four-year term, a member of the Board of Management may be reappointed for successive terms of four years each. Details on each member's appointment are set out below.

Appointment details

	Employed since	Term of employment	Board member since	Year of (re)appointment	Term of appointment
Peter Bakker	October 1991	Indefinite	1998	2008	Four years
Henk van Dalen	April 2006	Indefinite	2006	2006	Four years
Harry Koorstra	October 1991	Indefinite	2000	2005	Four years
Marie-Christine Lombard	December 1999	Indefinite	2004	2008	Four years

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

The contractual severance payments for the members of the Board of Management are summarised as follows:
- As policy, severance payments other than related to a change of control are one year base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable.
- Contracts entered into prior to 2004 remain unaltered. For members of the Board of Management who are not residents of the Netherlands, the company follows local market practice for that part of the base salary earned in the country of residence. The employment contract of TNT's CFO, effective since 1 April 2006, states that the severance payments other than related to a change of control will amount to twenty-four months base salary during the first four year term as a member of the Board of Management. During further terms as a member of the Board of Management, the severance payments are of twelve months salary.
- Severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management.

For all members of the Board of Management, in case of a change of control of the company, the Supervisory Board may in its discretion allow all or part of the allocations of performance shares and/or matching shares to vest on the date on which control of the company passes.

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

Remuneration in 2008

TNT considers variable compensation to be an important part of the remuneration package of the members of the Board of Management.

The table below summarises the 2008 compensation elements of the members of the Board of Management as they have to be calculated under IFRS in the annual accounts. For detailed disclosure on the remuneration of individual members of the Board of Management, see note 18 of the consolidated financial statements of TNT N.V.

The amounts included in the columns accrued for short term incentive and accrued for long term incentive represent the IFRS cost in 2008 of non-vested entitlements relating to 2008 and previous years.

The CEO and the other members of the Board of Management will invest part of their net 2008 bonus pay-out in TNT shares.

The compensation in cash received over the year 2008 consists of base salary in the year and cash bonus over the year and paid in the year thereafter. In an historical perspective this factual cash compensation has developed as follows:

Compensation Board of Management

	Base salary 2008	Other periodic paid compensation 2008	Accrued for short term incentive	Accrued long term incentive	Pension related costs
Peter Bakker	918,000	159,998	684,268	485,125	86,083
Henk van Dalen	612,000	525,459	361,052	212,617	254,816
Harry Koorstra	612,000	142,302	506,124	248,304	84,315
Marie-Christine Lombard	612,000	501,958	259,906	353,173	281,520
Total	**2,754,000**	**1,329,717**	**1,811,350**	**1,299,219**	706,734

(in €)

Cash Compensation package Board of Management

		2004	2005	2006	2007	**2008**
Peter Bakker	Base salary	900,000	900,000	900,000	900,000	918,000
	Bonus	675,000	498,140	675,000	675,000 (capped)	587,795
Henk van Dalen	Base salary			450,000	600,000	612,000
	Bonus			378,000[1]	450,000 (capped)	336,784
Harry Koorstra	Base salary	600,000	600,000	600,000	600,000	612,000
	Bonus	450,000	364,465	450,000	450,000 (capped)	439,722
Marie-Christine Lombard	Base salary	500,000	600,000	600,000	600,000	612,000
	Bonus	375,000	514,465	450,000	450,000 (capped)	195,840

(in €)
1 – Pro rata for months employed in 2006

Long term compensation: performance shares

Performance shares (in number of shares)

		2004	2005	2006	2007	**2008**
Peter Bakker	Granted shares	10,846	46,550	32,062	37,275 (capped)	37,275 (capped)
	of which vested 3 years thereafter	10,846	29,094			
Henk van Dalen	Granted shares			16,032	19,508 (capped)	19,508 (capped)
	of which vested 3 years thereafter					
Harry Koorstra	Granted shares	5,423	23,275	16,032	19,508 (capped)	19,508 (capped)
	of which vested 3 years thereafter	5,423	14,547			
Marie-Christine Lombard	Granted shares	5,423	23,275	36,032	19,508 (capped)	19,508 (capped)
	of which vested 3 years thereafter	5,423	14,547			

Explanation on long term compensation

A performance share grant is often wrongfully calculated as full income at the moment of grant by multiplying the maximum number of shares times the share price on the date of grant. Due to the three-year vesting period and the intrinsic uncertainty of the outcome of the performance schedule and the other conditions to be met, the vested value can be significantly different. This is illustrated by the table below which includes the IFRS value of the performance shares granted in 2008, compared with the hypothetical value assuming vesting per 31 December 2008. At this date the pro forma number of shares vesting would then have been 29.5% of the base allocation. Both values differ significantly from calculations as often used in the public domain (please also refer to note 18 of the consolidated financial statements of TNT N.V).

Comparison value of granted shares between IFRS and the public domain

	maximum number of shares granted in 2008	value assumed by public domain at grant date	total value under IFRS	number of shares as if vested per 31 Dec 2008	value as if vested per 31 Dec 2008
CEO	37,275	930,011	407,043	7,331	100,875
Member of the Board of Management	19,508	486,725	213,027	3,837	52,797

(in €, except number of shares)

Remuneration in 2009

Given the severe economic environment, the related public debate on top management remuneration and the sacrifices that all stakeholders will be asked to make during this economic crisis period, the Supervisory Board has extensively discussed the Board of Management remuneration for 2009.

Notwithstanding the 2007 approved remuneration policy the remuneration committee has advised the Supervisory Board the following measures for 2009:

- no salary increase shall be made effective as regards the base salary. Therefore the base salary of the CEO remains set at €918,000, and for the other members of the Board of Management it remains set at €612,000.
- a cap on short term incentive is to be implemented. For the CEO the cap is set at €460,000 and for the other members of the Board of Management it is set at €325,000.
- a cap on long term incentive is to be implemented. The cap for the CEO is set at a grant value of €460,000 and for the other members of the Board of Management it is set at a grant value of €325,000.

The Supervisory Board has approved this recommendation. The Board of Management concurs with this decision. For 2009 this means the CEO's remuneration is between 25% (at target) and 35% (at stretch) below the 2007 approved policy levels. For the other members of the Board of Management total remuneration is decreased by between 15% (at target) and 24% (at stretch) compared to the 2007 approved policy levels.

Compared to the 2008 level the total of base salary and short term compensation bonus opportunity decreases by €215,000 for the CEO and by €125,000 for the other members of the Board of Management.

During the course of 2009 the Supervisory Board will work on a new policy that is simpler, aimed at the long term interest of all stakeholders and benchmarked towards market developments in TNT's peer and reference group.

Other

The Supervisory Board introduced a "claw-back" clause, effective as of 2008, in the situation that the financial information on which the pay-out of variable remuneration was based is determined to be incorrect.

In case of a change of control, the proceeds of the 2009 performance share grant will be capped at the level of the sum of:

- the average of the closing prices of the TNT N.V. share according to the Official Price List for a period of five trading days prior to the date of the time the first announcement to make a public offer was made, and
- 50% of the difference between the ultimate share price paid by the buyer and the price as calculated under the previous bullet.

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

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

Remuneration members of the Supervisory Board

The remuneration of the members of the Supervisory Board comprises base compensation and variable compensation linked to attendance of the meetings of the committees of the Supervisory Board. The members of the Supervisory Board do not receive any compensation related to performance and/or equity and do not accrue any pension rights with the company. The members of the Supervisory Board do not receive any severance payment in the event of termination. TNT does not grant loans, including mortgage loans, to any member of the Supervisory Board. The remuneration of the Supervisory Board has not changed since 2006.

Remuneration of Supervisory Board

		Base fee
	Chairman	60,000
	Member	45,000
Committees		**Meeting fee**
Audit & Remuneration	Chairman	2,500
	Member	1,500
Nominations & Public Affairs	Chairman	1,500
	Member	1,000

(in €)

REPORT OF THE SUPERVISORY BOARD

chapter 9

REPORT OF THE SUPERVISORY BOARD

In this chapter the Supervisory Board of TNT reports on its activities in 2008 and on the information it is required to provide under the Dutch corporate governance code (published December 2003).

Composition of the Supervisory Board

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

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of TNT's business and activities and the desired expertise and background of the members of the Supervisory Board. The Supervisory Board evaluates the profile annually and discusses the profile with the general meeting of shareholders and TNT's central works council when any amendments to the profile are made.

According to the by-laws and the profile of the Supervisory Board, a person may be appointed to the Supervisory Board for a maximum of three terms of four years. Also, TNT's articles of association provide that members of the Supervisory Board shall retire periodically in accordance with a rotation plan drawn up by the Supervisory Board in order to avoid, as far as possible, a situation in which appointments and/or reappointments occur simultaneously. Both profile and rotation plan can be viewed on TNT's corporate website, group.tnt.com.

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

The composition of the Supervisory Board changed in 2008. At the annual general meeting of shareholders held on 11 April 2008, Messrs R. Dahan and R.W.H. Stomberg announced their resignation as members of the Supervisory Board. Mr Dahan's resignation became effective on 1 June 2008. He had been a member of the Supervisory Board since 1 April 2003. Mr Stomberg's resignation became effective on 11 April 2008. He had been a member of the Supervisory Board since 1998. The Supervisory Board is grateful for the advice, wisdom and dedication of Mr Dahan and Mr Stomberg as members of the Supervisory Board.

Mr R.J.N. Abrahamsen was reappointed by the annual general meeting of shareholders of 11 April 2008 for an additional four year term.

Mr J.H.M. Hommen, due for reappointment in 2009, stepped down as chairman of the Supervisory Board on 31 December 2008. Mr Hommen will step down as a member of the Supervisory Board at the annual general meeting of shareholders of 8 April 2009. Mr Hommen has been a member of the Supervisory Board since 1998.

Mr P.C. Klaver, former chairman of the Executive Board of SHV Holdings N.V., was appointed as a member of the Supervisory Board by the annual general meeting of shareholders of 11 April 2008. Mr Klaver took over the position of chairman of the Supervisory Board on 1 January 2009. Mr Klaver has become a member of the public affairs committee and the remuneration committee, and becomes a member of the nominations committee in February 2009. As an observer, he regularly attends the meetings of the audit committee and used to attend in that capacity the meetings of the nominations committee.

The position of vice-chairman of the Supervisory Board, previously fulfilled by Mr J. Cochrane, is fulfilled by Mr S. Levy as of 1 January 2009.

Mr G.J. Ruizendaal, member of the Group Management Committee of Royal Philips Electronics N.V., was appointed as a member of the Supervisory Board by the annual general meeting of shareholders of 11 April 2008. Next to his membership of the Supervisory Board, Mr Ruizendaal has become a member of the audit committee.

Ms G. Kampouri Monnas and Mr Levy are due for reappointment in 2009. Ms Kampouri Monnas will not put herself up for nomination for another term as member of the Supervisory Board.
Ms N. Altenburg has been nominated as new member of the Supervisory Board. Her appointment will be decided on by the annual general meeting of shareholders of 8 April 2009.

The changes in positions were discussed as part of the succession policy of its members by the Supervisory Board and also in relation to the profile of the Supervisory Board. Some amendments to the profile were made. The new profile can be found on TNT's corporate website.

Members of the Supervisory Board

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

Mr Hommen was appointed as a member of the Supervisory Board on 28 June 1998. He was chairman of the Supervisory Board from April 2005 until end of December 2008. His current term as a member of the Supervisory Board expires in 2009. Mr Hommen will not be available for reappointment. Mr Hommen is chairman of the supervisory boards of ING Group N.V., Reed Elsevier N.V. and the Academic Hospital of Maastricht. He is a member of the supervisory board of Royal Friesland Campina N.V. and chairman of the board of directors of TiasNimbas Business School of Tilburg University. Mr Hommen was formerly vice-chairman of the board of management and chief financial officer of Royal Philips Electronics N.V., executive vice-president and chief financial officer of the Aluminium Company of America (Alcoa), and member of the supervisory board of Royal Ahold N.V. Mr Hommen was appointed to act as chairman of the supervisory board of ING Group N.V. on 1 January 2008. From January 2008 until 31 December 2008 Mr Hommen had more than five board memberships. This was approved by the Supervisory Board in view of the fact that Mr Hommen planned to step down as chairman of the Supervisory Board as soon as Mr Klaver was ready to take over the position of chairman. Mr Hommen will resign as a member of the Supervisory Board at the annual general meeting of shareholders in 2009, when his third term expires. See also chapter 10 under Dutch corporate governance code.

P.C. (Piet) Klaver (1945)

Mr Klaver was appointed as a member of the Supervisory Board on 11 April 2008. His current term expires in 2012. He is chairman of the Supervisory Board as of 1 January 2009. Mr. Klaver is chairman of the supervisory boards of the Utrecht School of Arts, Dekker Hout Groep B.V., Jaarbeurs Holding B.V. and Credit Yard Group B.V. Furthermore, he is a member of the supervisory boards of ING Group N.V., SHV Holdings N.V., Dura Vermeer Groep N.V. and African Parks Foundation. Formerly, Mr Klaver held various positions at SHV Holdings N.V., lastly as chairman of the Executive Board of Directors.

S. (Shemaya) Levy (1947)

Mr Levy was appointed as a member of the Supervisory Board on 7 April 2005. His current term expires in 2009. He is vice-chairman of the Supervisory Board as of 1 January 2009. Mr Levy is a member of the supervisory boards of Nissan, Renault Spain, Safran, Segula Technologies and AEGON N.V. Formerly, Mr Levy was chief executive officer of Renault Industrial Vehicles Division and executive vice-president and chief financial officer of Renault Group.

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

Mr Abrahamsen was appointed as a member of the Supervisory Board on 9 May 2000. His current term expires in 2012. Mr Abrahamsen is chairman of the supervisory boards of Optimix Vermogensbeheer N.V. and Trans Link Systems. Mr Abrahamsen is a member of the supervisory boards of Fluor Daniel B.V., PON Holdings B.V., Havenbedrijf Rotterdam B.V., ANP, Madurodam B.V., Royal BAM Group, Vitens N.V., and Bank Nederlandse Gemeenten. He was a member of the management board and chief financial officer of KLM Royal Dutch Airlines N.V. and was senior executive vice-president of ABN AMRO Bank N.V.

V. (Victor) Halberstadt (1939)

Mr Halberstadt was appointed as a member of the Supervisory Board on 28 June 1998. His current term expires in 2010. Mr Halberstadt is professor of public finance at Leiden University, international advisor of Goldman Sachs Group Inc., and non-executive director of PA Consulting Group Ltd. Furthermore, he is a member of the supervisory board of Het Concertgebouw N.V. Mr Halberstadt previously served among other things as president of the International Institute of Public Finance, Crown-member of the Social and Economic Council, chairman of the Daimler Chrysler international advisory board and member of the supervisory board of Royal KPN N.V.

M.E. (Mary) Harris (1966)

Ms Harris was appointed as a member of the Supervisory Board on 20 April 2007. Her current term expires in 2011. From 1994 to 2006, Ms Harris held a number of positions at McKinsey & Company in London, China, South-east Asia and Amsterdam. Previously, Ms Harris held positions at media venture capital firm Maxwell Entertainment Group, Pepsi Cola Beverages, and Goldman Sachs & Co. Ms Harris is a non-executive director at J. Sainsbury plc, a member of the supervisory board of Unibail-Rodamco S.A. and a member of the advisory board of Irdeto B.V.

G. (Giovanna) Kampouri Monnas (1955)

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

R. (Roger) King (1940)

Mr King was appointed as a member of the Supervisory Board on 20 April 2006. His current term expires in 2010. Mr King is non-executive director of Arrow Electronics, Inc. (USA) and Orient Overseas International Limited (Hong Kong). He is a standing committee member of the Chinese People's Consultative Conference of Zhijiang Provincial Committee and serves on various business and community committees. Mr King is Adjunct Professor at Hong Kong University of Science and Technology. He is former president and chief executive officer of Sa Sa International Holdings Limited, former chairman and chief executive officer of ODS System-Pro Holdings Limited (Hong Kong), part of the CY Tung Group of Companies, and was managing director and chief operating officer of Orient Overseas International Limited.

W. (Wim) Kok (1938)

Mr Kok was appointed as a member of the Supervisory Board on 1 April 2003. His current term expires in 2011. Mr Kok is a non-executive director of Royal Dutch Shell plc and member of the supervisory boards of ING Group N.V. and KLM Royal Dutch Airlines N.V. Furthermore, Mr Kok is the chairman of the board of trustees of the National Ballet and the Antoni van Leeuwenhoek Hospital "Netherlands Cancer Institute". He is a member of the board of trustees of Het Muziektheater, member of the board of Stichting Start Foundation, and chairman of the Anne Frank Foundation. Mr Kok was formerly Prime Minister of the Netherlands, Minister of Finance, Member of Parliament, chairman of the Confederation of Dutch Trade Unions and the European Trade Union Confederation, and vice-chairman of the board of trustees of the Rijksmuseum.

G.J. (Gerard) Ruizendaal (1958)

Mr Ruizendaal was appointed as a member of the Supervisory Board on 11 April 2008. His current term expires in 2012. Mr Ruizendaal is a member of the group management committee of Royal Philips Electronics N.V. He held various positions at Philips, among other things as group controller, and was vice-chairman of the supervisory board and member of the audit committee of Atos Origin.

Committees of the Supervisory Board

TNT's Supervisory Board has formed an audit committee, a remuneration committee, a nominations committee and a public affairs committee from among its members. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch corporate governance code. The terms of reference of these committees can be viewed on TNT's corporate website.

Audit committee

The audit committee is charged with assisting the Supervisory Board in advising on and monitoring, inter alia, the integrity of TNT's financial statements, system of internal business control and risk management, financing and finance-related strategies and tax planning. The audit committee has the authority to retain independent advisors as it deems appropriate. TNT will bear these costs.

The audit committee consists of at least three members. All members of the audit committee must be members of the Supervisory Board who are determined by the Supervisory Board to be independent within the meaning of its by-laws and the applicable corporate governance rules. A member of the audit committee may not simultaneously serve on the audit committees of more than two other companies unless the Supervisory Board determines that this simultaneous service would not impair the ability of such member to serve effectively on the audit committee. The audit committee and the remuneration committee may not consist of the same members.

Each member of the audit committee must be financially literate and at least one member of the audit committee must have accounting or related financial management expertise.

Remuneration committee

The remuneration committee is appointed by the Supervisory Board to propose the remuneration of the individual members of the Board of Management for adoption by the Supervisory Board. The remuneration committee also proposes a remuneration policy, including schemes under which rights to shares are granted, for members of the Board of Management, and prepares a proposal for the remuneration of the individual members of the Supervisory Board, both for adoption by the general meeting of shareholders. Furthermore, the remuneration committee prepares the allocation by the CEO after approval by the Supervisory Board of rights to shares in TNT's share capital to other senior management within TNT.

Nominations committee

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

Public affairs committee

The public affairs committee is appointed by the Supervisory Board to act as a sounding board and advisory committee for the Board of Management with respect to (i) formulating, developing and monitoring TNT's public affairs policy, governing the relationships between TNT and national and international (semi) public bodies, and (ii) formulating, developing, monitoring and reporting on TNT's social and environmental policies.

Composition of Supervisory Board committees as per 1 January 2009

Name	Nationality	Appointed	Term expires	Committee membership
Mr J.H.M. Hommen	Dutch	June 1998	2009	Nominations (chair), remuneration
Mr P. C. Klaver	Dutch	April 2008	2012	Remuneration, public affairs
Mr S. Levy	French	April 2005	2009	Remuneration (chair)
Mr R.J.N. Abrahamsen	Dutch	May 2000	2012	Audit (chair) , nominations
Mr V. Halberstadt	Dutch	June 1998	2010	Public affairs (chair), nominations
Ms M.E. Harris	British	April 2007	2011	Audit
Ms G. Kampouri Monnas	Greek	April 2005	2009	Audit, public affairs
Mr R. King	American	April 2006	2010	Remuneration
Mr W. Kok	Dutch	April 2003	2011	Nominations, public affairs
Mr G.J. Ruizendaal	Dutch	April 2008	2012	Audit

Chairman and corporate secretary

The chairman of TNT's Supervisory Board determines the agenda and presides over meetings of the Supervisory Board. The chairman is responsible for the proper functioning of TNT's Supervisory Board and its committees. Furthermore, the chairman arranges for the induction and training programme for the members of TNT's Supervisory Board and initiates the evaluation of the performance of the members of the Supervisory Board and the Board of Management.
The chairman of TNT's Supervisory Board may not be a former member of TNT's Board of Management.

TNT's Supervisory Board is assisted by TNT's corporate secretary. All members of the Supervisory Board have access to the advice and services of the corporate secretary, who is responsible for ensuring that Supervisory Board procedures are followed and that the Supervisory Board acts in accordance with its statutory obligations under the articles of association. The corporate secretary is appointed and dismissed by the Board of Management, after the approval of the Supervisory Board has been obtained.

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

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

Induction and training

As new members of the Supervisory Board, Mr Klaver and Mr Ruizendaal attended a full-day induction programme on 20 May 2008. Senior corporate directors informed them of the strategic, financial, legal and reporting affairs of TNT. Mr Klaver and Mr Ruizendaal also visited TNT Post facilities. Several members of the Supervisory Board attended a conference on general board issues as well as an in-house meeting on aspects of the recommendations issued by the Corporate Governance Code Monitoring Committee in its report of 4 June 2008.

Meetings of the Supervisory Board

In 2008, the Supervisory Board held five meetings, with the Board of Management present as well. The Supervisory Board also held five evening meetings, of which three were attended by the full Board of Management. Two of the evening sessions were concluded with private sessions of the Supervisory Board with no members of the Board of Management present. The chairman had frequent meetings with the CEO, and from time to time with other members of the Board of Management, in between the Supervisory Board meetings.

The Supervisory Board held a number of meetings by telephone. Most meetings were attended by the full Supervisory Board. There was no frequent absence of any of the members of the Supervisory Board.

In February, the Supervisory Board approved the remuneration of the Board of Management over 2007 as well as the targets for the Board of Management for 2008. The establishment of a claw-back clause under specific circumstances and a specific cap on the 2008 remuneration in case of a take-over or liquidation of the company were approved. The Supervisory Board approved TNT's financial statements and 2007 full year dividend. The management letter by TNT's auditors, PricewaterhouseCoopers Accountants N.V., and the 2007 social responsibility report were discussed. The 2007 annual report, the TNT Reserve and Dividend Guidelines 2008, the cancellation of shares purchased by TNT under the share buy-back programme announced on 30 July 2007 and the agenda for TNT's annual general meeting of shareholders of 11 April 2008 were approved. An update on the integrity programme (including the 2007 fraud and whistleblower report) was provided.

In April, the Supervisory Board reappointed Mr Bakker as chairman of the Board of Management and Ms Lombard as member of the Board of Management, both for another four year term. The nomination for reappointment of Mr Abrahamsen and the nomination for appointment of Messrs Klaver and Ruizendaal as members of the Supervisory Board per 11 April 2008 were approved.

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

In July, the Supervisory Board approved the 2008 interim dividend and the 2008 financing plan. The health and safety reporting was discussed. An update on the integrity programme (including the interim 2008 fraud and whistleblower report) was provided.

In October, the third quarter results were discussed. The worsening financial and economic situation and the impact thereof on TNT and on TNT's pension funds were discussed.

In December, the Supervisory Board discussed the 2008 preliminary budget plan with the Board of Management. The new corporate responsibility strategy for 2009 onwards was discussed as well as the results of the engagement survey which was held in October. Also, a possible strategic partnership with Royal Mail was discussed.

In the December evening meeting, the Supervisory Board evaluated with the CEO the functioning of the Board of Management and its individual members. Subsequently, the Supervisory Board discussed in a private session the functioning of the CEO, and, based on elaborate self-assessment, its own functioning, its profile, composition and competence and the functioning of its committees.

Strategy

In June, the Supervisory Board together with the Board of Management discussed the 2008-2012 strategy. In December 2007, TNT concluded the first phase of its Focus on Networks strategy originally announced in the fourth quarter of 2005, which strategy entails a focus on providing delivery solutions by expertly managing delivery networks. Execution of the second phase of the Focus on Networks strategy, Grow and Build Value, started in December 2007.

With the start of this phase, the Supervisory Board and the Board of Management discussed the emphasis for the coming period on cost optimisation in the air and road networks of the Express division. The Supervisory Board acknowledged this emphasis. In the Mail division the focus was on maintaining market share in the Netherlands and capturing growth opportunities outside TNT's home market. In 2008, TNT Post launched cost savings initiatives that are currently under negotiation with the trade unions. Throughout the year several strategy updates were given by the Board of Management to the Supervisory Board.

Risks

TNT's risk management process is described in chapter 7 and the risks currently facing TNT's strategic, operational, legal and regulatory compliance and financial objectives are outlined in chapter 13. The outcome of the risk management process is shared and discussed with the audit committee of the Supervisory Board and the Supervisory Board.

Meetings of the committees

Audit committee

In 2008, the audit committee met five times. All meetings were attended by the CFO, three of the meetings were attended by the CEO, and all meetings were attended by the group director Internal Audit, the group director Financial Reporting Consolidation and Accounting and the external auditor PricewaterhouseCoopers Accountants N.V. Four meetings were attended by the group director Business Control.

The audit committee discussed with TNT's external auditor the full year 2007 and half-year 2008 management letters as well as TNT's 2007 annual results and the 2008 first quarter, half-year and third quarter results. It also reviewed press releases and related analyst presentations and compliance with TNT's Group Policy on Auditor Independence & Pre-Approval, as well as internal control over financial reporting. The reports of TNT's internal audit function were discussed each quarter. The audit committee further reviewed the TNT Reserves and Dividend Guidelines 2008 and proposals for the 2007 full year dividend and the 2008 interim dividend.

In February, the risk management process was reviewed. The audit plan 2008 was discussed with PricewaterhouseCoopers Accountants N.V. and the audit fee proposal for 2008 approved. In December, the audit committee reviewed the preliminary budget plan 2009 and internal audit plan 2009. The SUN project, which comprises key initiatives to optimise the fiscal, legal, accounting and treasury structure of the organisation and its subsidiaries, was discussed. The 2008 financing plan, including the issuance of a 10 year bond for an amount of €568 million, was discussed and approved. The impact of the credit squeeze on TNT's financial position and on the position of the pension fund's coverage ratio was discussed.

Remuneration committee

In 2008, the remuneration committee held five meetings. The remuneration committee is responsible for assessing and preparing the remuneration policy applicable to the members of the Board of Management. In the course of 2008, the remuneration committee reviewed the current short term incentive plan and the long term incentive plan. The review has not resulted in a policy change.

See chapter 8 for further details on remuneration for the Board of Management and the Supervisory Board, including a further explanation of the remuneration policy and actual remuneration and the relation between remuneration and performance of members of the Board of Management for 2008.

Nominations committee

The nominations committee held five meetings in 2008. The Supervisory Board (re)appointments were discussed as well as the reappointments of Mr Bakker and Ms Lombard to the Board of Management. The outside positions of the members of the Board of Management were discussed. The vacancies in the Supervisory Board for 2009 were discussed as well as the composition of the committees of the Supervisory Board. The profile of the Supervisory Board was discussed and the aspect of diversity in the composition of the Supervisory Board.

Public affairs committee

The public affairs committee met seven times in 2008. The committee discussed national and international postal regulatory developments, including the proposed new Dutch postal law and the status and various related subjects of the liberalisation of the European postal market. The committee reviewed TNT's 2007 corporate responsibility report and the proposed new corporate responsibility strategy for 2009 onwards. The committee reviewed and discussed the cost savings initiatives for the Dutch mail operations (the Master Plans), health and safety issues (including fatalities) and Planet Me initiatives. The negotiations with the labour unions on the new collective labour agreement were discussed as well as the collective labour agreement for the postal sector. From October onwards, also specific Express issues, like for example landing rights and regulatory framework within which Express operates in Europe, were included on the agenda of the committee.

Reporting by committees

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. Minutes of the audit committee meetings were prepared over-night, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting.

Independence of members of the Supervisory Board

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Dutch corporate governance code.

Diversity within the Supervisory Board

On 4 June 2008, the Corporate Governance Code Monitoring Committee issued an advisory report with inter alia recommendations on diversity in the composition of supervisory boards of companies listed on Euronext Amsterdam. The Supervisory Board supports the recommendations made by the Corporate Governance Code Monitoring Committee and will apply them wherever possible and feasible.

TNT adheres to best practice III.1.3 of the Dutch corporate governance code, which states that information must be given in the annual report on the members of the Supervisory Board themselves. Further to the recommendations of the Corporate Governance Code Monitoring Committee, the Supervisory Board has explicitly included in the information given on its members the number of women in the Supervisory Board together with information on nationality, age, expertise and social background.

The Supervisory Board consists of ten members. Of these ten members, two are female (20%). With respect to nationality, 40% of the board members are non-Dutch. Five nationalities are represented. The average age is 61; the ages range between 42 and 70.

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

The profile of the Supervisory Board is such that each member must be capable of assessing the broad outline of the overall policy and should have the specific expertise required for the fulfilment of the duties assigned to the role designated to him or her within the framework of the profile. Each member should have sufficient time available for the proper performance of his or her duties. The Supervisory Board has ensured the composition of its board to fit the profile and thus to be as independent and diverse as possible. The Supervisory Board feels the quality of its functioning has greatly benefitted from this approach.

Compliance

The Supervisory Board confirms that in 2008 no decisions were taken by the Supervisory Board that did not comply with its by-laws.

Financial statements

This annual report and the 2008 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PricewaterhouseCoopers Accountants N.V.'s report can be found on page 107 of chapter 6.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code. The members of the Board of Management have signed the financial statements pursuant to their statutory obligation under article 2:101(2) of the Dutch Civil Code and article 5:25c (2)(c) of the Financial Markets Supervision Act (*Wet op het financieel toezicht*). See also chapter 7 on page 112.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2008 consolidated financial statements of TNT. The annual general meeting of shareholders will be asked to release the members of the Board of Management and of the Supervisory Board from liability for the exercise of their duties. The appropriation of profit approved by the Supervisory Board can be found on page 107.

The Supervisory Board endorsed TNT's Board of Management's view on 2009 as to the development of the economic environment not to substantively improve over the severe 2008 downturn in economic and financial circumstances. The Supervisory Board therefore approved the decison of the Board of Management to propose a dividend over 2008 at €34 cents per share which was already paid as an interim dividend in cash in 2008.
In addition, the Supervisory Board approved the decision by the Board of Management to propose to the annual general meeting of shareholders a distribution of a stock dividend to be paid out of distributable reserves of one share for every 40 shares, which based on the volume weighted average share price of 11 - 13 February 2009 (€14.66) equals €37 cents per share.

The Supervisory Board wishes to thank the Board of Management and all employees of TNT for their outstanding contributions in 2008.

Supervisory Board –
Hoofddorp, 16 February 2009

GOVERNANCE, REGULATION, INVESTOR RELATIONS AND RISKS

CORPORATE GOVERNANCE

General

Pursuant to the Enabling Act as currently in force, TNT is subject to the full Dutch large company regime. Under these rules, TNT is required to adopt a two-tier system of corporate governance, comprising a board of management entrusted with the executive management under the supervision of an independent supervisory board. Both the supervisory board and the board of management are accountable to the general meeting of shareholders for the performance of their duties.

Under the full large company regime, members of the board of management are appointed and can be suspended or dismissed by the supervisory board. The decision of the supervisory board to dismiss a member of the board of management can only be taken after the general meeting of shareholders has been consulted on the intended dismissal. Further, under these rules certain resolutions of the board of management require the prior approval of the supervisory board.

TNT has taken notice of the revised Dutch corporate governance code published by the Corporate Governance Code Monitoring Committee on 10 December 2008 (the "revised Code"). TNT is currently studying the revised Code. TNT will apply the principles and best practices of the revised Code in the financial year 2009 and will report on how it complied with these principles and best practices in the annual report over the financial year 2009. In this 2008 annual report the principles and best practices of the Dutch corporate governance code published in December 2003 are reported on, including the good practice recommendations published by the Corporate Governance Code Monitoring Committee in its subsequent reports until December 2008. Unless stated otherwise, reference in this annual report to the Dutch corporate governance code shall mean reference to the Dutch corporate governance code as published in December 2003.

Board of Management

The Board of Management oversees TNT in its entirety, is responsible for setting TNT's mission, vision and strategy and its implementation, and takes responsibility for TNT's overall results. At present, the Board of Management consists of four members: the CEO, the CFO and the two group managing directors of the Mail and Express divisions.

The group managing director of each of TNT's two divisions is primarily responsible for the development and execution of the business strategy and operations of the division within the framework set by TNT's corporate strategy. The Board of Management is collectively responsible for the management of TNT as a company and for all decisions taken in this respect.

TNT's reporting structure is in line with the management structure of the two divisions.

Duties of the Board of Management

In performing its duties, the Board of Management acts in accordance with the interests of TNT and the business connected with it and, to that end, is required to consider all appropriate interests associated with the company. The Board of Management is firmly committed to managing the company in a structured and transparent fashion. TNT's aim is to provide stakeholders with a clear view on corporate decisions and decision-making processes. Value-based management provides TNT with an additional framework for forward-looking management of the company based on objective criteria. Day-to-day decisions in the divisions are decentralised within established standards, processes, requirements and guidelines.

TNT's Board of Management is responsible for complying with all relevant legislation and regulations, for managing the risks associated with TNT's activities, for its financing, and for its external communications. TNT's Board of Management is required to report developments on the abovementioned subjects to, and discusses the internal risk management and control systems with, TNT's Supervisory Board and its audit committee.

TNT's Board of Management has formed two committees to assist with compliance with applicable corporate governance requirements: the disclosure committee and the ethics committee.

The disclosure committee advises and assists TNT's Board of Management to ensure that TNT's disclosures in all reports are full, fair, accurate, timely and understandable and that they fairly present the condition of the company in all material respects. The disclosure committee provides oversight of the design, development, implementation and ongoing effectiveness of TNT's disclosure controls and procedures.

The ethics committee is appointed to advise and assist in developing and implementing group policies and procedures aimed at enhancing integrity and ethical behaviour and preventing fraud throughout TNT worldwide, and monitoring compliance with integrity and ethical behaviour standards. The ethics committee oversees and coordinates investigations resulting from complaints via the TNT Group Procedure on Whistleblowing and/or the TNT Group Policy on Fraud Prevention, and it advises and makes recommendations with regard to guidelines for disciplinary actions. The ethics committee also advises and makes recommendations to the Board of Management and line-management on the mitigation of fraud risk and on ethical and anti-corruption matters. The ethics committee reports regularly to the Board of Management and every six months to the Supervisory Board.

The by-laws of the Board of Management and the terms of reference of the disclosure committee can be viewed on TNT's corporate website, group.tnt.com.

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

Members of the Board of Management

M.P. (Peter) Bakker (1961, Dutch)

Chief Executive Officer

Peter Bakker has been CEO and chairman of the Board of Management since November 2001. He joined Royal TNT Post (then called PTT Post) in 1991 and was appointed financial director of its parcels business unit in 1993. He was appointed financial control director of TNT Post in 1996 and became a member of the board of management of TNT Post in 1997. Since the demerger of TNT N.V. (then called TNT Post Groep N.V.) from Royal PTT Nederland N.V. until his appointment as CEO, Mr Bakker was chief financial officer and a member of TNT's Board of Management. Before joining TNT Post, Mr Bakker worked for TS Seeds Holdings.

Mr Bakker's portfolio includes corporate strategy, corporate relations, general counsel, corporate responsibility, human resources and internal audit. Mr Bakker was reappointed as a member of the Board of Management and chairman of the Board of Management by the Supervisory Board for another four year term in April 2008.

Mr Bakker is a member of the advisory board of World Press Photo and a member of the board of Foundation Moving the World. He was the chairman of the Dutch Cabinet Committee on Labour Market Participation from February until May 2008 and a member of the AFM Capital Markets Committee until November 2008.

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

Chief Financial Officer

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

Mr Van Dalen's portfolio includes financial reporting and accounting, risk management and internal control, corporate responsibility reporting, mergers and acquisitions, business control, treasury, tax, investor relations, and legal and integrity.

Mr Van Dalen is a member of the supervisory board of Macintosh Retail Group N.V. and NIBC Bank N.V. Furthermore, he is a board member of the "Nationaal Fonds 4 en 5 mei" and a member of the board of advisors of AIESEC Nederland and NEVIR (*Nederlandse Vereniging voor Investor Relations*). He is also treasurer of the Netherlands Olympic Committee (NOC*NSF). Mr Van Dalen was a member of the board of advisors of Arthur D. Little Netherlands until April 2008.

H.M. (Harry) Koorstra (1951, Dutch)

Group Managing Director Mail

Harry Koorstra has been group managing director Mail and a member of the Board of Management since July 2000. He is due for reappointment as member of the Board of Management in 2009. Mr Koorstra joined Royal TNT Post (then called PTT Post) in 1991 as managing director of its then Media Service business unit and became a member of its board of management in 1997. Before joining the company, Mr Koorstra worked at VNU N.V. for 15 years, lastly as general director of its Admedia/VNU Magazine Group.

Mr Koorstra is chairman of the supervisory board of Hermans Investments B.V. and a member of the supervisory board of Royal Swets and Zeitlinger Holding N.V. He is also member of the executive committee and general board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and a member of the advisory board of Boer & Croon.

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

Group Managing Director Express

Marie-Christine Lombard has been group managing director Express and a member of the Board of Management since January 2004. She joined Jet Services in France in 1993. Upon TNT's acquisition of Jet Services in 1999, Ms Lombard joined TNT (then called TNT Post Groep N.V.) as the managing director of the domestic Express business and from March 2001 until January 2004 she was managing director of TNT's international Express business in France. Ms Lombard was reappointed as a member of the Board of Management by the Supervisory Board for another four year term in April 2008.

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

The members of the Board of Management have no important outside board positions as defined in the Dutch corporate governance code other than those listed above.

Supervisory Board

The Supervisory Board is charged with supervising the policies of the Board of Management and the general course of affairs of the company and the business connected with it, as well as assisting the Board of Management by providing advice. The Supervisory Board evaluates the main organisational structure and the control mechanisms established by the Board of Management. The responsibility for proper performance of its duties is vested in the Supervisory Board as a whole. Members of the Supervisory Board may take positions different from those of the Board of Management.

In performing its duties the Supervisory Board is charged with acting in accordance with the interests of TNT and its affiliated businesses. It shall take into account the relevant interest of the company's stakeholders, and, to that end, consider all appropriate interests associated with the company. Members of the Supervisory Board perform their duties without mandate and independent of any particular interest in the business of the company. TNT's Supervisory Board is responsible for the quality of its own performance and for this purpose annually reviews its performance.

Share ownership is not required to qualify as a member of the Supervisory Board. Under the large company regime members of the Supervisory Board are appointed by the general meeting of shareholders following nomination by the Supervisory Board. The general meeting of shareholders can, furthermore, dismiss the Supervisory Board as a whole by an absolute majority of the votes cast representing at least one third of the issued capital. For further details on the appointment and dismissal of (members of) the Supervisory Board see articles 28 and 29 of TNT's articles of association.

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

Conflict of interest of Board members

The Supervisory Board is responsible for deciding how to resolve a conflict of interest between members of the Board of Management, members of the Supervisory Board and/or the external auditor on the one hand and the company on the other hand.

A member of the Board of Management or of the Supervisory Board is required to report immediately and provide all relevant information to the chairman of the Supervisory Board and to the other members of the Board of Management (if it concerns a member of that board) on any conflict of interest or potential conflict of interest that may be of (material) significance to the company and/or to the relevant member. If the chairman of the Supervisory Board has a conflict of interest or potential conflict of interest that is of material significance to the company and/or to him, he is required to report this immediately to the vice-chairman of the Supervisory Board and provide all relevant information. In both situations, this includes information concerning a spouse, registered partner or other life companion, foster child or relatives by blood or marriage up to the second degree.

In the event of a conflict between TNT and a member of its Board of Management, the company will be represented by another member of the Board of Management or a member of the Supervisory Board appointed by the Supervisory Board for this purpose.

A decision to enter into a transaction involving a conflict of interest with a member of the Board of Management or a member of the Supervisory Board that is of (material) significance to the company or to the relevant member requires the approval of the Supervisory Board. No such transactions were entered into in 2008, therefore compliance with best practice provisions II.3.2 to II.3.4 and III.6.1 to III.6.4 inclusive of the Dutch corporate governance code did not come up for discussion.

The by-laws of the Board of Management and the Supervisory Board also include a provision that a member of the Board of Management or of the Supervisory Board shall not take part in any discussion or decision making that involves a subject or transaction in relation to which such member has a conflict of interest with the company.

Securities owned by Board members

The members of the Supervisory Board and Board of Management and TNT's other senior management are subject to the TNT Group Policy on Inside Information, which contains rules of conduct to prevent trading in TNT's financial instruments when in possession of inside information.

TNT's Supervisory Board has adopted a policy concerning the ownership of and transactions in securities other than TNT's financial instruments by members of the Board of Management and the Supervisory Board. This policy is incorporated in the by-laws of the Board of Management and the by-laws of the Supervisory Board and requires that each member of the Board of Management and Supervisory Board gives periodic notice, at least quarterly, to TNT's corporate secretary, acting as compliance officer, of any changes in his or her holding of securities in Dutch listed companies. A member of the Board of Management or the Supervisory Board who invests exclusively in listed investment funds or who has transferred the discretionary management of his or her securities portfolio to an independent third party by means of a written mandate is exempted from compliance with these internal notification requirements.

The total number of shares held by each member of the Board of Management and the Supervisory Board, other than shares allocated under TNT's performance share plan, bonus/matching plan and/or share option plan, is tabled below.

TNT shares held by the members of the Board of Management and Supervisory Board[1]

As at 31 December

	2008
Peter Bakker	60,324
Henk van Dalen	7,035
Harry Koorstra	33,388
Marie-Christine Lombard	25,368
Piet Klaver	3,500

1 – This table does not include any granted rights on shares and any share options allocated to the members of the Board of Management under TNT's performance share plan, bonus/matching plan and/or share option plan. See chapter 8, under Remuneration in 2008 for further information on these securities. The information in this table is publicly available at www.afm.nl.

Shareholders and their rights

General meetings of shareholders

Frequency and venue

TNT is required to hold an annual general meeting of shareholders within six months after the end of the financial year in order to, amongst other things, adopt the financial statements and to decide on any proposal concerning dividends. Further to Dutch law, the release from liability of the members of the Board of Management and the Supervisory Board for the performance of their respective duties during the financial year is also an agenda item of this meeting. However, this release only covers liability for matters reflected in the financial statements or otherwise disclosed to the general meeting of shareholders prior to the adoption of the financial statements.

Other general meetings of shareholders are held as often as the Board of Management or the Supervisory Board deem necessary and shall in principle be convened if the Board of Management proposes to take a decision that will result in a significant change in the identity or character of TNT or its business.

Furthermore, in the event shareholders jointly representing at least 10% of the outstanding share capital make a written request to convene a general meeting of shareholders to the Supervisory Board and the Board of Management, stating their proposed agenda in detail, a general meeting of shareholders shall in principle be convened.

General meetings of shareholders may only be held in Amsterdam, The Hague, Hoofddorp or in the municipality of Haarlemmermeer (Schiphol).

Agenda

One or more shareholders holding shares representing at least 1% of TNT's issued share capital or representing a value of €50 million according to the Official Price List of Euronext Amsterdam (Official Price List) has/have the right to request the Board of Management or the Supervisory Board to place items on the agenda of the general meeting of shareholders. Such a request has to be honoured by the Board of Management or the Supervisory Board provided that important company interests do not dictate otherwise and that the request is received by the Board of Management or the Supervisory Board in writing, at least sixty days before the date of the general meeting of shareholders.

Notice to convene

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

Admission to and voting rights at the meeting

Each shareholder has the right to attend general meetings of shareholders, either in person or by written or electronic proxy, to address the meeting and to exercise voting rights, subject to the provisions of TNT's articles of association. An eligible shareholder has the aforementioned rights if registered as shareholder on the applicable record date as set by the Board of Management.

Each of the shares in TNT's share capital carries the right to cast one vote. Unless otherwise required by Dutch law or TNT's articles of association, resolutions are passed by a simple majority of votes cast by the shareholders present or represented at the meeting.

Under TNT's articles of association there are no limitations to the rights of Dutch, non-resident or foreign shareholders to hold or exercise voting rights in respect of TNT's securities, and TNT is not aware of any such restrictions under Dutch corporate law.

Dividend

TNT pays dividends out of profits or by exception out of the distributable part of its shareholders' equity as shown in TNT's financial statements. TNT may not pay dividends if the payment would reduce shareholders' equity below the sum of the paid-up capital and any reserves required by Dutch law or its articles of association. Subject to certain exceptions, if a loss is sustained in any year, TNT may not pay dividends for that year and TNT may not pay dividends in subsequent years until the loss has been compensated for out of subsequent years' profits.

Liquidation rights

In the event of TNT's dissolution and liquidation, the assets remaining after payment of all debts and liquidation expenses are to be distributed in the following order of preference: first, to the holders of all outstanding preference shares B (if any) the nominal amount paid up on these shares plus accumulated dividends for preceding years which have not yet been paid; and second, to holders of the ordinary shares in proportion to their shareholdings.

Changes to the rights of shareholders

Rights of shareholders may change pursuant to an amendment of the articles of association, a statutory merger or demerger within the meaning of book 2 of the Dutch Civil Code or dissolution of the company. A resolution of the general meeting of shareholders is required to effect these changes. Under TNT's articles of association, such resolution may only be adopted upon a proposal of the Board of Management that has been approved by the Supervisory Board.

Major shareholders

To TNT's knowledge TNT is not directly or indirectly owned or controlled by another corporation or by any government. TNT does not know of any arrangements the operation of which might, at a subsequent date, result in a change of control, except as described under "Foundation Protection TNT and preference shares B" below.

The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

Articles of association, share acquisition, reduction and increase of issued share capital

Amendments to the articles of association

Amendments to TNT's articles of association can take place upon a proposal of the Board of Management approved by the Supervisory Board and adopted by the general meeting of shareholders. A proposal to amend the articles of association must be stated in a notice convening a general meeting of shareholders and announced by publication in a nationally distributed daily newspaper and in the Official Price List, or in such manner as shall be permitted by law at any time. The proposal shall be passed upon an absolute majority of the votes cast in the general meeting of shareholders.

Ability of the company to acquire its own shares

In order to execute share buy-back programmes, TNT must be allowed to acquire its own shares. Under its articles of association, TNT may acquire its own shares, provided that they are fully paid-up. If such shares are acquired for consideration, the following conditions apply:

- TNT's shareholders' equity less the purchase price may not fall below the sum of the paid-up capital and any reserves required to be maintained by Dutch law or pursuant to the articles of association, and
- following the share acquisition, TNT may not hold shares with an aggregate nominal value exceeding one-tenth of its issued share capital.

The acquisition of shares in its capital may be effected by a resolution of the Board of Management, subject to the approval of the Supervisory Board.

In addition to the above, the Board of Management requires prior authorisation by the general meeting of shareholders to acquire shares in the company for consideration. This authorisation may be valid for a period not exceeding 18 months from the date of the meeting and must specify:

- the number of shares that may be acquired,
- the manner in which shares may be acquired, and
- the price limits within which shares may be acquired.

Authorisation by the general meeting of shareholders is not required if TNT's own shares are acquired for the purpose of transferring those shares to TNT employees pursuant to any arrangements applicable to such employees.

Reduction of issued share capital in general

Cancellation of shares following a repurchase is one of the ways to reduce the issued share capital. TNT's issued share capital may also be reduced by way of a reduction of the nominal value of its shares by amendment of TNT's articles of association. The general meeting of shareholders is the body competent to resolve to reduce TNT's issued share capital. Pursuant to TNT's articles of association, such resolution may be taken upon a proposal of the Board of Management that has been approved by the Supervisory Board. The latter requirement is more stringent than is required by Dutch law.

Increase of issued share capital by issuance of shares/pre-emptive rights

TNT's Board of Management has been designated as the body competent to resolve to issue shares in TNT and to grant rights to subscribe for ordinary shares, including options and warrants. Pursuant to TNT's current articles of association, such resolution is subject to the approval of the Supervisory Board. The scope and duration of this authority of the Board of Management is determined by the general meeting of shareholders. Under TNT's articles of association the scope relates at most to all shares in its authorised share capital that have not been issued. The duration of the authority shall be for a period of five years at most.

Extension of the term of designation of the Board of Management as the body competent to issue shares may also be effected by amending TNT's articles of association to that effect. If no extension is given, the issue of shares or granting of rights to subscribe for ordinary shares requires a resolution of the general meeting of shareholders. Such resolution may only be taken upon a proposal of the Board of Management, which proposal requires approval of the Supervisory Board.

In principle, each holder of ordinary shares has a pre-emptive right to any issue of ordinary shares or the granting of rights to subscribe for these shares. Holders of American Depositary Receipts do not qualify as holders of ordinary shares in this respect.

Pursuant to TNT's articles of association shareholders' pre-emptive rights may be restricted or excluded by a resolution of the Board of Management, provided and as long as the Board of Management has been designated as the body competent to resolve to issue shares. Such resolution is subject to the approval of the Supervisory Board. Pursuant to TNT's articles of association the provisions with respect to the scope and duration of the authority to issue shares and grant rights to subscribe for ordinary shares are also applicable to the scope and duration of the authority to exclude or restrict pre-emptive rights.

Foundation Protection TNT and preference shares B

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

TNT's articles of association provide for protective preference shares B that can be issued to the Foundation to serve these interests. The preference shares B have a nominal value of €0.48 and have the same voting rights as TNT's ordinary shares. There are currently no preference shares B issued, although the Foundation has a call option to acquire a number of preference shares B not exceeding the total issued amount of shares minus one and minus any shares already issued to the Foundation.

The exercise price with respect to the call option is the nominal value of €0.48 per preference share B, although upon exercise only €0.12 per preference share B is required to be paid. The additional €0.36 per preference share B is due at such time as TNT makes a call for payment by resolution of its Board of Management, which resolution is subject to the approval of the Supervisory Board. The Foundation has credit facilities in place to enable it to pay the exercise price.

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

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

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

The members of the board of the Foundation are R. Pieterse (chairman), J.H.M. Lindenbergh, W. van Vonno and M.P. Nieuwe Weme. All members of the board of the Foundation are independent from TNT. This means that the Foundation is an independent legal entity in the sense referred to in section 5:71 paragraph 1 sub c of the Netherlands Financial Markets Supervision Act.

Dividend in TNT

Under TNT's current articles of association, if preference shares B have been issued, TNT has to pay dividends on the paid-up portion of the nominal value of the preference shares B. Payment is made at a rate of the average 12-monthly EURIBOR (EURO Interbank Offered Rate), weighted to reflect the number of days for which the payment is made, plus a premium to be determined by the Board of Management, subject to the approval of the Supervisory Board, of at least one percentage point and at most three percentage points.

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

The Board of Management may determine, subject to the approval of the Supervisory Board, that any dividend on ordinary shares be paid wholly or partly in TNT's ordinary shares rather than in cash.

The Board of Management may, subject to the approval of the Supervisory Board and subject to provisions of Dutch law, distribute one or more interim dividends.

No dividend shall be paid on shares held by TNT in its own capital. Such shares shall not be included for the computation of the profit distribution, unless the Board of Management resolves otherwise, which resolution is subject to the approval of the Supervisory Board.

The TNT Reserves and Dividend Guidelines 2008 can be viewed on TNT's corporate website. Any changes to these guidelines shall be explained as a separate agenda item at the annual general meeting of shareholders.

Corporate events in 2008

Annual general meeting of shareholders held on 11 April 2008

On 11 April 2008, TNT held its annual general meeting of shareholders at Schiphol-Rijk, the Netherlands. The attendance rate was 48% of the total outstanding share capital, up from 32% in 2007.

During the annual general meeting of shareholders all proposed resolutions were adopted, including the extension of authority to issue shares. The annual general meeting of shareholders extended the then-current authority of the Board of Management to issue ordinary shares for another period of eighteen months to end on 11 October 2009. Ordinary shares up to a maximum of 10% of the issued share capital may be issued by resolution of the Board of Management. An additional 10% of the issued share capital may be issued that way when a share issue takes place in relation to a merger or acquisition.

The resolutions of the meeting, the agenda and the voting results for each resolution as well as the presentations given during the meeting can be found on TNT's corporate website. Minutes of the meeting can be found both in Dutch and in English on TNT's corporate website.

AFM notifications

On 4 March 2008, TNT received notification from the AFM that it had received disclosures under the Netherlands Financial Markets Supervision Act of a substantial holding in the company of 5% by Lansdowne Partners Limited. On 25 July 2008, TNT received notification from the AFM that it had received disclosures of a substantial holding in the company of 6% by Allianz SE, which was subsequently reduced to close to 0% as of 30 July 2008. On 4 August 2008, TNT received notification from the AFM that it had received disclosures of a substantial holding in the company of 5% by UBS AG, which was subsequently reduced to below 5% as of 8 August 2008.
More information can be found on the website of AFM (www.afm.nl) under notification substantial holdings.

Auditor

TNT's external auditor, PricewaterhouseCoopers Accountants N.V., is appointed by TNT's general meeting of shareholders. TNT's audit committee has the sole authority, subject to confirmation by the Supervisory Board, to recommend to the general meeting of shareholders the appointment or replacement of the external auditor. The audit committee is directly responsible for the oversight of the work of the external auditor on behalf of the Supervisory Board (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The audit committee is required to pre-approve all auditing and audit related services, and permitted non-audit services (including the fees and terms thereof) to be provided by the external auditor. A general annual pre-approval for certain routine services is granted by the audit committee. Significant non-audit services require a tender process, and certain services are prohibited outright. In its approval-granting process, the audit committee considers the applicable regulations and stock exchange rules and whether the external auditor is best suited to perform the services effectively and efficiently. The audit committee also considers the ratio between the total amount of fees for audit and audit related services and the total amount of fees for non-audit services. The audit committee requires a formal written statement from the external auditor confirming its independence.

Except for some services in the aggregate amount of 1% of the total amounts paid to the external auditor, all services performed by the external auditor in 2008 followed the pre-approval process. While this is a small deviation, TNT is committed to ensure that the pre-approval process is followed in all cases.

Conflicts of interest and potential conflicts of interest between the external auditor and TNT are resolved in accordance with the terms of reference of the audit committee and in particular the annex thereto: the "TNT Group Policy on Auditor Independence & Pre-Approval", which can be viewed on TNT's corporate website.

At times TNT uses its external auditor to provide services in cases where these services do not conflict with the external auditor's independence. The TNT Group Policy on Auditor Independence & Pre-Approval governs how and when TNT may engage its external auditor.

The audit committee and the Board of Management are required once every three years to conduct a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The last assessment was held in 2007. The main conclusions of this assessment were communicated to the 2007 annual general meeting of shareholders. The lead (signing) partner and the concurring (review) partner of the external auditor are rotated after a maximum period of seven years.

TNT's internal audit function, Corporate Audit Services (CAS), operates under the responsibility of the Board of Management and is subject to monitoring by the Supervisory Board, assisted by the audit committee. The Board of Management is required to ensure that the external auditor and the audit committee are involved in drawing up the tasks of the internal audit function.

See note 20 to the consolidated financial statements of TNT N.V. for the fees paid to PricewaterhouseCoopers Accountants N.V. and the distribution of the fees between audit related services and non-audit services.

Dutch corporate governance code

TNT applies the principles and best practices of the Dutch corporate governance code published in December 2003 including the good practice recommendations published by the Corporate Governance Code Monitoring Committee in its subsequent reports until December 2008, except for the following best practice provisions and recommendations below that are not fully applied:

- provision II.2.7 Dutch corporate governance code states that the remuneration in the event of dismissal of members of the Board of Management may not exceed one year's salary (the "fixed" remuneration component). In case one year is manifestly unreasonable, the maximum of severance pay may not exceed twice the annual salary.
  - severance payments other than related to a change of control for members of the Board of Management are one year base salary or a maximum of two years' base salary in the first four-year term if one year is considered to be unreasonable. The employment contract of TNT's CFO effective 1 April 2006 states that the severance payment other than related to a change of control will amount to twenty-four months base salary during the first four year term as a member of the Board of Management. During further terms as a member of the Board of Management, his severance payment amounts to twelve months base salary. As stated in chapter 8, contracts entered into prior to 2004 remain unaltered.
  - For members of the Board of Management who are not residents of the Netherlands, TNT follows local market practice for that part of the base salary earned in the country of residence. This is done to ensure that TNT can offer a competitive package to foreign members of the Board of Management commensurate with local practice.
  - severance payments in case of a change of control equal the sum of the last annual base salary and pension contribution plus the average bonus received over the last three years, multiplied by two. No distinction is made between resident or non-resident members of the Board of Management. TNT is of the opinion that such payment is realistic taking into account the special position of members of the Board of Management in a change of control situation. Also, the Supervisory Board may decide that the performance shares vest in whole or in part.
- provision III.3.4 Dutch corporate governance code states that the maximum number of supervisory board positions held by the members of the Supervisory Board with Dutch listed companies cannot exceed five (whereby a chairmanship counts twice). From 1 January 2008 until 1 January 2009 TNT's chairman of the Supervisory Board, Mr Hommen, held more than five board memberships. This situation was remedied when Mr Hommen stepped down as chairman on 31 December 2008. See chapter 9 under Members of the Supervisory Board.
- provision II.2.10(e) Dutch corporate governance code states that the remuneration overview shall in any event contain a description of the performance criteria on which the performance related component of the variable compensation is dependent. TNT discloses the nature of the performance targets but not the actual targets in the sense that TNT has opted to use performance targets aligning the remuneration of the Board of Management with the business performance. As a result the targets are so specific that they contain competition-sensitive information, and are therefore not disclosed. See chapter 8 under Current remuneration policy.

In the chapter sections referred to above, TNT explains why it deviates from these best practice provisions and recommendations. Material future (corporate) developments might justify further deviations from the Dutch corporate governance code at the moment of occurrence.

On 10 December 2008 the Corporate Governance Code Monitoring Committee published new principles and best practice provisions in a revised Code. TNT is studying the revised Code and will apply the principles and best practices in the financial year 2009. TNT will report on how it complied with the principles and best practices of the revised Code in its annual report over the financial year 2009.

Each substantial change in the corporate governance structure of the company and in the compliance of the company with the Dutch corporate governance code shall be submitted to the general meeting of shareholders for discussion.

The full text of the Dutch corporate governance code can be viewed on TNT's corporate website. Since its delisting from the New York Stock Exchange on 18 June 2007 and the termination of its reporting obligations with the United States Securities and Exchange Commission on 16 September 2007, TNT is no longer subject to the corporate governance rules of this exchange nor to the provisions of the Sarbanes-Oxley Act.

chapter 11

REGULATORY ENVIRONMENT

Due to the importance of postal services to society, regulation is a significant factor in TNT's Mail business. Although to a lesser extent, TNT's Express business is also affected by regulation.

Mail services

International postal regulation

Universal Postal Union

The Universal Postal Union (UPU) is a specialised agency within the United Nations framework. It is responsible for the regulation of cross-border postal services. Practically all nations are members of the UPU. The common rules applicable to cross-border postal services are laid down in the UPU Convention and its regulations. In the Convention, the UPU has established an international system for mutual payments for the delivery of cross-border letter mail, known as the terminal dues system. The purpose is to compensate the destination country's public postal operator for delivering international letter post. A different compensation scheme with similar purposes exists for parcel mail.

Since 1 January 2006 a terminal dues system applies under which "target" countries (mostly industrialised countries) pay each other country-specific rates linked to domestic postal tariffs. Over the subsequent four years the percentage of the domestic 20 grammes tariff paid is gradually being increased from 60% to 68% in 2009. "Transition" countries (mostly developing countries) will continue to pay each other and target countries a fixed kilogramme rate according to a per item and per kilogramme formula based on world average costs and on a world average weight. Transition countries are expected to move towards the target system before 2014, at which time all exchanges will be based on country-specific compensation.
The possible changes to the 2006 system have been extensively discussed in many regional postal meetings worldwide. The UPU terminal dues system has been further elaborated and decided upon by the 2008 UPU Congress. The result is satisfactory with moderate increases of terminal dues over the next four year cycle.

Reims

Most European postal operators view the UPU target terminal dues system as inadequate for its purposes. As a consequence a significant majority of them are party to the separate, multilateral "REIMS II" agreement where terminal dues are related to a higher percentage of domestic tariffs and to a certain extent to service quality as well. TNT has neither entered into the REIMS II agreement, nor into the REIMS III agreement that entered into force on 1 January 2008. TNT feels that the agreements do not contain a strong incentive/ penalty system that would guarantee improvement of the quality of service, and furthermore that REIMS III does not allow TNT to compete successfully in the current competitive environment in its home market. Instead, TNT has concluded commercially oriented bilateral agreements with most of the major European postal operators. TNT will continue its policy of negotiating bilateral agreements with European postal operators. Royal Mail (United Kingdom), Correos (Spain), and Correios (Portugal) have taken a similar position.

The REIMS parties are about to commission a study into the changes that would be necessary to make the REIMS agreement survive in a competitive environment.

EU postal regulation

On the level of the European Union the current regulatory framework is set by the EU Postal Directive 2002/39/EC, amending Directive 97/67/EC with regard to the further opening to competition of the community postal services (EU Postal Directive). It includes a harmonised set of minimum obligations for the universal postal service (mandatory postal services), such as service levels, rates, and cost and revenue accounting principles as well as quality of service standards with which all Member States, including the Netherlands, must comply.

The EU Postal Directive also defines the maximum scope of postal services the EU Member States are permitted to reserve for national public postal operators (reserved postal services). Member States are permitted to reserve postal services for domestic and cross-border mail. As of 1 January 2006 this reservation is limited to a weight of up to 50 grammes per item of correspondence or a price of less or equal to two and a half times the public tariff for an item of correspondence in the first weight step of the fastest category. To the extent necessary to ensure the provision of the universal service, outgoing cross-border mail and direct mail may continue to be reserved within the same weight and price limits.

On 20 February 2008 the EU published a new Postal Directive 2008/6/EC to amend Directive 97/67/EC as amended by Directive 2002/39/EC. This latest Directive confirms liberalisation as of January 2011. Derogation is given to 11 Member States to open up their market as of January 2013. The reserved area as a financing mechanism for mandatory postal services is abolished, while allowing for a wide variety of other methods, such as tendering, public funds and compensation funds. The new Directive also leaves the Member States the discretionary powers to decide upon the scope of the mandatory postal services, as long as the defined minimum scope is assured.

Postal regulation in the Netherlands

Proposed legislation

On 5 June 2007 the Dutch Second Chamber of Parliament adopted a new Dutch 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, it is intended to assign Koninklijke TNT Post B.V. the Universal Postal Service. The Postal Act will have to be approved by the Dutch First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms at the postal markets of Germany and the United Kingdom, as well as on acceptable employment conditions at the new postal operators in the Netherlands.

In December 2007, May 2008, and November 2008, the Dutch junior Minister of Economic Affairs made use of the so-called 'emergency-brake procedure' when liberalisation was postponed. The Minister based his decisions on two arguments. Firstly, the lack of clarity about the level playing field in Germany and secondly, the ongoing discussion in the Netherlands on labour conditions.

The effects of the introduction of a high and generally binding minimum wage in the German postal sector are considered undesirable by the *Bundesnetzagentur*, the German postal regulator. Furthermore, the exemption Deutsche Post enjoys with regard to VAT remains a barrier to competition that is still subject to debate in German politics (see also below under Value added tax on postal services). TNT challenged the German government regarding the minimum wage, as it

considered this minimum wage unconstitutional. In its judgement of 7 March 2008, the administrative court in first instance (*Verwaltungsgericht*) held that the mandatory €9.80 minimum wage is invalid. The German government filed an appeal against that decision with the administrative court in second instance (*Oberverwaltungsgericht*). On 18 December 2008, the *Oberverwaltungsgericht* confirmed the decision of the court in first instance. However, the court also ruled that TNT's claim, being one of three claimants, was not admissible and referred TNT's claim to the labour courts. It is likely that TNT will file an appeal against the inadmissibility of its claim, because the decision of the court on TNT's inadmissibility is not in line with recent jurisprudence as to claims of this nature.
The German government filed a further appeal (*Revision*) against the decision to the Federal Administrative Court (*Bundesverwaltungsgericht*) in Leipzig.

As a result, these minimum wages are still generally binding. Moreover, the German Labour Ministry is in the process of preparing changes in social legislation to simplify declaring generally binding minimum wages. On 26 March 2008, TNT lodged a complaint at the European Commission against the German government for infringement of fundamental rules of the European Treaty on competition and freedom of establishment.

The discussion in the Netherlands on labour conditions is still ongoing. Although the new postal operators and the unions reached a collective labour agreement in November 2008, the unions have asked for political support for compliance with this agreement. Therefore, the Dutch Cabinet started talks with employers and unions. An intended new date for liberalisation has not been set yet.

The Dutch First Chamber of Parliament is expected to vote on the Dutch Postal Act only if the conditions are satisfactorily met. A new Dutch Postal Decree, being lower legislation and dealing amongst others with damages and the limitation of the scope of mandatory services, has passed the Dutch Second Chamber of Parliament, while a new Dutch Postal Regulation still has to be published. This Postal Regulation deals amongst others with tariff and reporting requirements.

Current legislation

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 Koninklijke TNT Post B.V.

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

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

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 other than standard single 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 or 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 other than standard single 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 Guidelines 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 return-to-sender items of competitors that enter TNT's processes through the collection boxes.

With respect to service levels, the General Postal Guidelines 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 assess 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. Up to 2008 the levels of the indices for both baskets were not to exceed the official national index of wages for employees in the market sector.

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 (currently €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 EU 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, including for services with individually negotiable prices. According to the European Commission, this distorts the functioning of the Internal Market for postal services. It has launched an infringement procedure against Sweden, Germany and the United Kingdom on this VAT issue in order to resolve it.
TNT initiated a procedure in the United Kingdom. The competent Court has asked the European Court of Justice some pre-judicial questions. The Advocate General advised on 15 January 2009 that only the universal services provided in the public interest are exempt from VAT and that the exemption can not, in any event, apply where items are carried at individually negotiated prices. This advice and the answers of the European Court of Justice will be of interest to the European Commission in the infringement procedures.
In Germany, new VAT-legislation is under construction. It seems that in practice Deutsche Post will be able to maintain its exemption.

Express services

Express continues to deal with several regulatory developments that need to be managed properly in order to secure TNT's entrepreneurial freedom in the execution of the Focus on Networks strategy for Express.

Governments and postal administrations around the world are redesigning postal policies. In the EU, political concerns over the financial sustainability of the Universal Postal Service and employment levels in a changing postal sector increasingly threaten to influence the regulatory environment of express delivery services. The European Commission's declaration emphasising the differences between express and universal postal services will considerably reduce the risk that express delivery services may have to contribute directly into future compensation schemes financing the Universal Postal Service in Europe when EU Member States start implementing the requirements of the EU Postal Directive 2008/6/EC. In several Asian countries, among which China and India, work on the reform of the postal regulatory framework has continued. TNT closely monitors these developments to secure a level playing field for competitive express delivery services in these markets.

The increased attention to the impact of road and air transport on air quality levels and the process of global warming continues to shape the regulatory environment for Express. Policy makers have been responding by a wide variety of regulatory initiatives, like the inclusion of aviation in the EU's Emission Trading Scheme as of 2012. Another example is the introduction by local authorities throughout the world of tax and other schemes managing the access of Express vehicles used for pick-up and delivery in city centres. In addition to closely monitoring these developments, TNT is responding proactively, amongst others in the framework of its Planet Me initiative.

Customs regulation

Effective as of 1 January 2008, the EU's Authorised Economic Operator (AEO) programme increased border control, with the aim of securing the international supply chain and modernise customs procedures within the EU. The AEO status recognises safe, secure and customs compliant business partners in international trade. On 16 April 2008, the AEO status was granted to TNT Post, being the first EU postal operator with the AEO status.

TNT also received its accreditation for the AEO status for its customs related Express services operations in five EU countries. TNT is monitoring AEO certification programmes in other parts of the world under TNT's Global Customs Programme with a view to further global accreditations. TNT is also involved in the exploitation of World Customs Organisation mutual recognition to create longer term 'green lanes' for strategic major trade routes.

TNT Fashion Group received its accreditation for the AEO status in the Netherlands.

Public procurement

Public procurement is the purchase of goods, services and public works by governments. Public sector procurement must follow transparent, open procedures ensuring fair conditions of competition for suppliers. Currently, TNT does not have an obligation to tender resulting from any public procurement regulation.

On 2 February 2004, the EU adopted a package of amendments to simplify and modernise its public procurement directives. Those directives impose EU-wide competitive tendering for public contracts above a certain value and transparency and equal treatment for all tenders to ensure that the contract is awarded to the tender offering the best value for money. The new Directive 2004/17/EC of 31 March 2004, coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors, also applies to certain postal and non-postal activities that are not exposed to competition. However, this Directive left the Member States the possibility of postponing the application of the Directive on postal services until 1 January 2009. The Netherlands exercised this option. TNT was therefore not subjected to the Directive in the Netherlands until 1 January 2009.

Competition law

TNT is subject to competition rules in the jurisdictions in which it operates. The most relevant rules stem from:

European competition law

The European Court of Justice has explicitly confirmed that the rules of EU competition law also apply to the national mandatory postal services of the Member States. The EU published a Notice in 1998 describing the application of competition rules to the postal sector and on the assessment of certain state measures. In particular, TNT is subject to the competition rules contained in articles 81 and 82 of the EC Treaty and to preventative control of mergers and acquisitions as regulated in the EC Merger Control Regulation. Article 81 prohibits collusion between competitors that may affect trade between Member States and which has the objective of restricting competition within the EU. Article 82 prohibits any abuse of a dominant position within a substantial part of the EU that may affect trade between Member States. National competition authorities and national courts have been empowered to apply Articles 81 and 82 in full in close operation with the European Commission in order to ensure the effective and uniform enforcement of these competition rules.

TNT is also subject to the competition rules laid down in the Agreement of the European Economic Area (EEA), which corresponds to the rules of EU competition law. The EEA rules for competition are enforced by the European Commission and the EFTA Surveillance Authority.

Dutch competition law

The services TNT provides in the Netherlands, including the mandatory postal services, fall within the scope of the Dutch Competition Act. This Act stipulates a similar structure and set of rules as the rules of EU competition law on the prohibition of cartels, the prohibition of abuse of a dominant position and the preventive control on mergers and acquisitions. Compliance with the Dutch Competition Act is monitored by the Dutch Competition Authority, which is commonly called by its Dutch acronym NMa.

INVESTOR RELATIONS, SHARES, DIVIDEND AND SHAREHOLDER RETURNS

General

TNT aims to explain its strategy, business developments and financial results to investors. The CFO has the principal responsibility for investor relations, with the active involvement of the CEO. The Investor Relations department organises presentations for analysts and institutional and retail investors, which can be viewed on the company's corporate website.

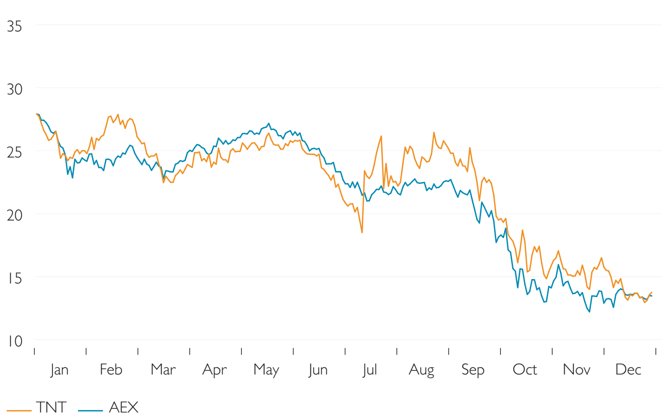
TNT's policy is to provide shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the Board of Management on the one hand and the press and analysts on the other are carefully handled and structured. The company will not compromise the independence of analysts in relation to the company and vice versa. Briefings on quarterly results are given either via group meetings or teleconferences and are both accessible by telephone and via the corporate website. Briefings are similarly given to update the market after each quarterly announcement. Briefing meetings with institutional shareholders may be held to ensure that the investment community receives a balanced and complete view of the company's performance and the issues faced by the business. In addition, TNT communicates with all of its shareholders and investors through the publication of the annual report, general meetings of shareholders, newsletters, press releases, and the company's corporate website. Analyst meetings can be viewed by shareholders via webcasting. The corporate website provides all relevant information with regard to dates of analyst meetings and procedures concerning webcasting. Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the company. For further information visit TNT's corporate website: group.tnt.com.

TNT does not pay any fee(s) to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports, with the exception of credit rating agencies.

The Board of Management has adopted investor relations and media guidelines with which all members of the Board of Management must at all times abide unless explicitly exempted by the CEO.

Relative performance to Euronext Amsterdam (AEX)

2008



Source – Bloomberg Professional (own currency based)

Contacts with the capital markets are dealt with by the members of the Board of Management, TNT's investor relations professionals and, from time to time, other TNT personnel specifically mandated by the Board of Management.

The corporate website provides all information that is required to be published as well as access to shareholders' circulars required for any approvals sought from the general meeting of shareholders.

The corporate website provides a summary of the resolutions of the general meetings of shareholders. The votes cast in relation to all resolutions are disclosed to the persons attending the meeting and the results of the voting are also published on this website.

TNT is included in the AEX index, which normally consists of the top 25 companies in the Netherlands, ranked on the basis of their turnover in the stock market and free float.

In 2008, 642 million TNT shares were traded on Euronext Amsterdam (2007: 611 million).

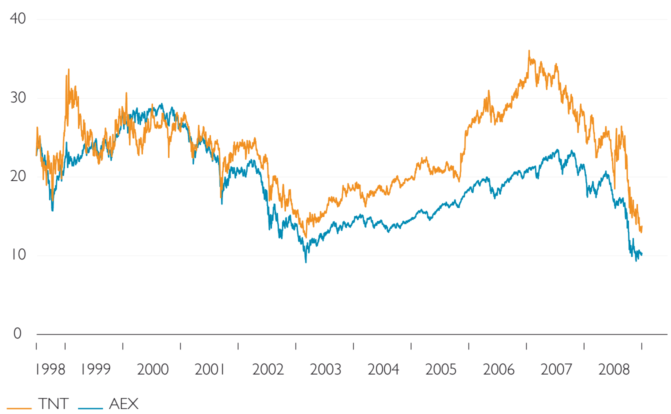
Share performance

	2008	2007
Stock price (in €)		
High	**27.92**	36.08
Low	**12.95**	25.67
Close	**13.76**	28.25
Earnings per outstanding share (in € cents)	**152.9**	257.4
Dividend (in € cents)[1]	**71.0**	85.0
Dividend pay-out ratio (as a %)[1]	**46.4**	33.0
Dividend yield (based on closing rate for the year)	**6.18**	3.01
P/E Ratio	**8.44**	10.98
Number of issued ordinary shares at year end	**360,021,821**	379,224,255
Stock market capitalisation (in € billions)	**4,954**	10,713
Adjusted stock market capitalisation (in € billions)[2]	**4,939**	10,467

1 – For 2008 this includes the cash dividend and proforma value of the proposed stock dividend.
2 – Adjusted for shares held at year end by the company for cancellation / coverage of share plans.

Relative performance to Euronext Amsterdam (AEX)

1998-2008



Source – Bloomberg Professional (own currency based)

Relative performance to Euronext Amsterdam (AEX)

since start of Focus on Networks strategy

Source – Bloomberg Professional (own currency based)

Form of shares

	Number of shares	Percentage of outstanding ordinary shares
Bearer shares	348,832,900	96.89%
Non-ADS registered shares	1,603	
ADSs[1]	11,188,921	3.11%

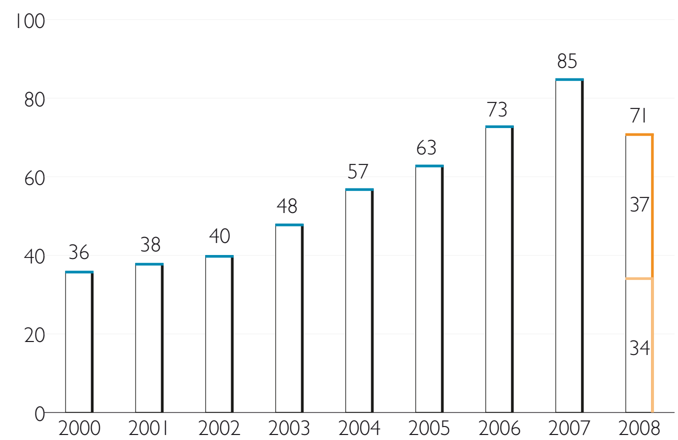
1 – Held by approximately 34 holders on record. Since some shares are held by brokers and other nominees for their clients, this number may not be representative of the actual number of ordinary shares held by US residents or of the actual number of US resident beneficial holders of ordinary shares.

Dividend TNT

TNT tries to meet shareholders' return requirements long term through growth in the value of the company, and short term through dividends and, incidentally, tax exempt share repurchases or other returns from excess cash. Following its dividend guidelines, TNT intends to pay interim and final dividends annually in cash and/or in shares. The TNT Reserves and Dividend Guidelines can be viewed on TNT's corporate website. In 2007, TNT announced its intention to increase the dividend pay-out from around 35% over 2006 of normalised net income to around 40% by 2010, barring any unforeseen circumstances. Normalised net income is defined as profit attributable to the equity holders of the parent adjusted for significant one-time and special items.

Dividend TNT per share

in € cents



2008 includes the cash dividend and pro forma value of the proposed stock dividend

Share capital and shares

TNT's authorised share capital is divided into 1,600,000,000 shares of €0.48 each and consists of 800,000,000 ordinary shares and 800,000,000 preference shares B. On 31 December 2008, 360,021,821 ordinary shares were issued and outstanding and no preference shares B were issued and outstanding. For more information on TNT's equity, see note 9 to the consolidated financial statements of TNT N.V.

Repurchase of shares/share buy-back programmes

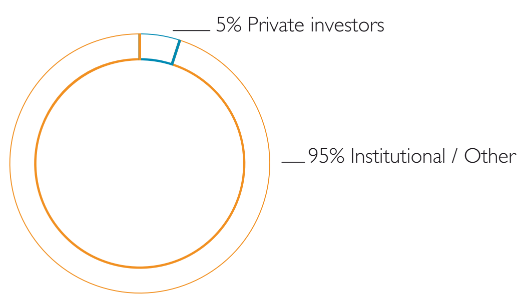
In 2008, TNT repurchased 12.2 million shares, representing €306 million. All these shares have been cancelled.

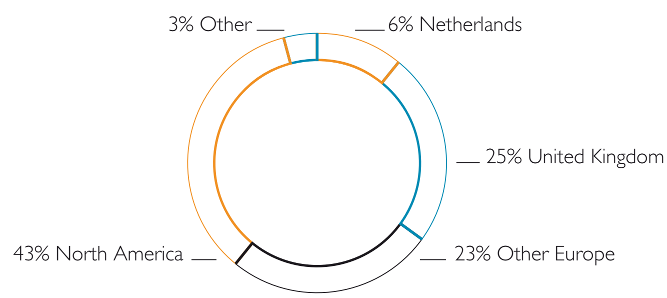
For further information on the repurchase of shares in 2008, see note 9 to the consolidated financial statements.

Major shareholders

Since most of the ordinary shares are in bearer form, the analyses of shareholdings by region and investor type are estimates based on the limited information available to TNT through market sources. These estimates as of 31 December 2008 and expressed as a percentage of total shares outstanding (excluding shares held by the company) on that date are:

Distribution of shares





The Financial Markets Supervision Act (*Wet op het financieel toezicht*) imposes a duty to disclose percentage holdings in the capital and/or voting rights in the company when such holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Netherlands Authority for the Financial Markets (AFM) without delay. The AFM then notifies the company.

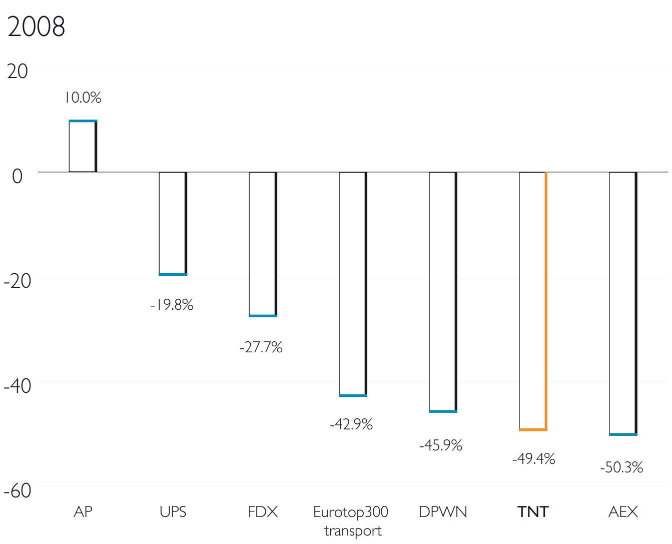
On 4 March 2008, TNT received notification from the AFM that it had received disclosures under the Netherlands Financial Markets Supervision Act of a substantial holding in the company of 5% by Lansdowne Partners Limited. On 25 July 2008, TNT received notification from the AFM that it had received disclosures of a substantial holding in the company of 6% by Allianz SE, which was subsequently reduced to close to 0% as of 30 July 2008. On 4 August 2008, TNT received notification from the AFM that it had received disclosures of a substantial holding in the company of 5% by UBS AG, which was subsequently reduced to below 5% as of 8 August 2008.

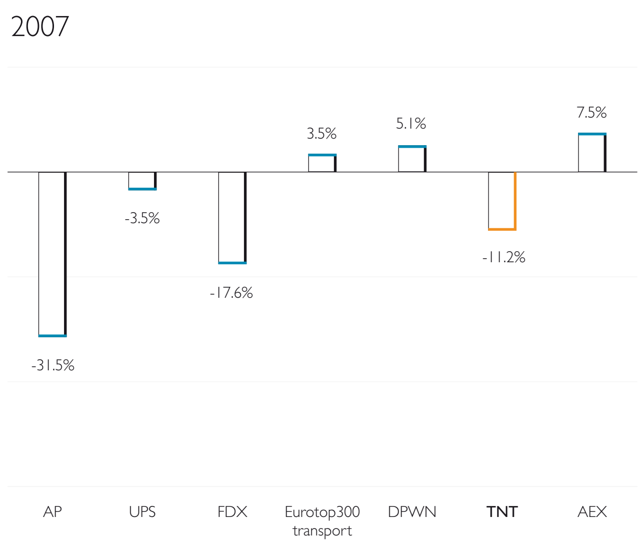
Other information

Peer group Total Shareholder Return comparison

For comparative reasons, the company has defined a peer group of publicly listed companies with activities in similar industries in which TNT is active. This peer group consists of Deutsche Post World Net (DPWN), Oesterreichische Post (AP), FedEx (FDX) and UPS. The comparative performance in terms of total shareholder returns in 2007 and 2008 is charted below.

Total shareholder return

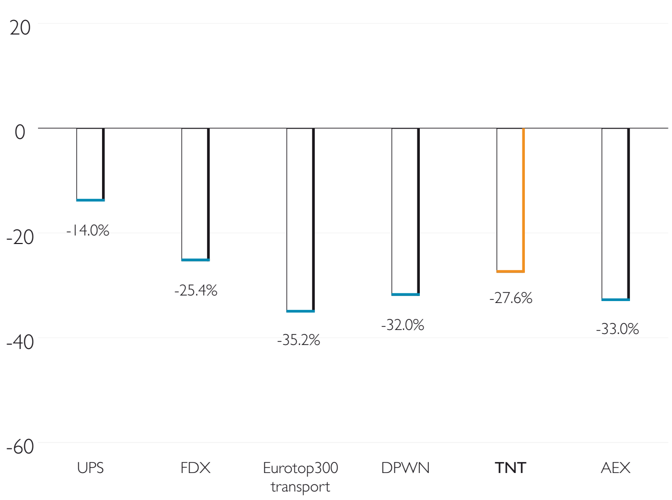




source: Bloomberg Professional (own currency based)

Total shareholder return

since start of Focus on Networks strategy



source: Bloomberg Professional (own currency based)

Publications

Share is a quarterly magazine distributed to 13,000 individual shareholders and other interested readers. This magazine and other publications can also be viewed and ordered through the corporate website.

Websites

For the latest and archived press releases, corporate presentations and speeches, current share price and other company information such as TNT's online annual report and interim reports, please visit the corporate website at group.tnt.com. TNT also invites you to visit the sites of TNT's two main trading brands: www.tnt.com and www.tntpost.nl. The information on these websites does not form part of this annual report.

TNT investor relations

Through the company's investor relations activities, TNT aims to provide shareholders with accurate and timely information. TNT proactively and openly communicates with institutions and private investors and with intermediary groups such as analysts and financial journalists.

In addition to the quarterly, half-yearly and yearly result presentations, TNT maintains regular contacts with financial analysts and retail and institutional investors through meetings, road shows, conference calls and company visits. In 2008, TNT visited investors in major financial cities in Europe, the United States and Asia.

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Telephone: +31 20 500 6455
Fax: +31 20 500 7515
Email: investorrelations@tnt.com
Internet site: group.tnt.com

Financial calendar for 2009

Financial calendar for 2009

16 February	Publication of 2008 fourth quarter and full year results
8 April	TNT annual general meeting of shareholders
14 April	Final ex-dividend listing
21 April	Dividend payment date
4 May	Publication of 2009 first quarter results
27 July	Publication of 2009 second quarter and half year results
28 July	Interim ex-dividend listing
4 August	Interim dividend 2009 payment date
2 November	Publication of 2009 third quarter results
3 December	Analysts' Meeting

RISKS

Risk environment and response 2008/2009

TNT's Focus on Networks strategy has positioned the group as a market leading – road based – Express networks operator in Europe and key emerging markets globally, as well as a leader in the postal industry. The implementation of TNT's business and financial strategies is not without risk. The Board of Management however believes that these strategies contain manageable execution risks as they are based on TNT's core strengths. As described in chapter 7, TNT's comprehensive risk management and internal control, integrity and compliance framework has been designed to identify and prioritise principal key risks and to develop mitigating actions and has as its foundation the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management – Integrated Framework (2004).

During 2008 the global economy entered into a severe recessionary phase, accompanied by significant uncertainty in financial markets, deepening in Europe particularly in the second half of the year.

This sharp change in the economic environment has had a substantial impact on the results of the Express division. Volumes, overall and in particular in the premium express market in Europe, decreased and are well below levels over 2007. TNT assumes continuing pressure on Express volumes in 2009.

Although TNT Mail is considerably less sensitive to economic cycles, it is preparing its operations for higher levels of volume decline, largely resulting from expected increased substitution in the Dutch mail market. Although within the recent decision of the Dutch government not to fully liberalise the mail market on 1 January 2009, the need for balanced postal sector labour conditions and a European level playing field is consistently reflected, a government decision to liberalise the postal market in the Netherlands during 2009 is still possible. Such decision might put further pressure on TNT's mail volumes and competitive position.

TNT is adapting and aligning its strategic short and medium term focus areas to strengthen the company through the recessionary phase in the global economy, whilst remaining alert to new growth opportunities provided by its strong platforms.

The short term severe economic downturn requires the Express business to protect revenue and margin levels. TNT Express has implemented and is preparing a full range of measures to reduce costs significantly in all areas of operations, including air and road platforms on a response to expected sharply declining volumes.

The Mail business has prepared and is preparing its operations for a volume decline from around 4% in 2008 to around 6% over the years to come as a result of higher levels of substitution and competition. As already disclosed in chapter 5 of this annual report, Master Plans II and III will continue to adapt the organisation and cost structure in 2009-2010 and the years thereafter.

TNT's financial standing as per ultimo 2008 is solid and based on a balanced and long term secured funding position. TNT will continue to focus on sustaining its good financial standing going forward by, amongst others, strict business performance and cash flow management, which will include targeted reductions in working capital and capital expenditures. In addition, real estate will continue to be sold, provided market conditions enable this to be realised close to normal market values. TNT maintains its policy to retain a BBB+ credit rating.

On 4 December 2008, TNT announced targeted structural cost savings totalling €270-330 million in the period 2009-2010. As part of this total, TNT Express targets total structural savings of €170-210 million to be realised in full in 2010, of which €90-125 million are to be achieved in 2009. In addition, TNT Express will be ready to implement further volume dependent contingencies up to an amount of €120 million savings in 2009.

TNT Mail will continue in 2009 the implementation of its current Master Plans and start a new Master Plan. The targeted savings are €60-70 million in 2009 plus a further €40-50 million in 2010. These savings could be enhanced as a result of the full impact of a successful finalisation of the current collective labour agreement negotiations that aim to establish salary costs for its operations that are more in line with standard market practices. A new Master Plan III will be launched for the period from 2011 onwards, which aims at achieving €200 million in recurring cost savings amongst others based on making flexible delivery models and structures and a higher level of part time labour.

TNT indicates a level of provisions for these cost optimisation initiatives in the period 2008–2010 of €125–200 million and possible impairments up to €150 million. The indicated range of provisions excludes the possible impact of successful collective labour agreement negotiations, which will result in savings related to labour costs being achieved at an earlier stage.

These cost savings and financial targets are subject to revision if the macroeconomic and business situations change during 2009 beyond developments currently assumed.

Principal key risks

Whilst continuous emphasis has been placed on the identification of risks at all levels of the organisation and the development of mitigating actions, the constant changes in the environment in 2008 have made it challenging to keep abreast of the rapidly evolving situation. During 2008, the risk profile within TNT changed significantly with many previously reported inherent risks becoming specific within a very short period of time. TNT management has reviewed the risk profile regularly throughout the year and will continue to do so during 2009.

Understanding risks is a vital element of TNT's management decision making processes. However it is not a means to an end but a process to support management. No matter how good a risk management and control system may be, it cannot be assumed to be exhaustive nor can it provide certainty that it will prevent negative developments in TNT's business and business environment from occurring. It is important to note that new risks could be identified that are not known currently and that any of the following known risks could have a material adverse effect on TNT's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this annual report.

Specific key risks in 2009

The Board of Management has reviewed TNT's risk profile and confirms that the following specific key risks require focused and decisive management attention in the short term.

Sharp volume declines and shifts in customer preferences from premium to economy products in TNT Express which are amongst others directly related to the declining macroeconomic situation can lead to the need to further rationalise TNT's Express operations and the air and road networks.
Although the Express division has a significant proportion of its operational costs outsourced there remains a risk that continued sharp volume declines and shifts in customer preferences as a result of the macroeconomic downturn would require TNT to materially rationalise its air and road networks and product offering to keep abreast of falling revenues and increasing costs. In particular the shift from premium international express next-day product to international economy day-certain products might significantly change the profit mix as well as the cost mix. Where the premium product has a relatively small part of total volumes with a relatively large share in total revenue a sharp volume decrease would only give limited short term opportunities to cost adaptation in the fixed air and road network. If premium products would decline sharply with other volumes only slightly increasing this would already result in very limited cost adaptation in the networks. In this context TNT is implementing large structural and variable cost savings programmes to protect margin and profit levels. If the speed of implementation of these cost savings is slower than planned or if TNT Express cannot keep up with the speed of the declining GDP and resulting drops in volume, then this would significantly influence Express profits and profitability.

The loss of key customers/suppliers due to insolvency/bankruptcy in a worsening macroeconomic environment or significant further decline in volumes could have a significant impact on TNT's cash flows and operational capabilities.
TNT's larger customers in both Express and Mail could be affected by the worsening macroeconomic situation to the extent that they have to file for bankruptcy. This would have an effect on TNT's operational planning and could negatively impact the volume on which TNT's cost savings are based. This could also result in bad debts which would have to be written off. TNT's business model in both divisions is also dependant upon the extensive use of subcontractors and other key suppliers. Bankruptcy of key subcontractors and other suppliers could result in operational disruption and TNT's ability to offer its full range of delivery solutions.

The further liberalisation of the Dutch and EU postal markets could adversely affect TNT's revenues and profitability.
The process of liberalisation of the postal market within the Netherlands, which began in the late 1980's, is continuing. Pursuant to the EU Postal Directive, as of 1 January 2006 the restriction that reserved the provision of letters up to 100 grammes exclusively to TNT (the reserved postal services) was reduced to 50 grammes. On 13 April 2006 the Dutch government decided to fully liberalise the postal market in the Netherlands in 2008 on the condition that there is a "level playing field" with the British and German postal markets. The Dutch government also agreed upon the proposal for a new Dutch Postal Act. The proposal for a new Dutch Postal Act followed the vision of the Dutch Minister of Economic Affairs on the postal market in the Netherlands, which was published in 2004. As discussed in greater detail in chapter 11 of this annual report, this new Dutch Postal Act addresses a number of issues that are directly relevant to TNT's business, including price controls and the scope of the mandatory postal services. On 5 June 2007 the Dutch Second Chamber of Parliament adopted the new Postal Act. The Postal Act will have to be approved by the Dutch First Chamber of Parliament before it enters into force. The enactment date is dependent on the condition of a level playing field in real terms at the postal markets of Germany and the United Kingdom, as well as on acceptable employment conditions at the new postal operators in the Netherlands. From December 2007, the Dutch junior Minister of Economic Affairs made use three times of the so-called "emergency-brake procedure" when liberalisation was postponed, lately as of 1 January 2009. The Minister based his decisions on two arguments. Firstly, the lack of clarity about the level playing field in Germany and secondly, the ongoing discussion in the Netherlands on labour conditions. The new Dutch Postal Act may adversely affect TNT's business, revenues and profitability. For example, a possible expanded role for OPTA, the Supervisory Authority for Post and Telecommunications in the Netherlands, in controlling TNT's price determination for downstream access for competitors might have an adverse effect on TNT's competitive position.

On 20 February 2008 the EU published a new Postal Directive 2008/6/EC to amend Directive 97/67/EC as amended by Directive 2002/39/EC. This latest Directive confirms liberalisation as of January 2011. Derogation is given to 11 Member States to open up their market as of January 2013. The reserved area as a financing mechanism for mandatory postal services is abolished, while allowing for a wide variety of other methods, such as tendering, public funds and compensation funds. The new Directive also leaves the Member States the discretionary powers to decide upon the scope of the mandatory postal services. The new EU Postal Directive may adversely affect TNT's European Mail Networks business. For example, if the new EU Postal Directive provides for insufficient guarantees, Member States can abuse national Universal Service Obligation regulation to protect their national operators. TNT's Mail business could therefore be adversely affected by transposition and implementation of the EU Postal Directive into national postal legislation as well as by non-postal national legislation that might in practice affect the emergence of competition in the postal market. An example of this is the introduction of an artificially high minimum wage in the German postal sector that could effectively function as a barrier to competition.

A downturn in the capital markets and/or a decline in interest rates may increase the discounted present value of TNT's defined benefit pension fund liabilities, which in turn could require significant additional funding by TNT.
TNT's main Dutch "defined benefit pension fund" has total assets of over €3.8 billion, some of which are funded by investments held in equities with a view to benefiting from capital appreciation. The value of these securities may be volatile and a downturn in the capital markets could significantly reduce the value of these assets. In addition a decline in interest rate may increase the net present value of TNT's pension liabilities. Should the coverage ratio of assets divided by liabilities fall below the minimum funding requirements prescribed by De Nederlandsche Bank (DNB), TNT will be required to increase contributions to the funds. If the assets were to lose a substantial amount of their value or if, as a result of a decline in interest rates, TNT's liabilities would substantially increase, or both, TNT might be required to make large additional payments into the funds, which could adversely affect liquidity over a number of years.

As a result, TNT's main pension fund was around €500 million below the minimum funding requirements on 31 December 2008. The pension fund will have to submit a recovery plan to DNB before 1 April 2009. This recovery plan needs to outline measures on how the pension fund will restore minimum funding requirements within the three-year time frame as currently prescribed by Dutch pension law. In addition, such a plan will have to outline how the coverage ratio will reach the required level of around 120% within a timeframe of 15 years, subject to the risks involved in the pension fund's asset portfolio.

Such a plan is the responsibility of the pension fund, which still has to decide upon its course of action. Since the employer's position and the outcome of current collective labour agreement negotiations are unknown as yet, the exact financial impact for TNT is still uncertain. However, the required additional employer cash contribution to the pension fund may have a material cash impact on TNT. This is estimated at around €140 million in 2009 in addition to the usual annual employer contribution of around €100 million.

Measures taken to reduce costs, including employee redundancies, may not achieve the results intended and could adversely affect TNT's employee relations, reputation, revenues and profitability.
The cost saving targets and initiatives in TNT's press release of 4 December 2008 are based on assumptions and expectations which may not be valid if the economic environment worsens. It may therefore be necessary for TNT to restructure, redesign or integrate as necessary, various aspects of the company's operations in an effort to achieve additional cost savings, flexibility and other efficiencies. In addition, restructuring of operations and other cost reducing measures may not achieve the results intended and may invoke restructuring and other costs and changes to TNT that adversely affect revenues and profitability. The TNT Post Master Plans may require forced employee lay-offs which may damage TNT's employee relations and reputation in the employment market. If TNT is not able to reach agreement with trade unions on these Master Plans, profitability could suffer due to delays in or not reaching planned savings.

A downgrade in TNT's credit rating may increase TNT's financing costs and harm TNT's ability to finance its operations and acquisitions, which could negatively affect revenues and profitability.
Developments and trends in the world economy can have a material adverse effect on TNT's financial condition and/or results of operations and cash flows which in turn may result in a downgrade of the credit ratings. A downgrade in TNT's credit rating may negatively affect the company's ability to obtain funds from financial institutions, retail investors and banks. It may also increase TNT's financing costs by increased interest rates on outstanding debt that includes a step-up in interest rates in case of a rating downgrade or may negatively affect the interest rates at which TNT is able to re-finance existing debt or incur new debt. On 29 August 2007, S&P lowered its corporate credit ratings on TNT to "BBB+" long-term/"A2" short-term with stable outlook from "A–" long-term/"A-2" short-term with a negative outlook (such ratings having been issued by S&P on 10 March 2006). On 26 November 2008 Moody's changed the "stable" outlook on the "A3" rating of the issuer rating and senior unsecured debt ratings of TNT N.V. to "negative". This "A3" rating with "stable" outlook was issued on 27 March 2006. On that same date also the Commercial Paper rating of TNT Finance B.V., a 100% owned and guaranteed finance subsidiary of TNT, changed from Prime-1 to Prime-2 and has been stable since.

Additional specific and inherent key risks

In addition to the specific key risks requiring focus and attention in 2009, TNT also has other risks which require ongoing monitoring and management. These additional risks are described below and have been classified by the risk categories as defined by COSO – ERM and the categories also recommended by the Corporate Governance Code Monitoring Committee. The risks are further classified into specific risks and inherent risks facing TNT. Specific risks are risks that the Board of Management believes could negatively impact TNT's short to medium term objectives, whilst inherent risks are those risks that are constantly present in the business environment, but which are considered sufficiently material to require disclosure and management. The sequence that these risks are presented in no way reflects any order of importance, chance or materiality. The Board of Management believes that this approach is comprehensive and prudent given the shift seen over 2008 with many inherent risks, particularly business and finance risks which have a direct correlation with macroeconomic factors, becoming specific.

Strategic risks

Specific strategic risks

Minimum wage legislation in Germany for the postal sector could adversely affect TNT's ability to grow its Mail business outside the Netherlands.
TNT challenged the German government regarding the minimum wage, as it considered this minimum wage unconstitutional. In its judgement of 7 March 2008, the administrative court in first instance (*Verwaltungsgericht*) held that the mandatory €9.80 minimum wage is invalid. The German government filed an appeal against that decision with the administrative court in second instance (*Oberverwaltungsgericht*). On 18 December 2008, the *Oberverwaltungsgericht* confirmed the decision of the court in first instance. However, the court also ruled that TNT's claim, being one of three claimants, was not admissible and referred TNT's claim to the labour courts. It is likely that TNT will file an appeal against the inadmissibility of its claim, because the decision of the court on TNT's inadmissibility is not in line with recent jurisprudence as to claims of this nature.
The German government filed a further appeal (*Revision*) against the decision to the Federal Administrative Court (*Bundesverwaltungsgericht*) in Leipzig.

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 since it would seriously jeopardise the liberalisation of the German mail market and TNT's ability to build a sustainable profitable business. Similar barriers in national mail markets elsewhere could severely hamper TNT's successful implementation of its strategy in the European mail market.

The acquisition and integration of acquired businesses involves significant challenges and costs and may not be successful, which could adversely affect TNT's revenues and profitability.
TNT has entered into and will from time to time continue to enter into (significant) acquisitions because growth through acquisitions remains a key element of TNT's Focus on Networks strategy.

TNT's acquisition plans are supported by multi-year cash flow and profit projections identifying value creation opportunities based on sustainable profitable growth. The plans are carefully developed using the best possible analysis and judgement. The acquisition plans are discussed, where appropriate, with the Supervisory Board in detail prior to approval. These plans, however, are inherently uncertain and provide execution and market risks which might have been overlooked or incorrectly forecasted.

The integration of acquired businesses creates a requirement for change in both the acquired businesses and the TNT organisation, which leads to uncertainty. The integration of the companies TNT has acquired normally results in significant challenges and change related costs. The uncertainty and culture differences, as well as the demands on management and resources to achieve the integration of the newly acquired businesses result in a risk that the integration is not, or is only partly successful and TNT's growth strategy may be delayed, or not be successfully achieved.

If an existing, or future integration effort is delayed, or is not successful, TNT may incur additional costs. The value of the investment in the acquired company may decrease significantly and have an adverse effect on TNT's revenues and profitability.

Changes in market conditions and/or relationships with TNT's joint venture partners may require TNT to revise its strategies, which could adversely affect TNT's profitability.
Changes in market conditions may lead TNT to revise the strategies in which joint ventures were concluded. Revised strategies may lead TNT to demerge these businesses or end these joint ventures. The resulting employment reduction or other significant restructuring costs could impact TNT's profitability.

Inherent strategic risks

The increasing substitution of alternatives for TNT's Mail delivery services could reduce the revenues and profitability of TNT's Mail business and adversely affect TNT's revenues and profitability.
TNT's Mail business is an integral part of TNT's total business and during 2008 represented 38.1% of TNT's group operating revenues and 55.1% of TNT's group EBITDA. TNT's postal Mail business delivers information such as letters and bank statements as well as printed matter such as direct mail and periodicals. Technologies such as e-mail and internet (e.g. electronic banking) can be used to send or make available such information faster and, in many cases, at a lower price than traditional mail services. Due to increased substitution, among other factors, traditional mail volumes in the Netherlands have decreased in recent years, and TNT expects this downward trend in mail volumes to continue or even deepen in the coming years. An increase in the use of these substitute technologies would likely result in a further decrease in the use of TNT's traditional mail services. If substitution continues on a large scale, it could adversely affect the volumes, revenues and profitability of TNT's Mail business and the company as a whole.

Operational risks

Specific operational risks

TNT depends on a number of infrastructure facilities for which the group has limited or no comparable back-up facilities, so if operations were disrupted at one or more of these facilities, TNT's revenues and profitability and business operations would suffer.
A portion of TNT's infrastructure is concentrated in single locations for which there are limited or no comparable back-up facilities or very expensive fall-back scenarios in the event of a disruption of operations. An example of this is the TNT European Express air hub in Liège, Belgium. The operation of the TNT facilities involves many risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as airplane crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure. If there was to be a significant interruption of operations at one or more of the company's key facilities and operations could not be transferred or only at very high costs to other locations, TNT might not meet the needs of its customers, and business and operating results would be adversely affected.

Incidents resulting from the transport of hazardous materials and confidential consignments or a major incident involving TNT's sorting centres, warehousing facilities, air or road fleet may adversely affect the group's revenues, profitability, reputation and share price.
TNT transports hazardous materials for a number of customers in the automotive, biomedical and chemical industries. The hazardous consignments include airbags, batteries, paint, blood samples, medical substances, dry ice, and chemicals. As part of TNT's Mail services, the company may also transport hazardous or dangerous goods without having been notified about the nature of the goods transported. TNT faces a number of risks by transporting these materials, such as personal injury or loss of life, severe damage to and destruction of property and equipment, and environmental damage. Incidents involving these materials could result from a variety of causes including sabotage, terrorism, accidents or the improper packaging or handling of the materials.

In addition, TNT transports confidential and sensitive consignments on behalf of some of its customers. TNT does not always know the confidential and sensitive nature of these consignments and customers may choose to enter consignments into TNT's network without registering the consignment with the result that they cannot be tracked and traced.

If a significant incident occurred involving the company's handling of dangerous and hazardous materials or if confidential consignments got misplaced or lost, TNT's operations could be disrupted and the company could be subject to a wide range of additional measures or restrictions imposed on the company by local or governmental authorities as well as potentially large civil and criminal liabilities. This could negatively affect the group's revenues and profitability. A significant incident, particularly a well-publicised incident involving potential or actual harm to members of the public, could also damage TNT's reputation.

As an owner and operator of a large air and road fleet, TNT is involved in activities which expose the company to liability in the case of a major air or road incident, not only for employees, facilities and third party property, but also for the general public. An incident involving the company's aircraft or vehicles could cause significant loss of life and property and could adversely affect TNT's revenues, profitability, reputation and share price.

TNT may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and negatively affect TNT's revenues and profitability.
In order to maintain market position and future growth, TNT must make on-going investments in infrastructure such as aircraft, trucks, and depots. Infrastructure investments are based on forecasts of future capacity requirements. It may be difficult to forecast accurately for future requirements, since they are based on a large number of factors, including factors beyond the direct control of TNT management and in particular the changing macroeconomic conditions and changes in governmental regulation. As a consequence, there may be a mismatch between investment and actual requirements. If TNT underestimates the group's future capacity requirements, it will not be able to meet the needs of customers and could lose business, market share, revenues and profits. If TNT overestimates future needs, or if major contracts are cancelled by customers, it may experience costly excess capacity and this could adversely affect profitability.

Inherent operational risks

Strikes, work stoppages and work-slowdown by TNT's employees and the terms of new collective labour agreements could negatively affect TNT's revenues and profitability.
The success of TNT's business also depends upon avoiding strikes, work stoppages and work slow-down by TNT's employees. Industrial action by large trade unions or even relatively small, but key groups of TNT's employees, such as airline pilots, could seriously disrupt TNT's operations. Industrial action may occur for reasons unrelated to TNT's collective labour agreements with a particular trade union or group of employees. For example, TNT's employees may refuse crossing picket lines established by other trade unions of other companies. The collective labour agreement, affecting approximately 57,000 employees in the Netherlands, is subject to a renewal in April 2009. If TNT is not able to renew this agreement or other key agreements with its employees, and a strike, work stoppage or work slow-down occurs, TNT's revenues and profitability could be adversely affected.

TNT's business may be negatively affected by the terms of collective labour agreements that TNT concludes with its employees. These terms could include increases in compensation and employee benefits, and less flexible work processes and conditions than those of TNT's competitors, and limitations on future work force reductions and other factors that make TNT's workforce less mobile. TNT's profitability could suffer if TNT is not able to conclude collective labour agreements on satisfactory terms with its employees.

Increased security and anti-terrorism requirements could impose substantial additional costs on TNT, especially at TNT Express.
As a result of increased concerns about global terrorism and aviation security, governments and airline operators around the world are adopting or are considering adopting stricter security requirements that will increase operating costs for businesses, including those in the transportation industry. For example, of recent years the EU has increased the security requirements for air cargo, which has many implications on customs clearance processes. In addition, many aviation regulators around the world are proposing mandatory use of x-ray screening equipment. It is not possible to fully determine the effect that these new rules or changed policies will have on TNT's cost structure or its operating results. It is possible that these rules or other future security requirements for air cargo carriers could impose material costs on TNT.

TNT faces risks related to health epidemics and other outbreaks of contagious diseases, including pandemic influenza, avian influenza and SARS.
TNT's business could be adversely affected by the effects of avian influenza, SARS or another epidemic or outbreak. Since 2005 the World Health Organisation and other health monitoring bodies have reported outbreaks of a highly pathogenic avian influenza, caused by the H5N1 virus, in certain regions of Asia and Europe and there have been reports on the occurrences of avian influenza in various parts of China, Indonesia, Thailand and other South-east Asian countries, including some confirmed human cases. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries. Additionally, any recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected China, Hong Kong, Taiwan, Singapore, Vietnam and certain other South-east Asian countries, would also have similar adverse effects. These outbreaks of contagious diseases and other adverse public health developments would have a material adverse effect on TNT's business operations. These could include TNT's ability to ship consignments or otherwise make deliveries of products originating in affected countries, as well as temporary closure of TNT offices or other facilities. Such closures or travel or shipment restrictions would severely disrupt TNT's business operations and adversely affect its financial condition and results of operations. TNT has implemented measures to develop written preventive procedures and contingency plans to mitigate any future outbreak of avian influenza, SARS or any other epidemic, but the impact of any outbreak is difficult to gauge and these plans may not be fully effective.

TNT's operations and earnings are subject to risks related to the impact of climate change.
TNT believes that concern about climate change will lead to government action and/or regulation that will require the company to further manage emissions from its ground and air fleet. As such, there is a risk to future operations and a compliance risk for existing facilities and TNT's fleet, if the company is not able to demonstrate adequate emissions management. Realisation of these risks could have an adverse impact on operational performance and TNT's financial position.

Legal and regulatory risks

Specific legal and regulatory risks

TNT is exposed to various global and local legal and regulatory risks that may have a material adverse effect on the results of operations and TNT's revenues and profitability.
TNT operates around the globe and provides a worldwide service with facilities in many countries, which means that the company is confronted with complex legal and regulatory requirements in many jurisdictions. These include tariffs, trade barriers and requirements relating to withholding taxes on remittances and other payments. In many of the jurisdictions in which the company operates, in particular emerging markets such as China, India, Brazil and Russia, aspects of the developing legal system (including the ability to enforce contracts, an independent and experienced judiciary, and similar factors) create an uncertain environment for investment and business activity. These risks and complexities will increase in the pursuit of the Focus on Networks strategy to expand operations to new markets. TNT's overall success as a global business depends, in part, on its ability to succeed in different economic, social, political and legal conditions. TNT may not succeed in developing and implementing policies and

strategies that are effective in the locations where TNT's business is conducted. Failure to do so may have a material adverse effect on business operations and on TNT's revenues and profitability.

Inherent legal and regulatory risks

Unfavourable decisions of competition authorities concerning joint ventures, acquisitions or divestments could restrict TNT's growth, strategic progress, profitability and ability to compete in the market for TNT's services.
As a part of TNT's Focus on Networks strategy, from time to time TNT seeks alliances with or acquires shares in companies that complement the company's strategy, or TNT seeks to divest part of its business. Any approval of a joint venture, an acquisition or a divestment of shares or a business by competition authorities may contain certain restrictions or conditions with respect to the intended transaction.

TNT may not be able to implement a transaction as contemplated in compliance with any restrictions or conditions imposed by the Directorate General of Competition of the European Commission or national competition authorities, and these restrictions or conditions may negatively affect TNT's revenues and profitability. If TNT is unable to implement a foreseen transaction under the restrictions or conditions applicable, or if the intended transaction is prohibited, the company may be unable to develop alternative approaches. This would have an adverse effect on TNT's ability to execute its strategy or focus on the company's core business.

Compliance with regulations and the securing of effective flight slot times may result in significant changes to the company's operations and could limit TNT's flexibility in operating its business and negatively affect costs and profitability.
TNT is subject to a wide variety of complex and stringent aviation, transportation, environment, employment and other laws and regulations in the Netherlands, the EU and the other jurisdictions where it operates. Existing regulations are subject to constant revision and new regulations are constantly being adopted. The interpretation and enforcement of such laws and regulations vary and could limit TNT's ability to provide its services in certain markets. It is uncertain whether existing laws and regulations or future regulatory, judicial and legislative changes will have a material adverse effect on TNT, whether national or international regulators, competition authorities or third parties will raise material issues with regard to the company's compliance or non-compliance with applicable laws and regulations, or whether other regulatory activities will have a material adverse effect on its business, revenues and profitability.

In the TNT Express businesses, the division operates various types of aircraft throughout Europe and between Europe and Asia. As a result, TNT is required to comply with a wide variety of international and national laws and regulations. In some of the markets in which the company operates, regulations have been adopted (or proposed) which impose night-time take-off and landing restrictions, aircraft capacity limitations and similar measures in order to address the concerns of local constituencies.

In addition, as the provider of time sensitive delivery services, the TNT Express business needs to secure adequate and effective flight time slots from airport coordination (or other local) authorities in all the countries and airports TNT operates into and out from. The timing or limited availability of these slots could have an impact on the efficient operations of the TNT Express time sensitive air and road networks and could result in penalties for failing to meet the company's on-time delivery service commitments or increased costs for the case where TNT would be obligated to purchase slots from third parties to maintain its service levels.

TNT relies on night-time operations at the air Express hub in Liège, Belgium, for a substantial part of its international Express business. A curtailment of night-time take-offs and landings at any of TNT's key facilities, such as Liège, would likely harm the division's business. Some governments have imposed stringent new security measures on air carriers that could result in additional operating costs. TNT's failure to comply with these measures or the costs of complying with existing or future government regulation, could negatively affect revenues and profitability. In addition, existing or future regulation on transport of goods may negatively affect TNT's ability to perform services to meet customer needs or may increase the costs of providing these services.

The legal concept of limited liability for loss or damage of goods carried by TNT is increasingly being challenged and this may result in increased exposure to claims.
TNT transports goods under the conditions of the international conventions in respect of the carriage of goods by air (the Warsaw Convention) and by road (the Convention on the Contract for the International Carriage of Goods by Road). These conventions contain provisions that limit TNT's liability in the event that TNT loses or damages shipments belonging to its customers. In the past this principle was generally accepted as normal business practice, but in recent years courts and regulators, in an increasing number of jurisdictions, are more sympathetic to allegations of "gross negligence" or "lack of due care", thereby setting aside the principles of limited liability. This trend exposes TNT to more and increased loss and damage claims. TNT has covered this additional exposure by its insurance arrangements. However, if this trend continues it could definitely result in significantly higher insurance costs and thus in increased financial exposure and adversely affect TNT's profitability.

Determination that subcontractors were to be considered TNT employees would affect TNT's current business model, causing operating expenses to rise and net income to suffer.
In various jurisdictions, TNT uses subcontractors to perform aspects of the group's business, such as picking-up and delivering parcels, as is common practice in the transportation industry. In certain jurisdictions, the authorities have brought criminal and/or civil actions alleging that subcontractors or their employees engaged by TNT are to be regarded as TNT's own unregistered employees. If these allegations were upheld by a court, TNT would incur, in addition to criminal sanctions, costs such as social security contributions, wage taxes and overtime payments in respect of such employees. Subcontractors could also bring civil actions seeking the reclassification of subcontractor relationships in employment contracts. If these actions were successful, operating expenses would rise and net income would suffer.

Employee and even (sub)contractor and supplier misconduct could result in financial losses, the loss of clients and fines or other sanctions by the governments of the countries in which TNT does business.
Despite its Integrity Programme, TNT may be unable to prevent its employees from engaging in misconduct, fraud or other improper activities that could adversely affect TNT's business and reputation. Misconduct could include the failure to comply with applicable laws or the TNT Business Principles, or a breach of confidentiality. The precautions taken by TNT to prevent and detect this activity may not be effective. Investigations of suspected fraudulent activity could expose TNT to additional sanctions if an investigation is ineffective or

hampered by local legal restrictions. As a result of employee misconduct, TNT could incur fines and penalties imposed by governments in the countries in which it does business. Any such fines or penalties could lead to adjustments to the financial statements and resulting liabilities which could reduce profitability. In addition, negative publicity in relation to employee misconduct could negatively affect TNT's reputation, harm its ability to recruit employees and managers and reduce revenues.

The same risks apply with regard to misconduct by TNT's (sub)contractors and suppliers. In recent years court and regulators have increasingly held companies liable for acts of their independent (sub)contractors and suppliers. In view of this trend TNT has amongst others communicated the TNT Business Principles to its (sub)contractors and suppliers and is providing training to enhance compliance. However, such communication and training activities and their effectiveness may be impeded or made impossible by the fact that in certain jurisdictions authorities have started actions against TNT alleging that subcontractors or their employees engaged by TNT are to be regarded as TNT's own unregistered employees.

TNT's strategic objectives could be subject to political debate and adverse outcome.
Political decision making could have an adverse influence on TNT's ability to achieve its Focus on Networks strategy and carry out its operations effectively. Postal regulation is often subject to fierce political debate. For instance, the liberalisation of the Dutch postal market seems to go hand in hand with an increase in regulatory and supervisory controls for the national postal operator, TNT Post. Although the general regulatory trend in Europe is towards liberalisation of the postal sector, experiences in Germany and the United Kingdom also show that the political support for de facto liberalisation is tempered by concerns over labour conditions and the sustainability of the Universal Postal Service. In emerging markets like China and India, modernisations of postal regulatory frameworks have a tendency to lead to stricter policies towards mail and express services.

Financial risks

Specific financial risks

Intensifying competition may put downward pressure on prices and could have an adverse effect on TNT's revenues and profitability.
TNT competes with many companies and services on a local, regional, European and international level. TNT's competitors include the incumbent postal operators of other nations in Europe, Asia, Australia and the United States, motor carriers, express companies, logistics service providers, freight forwarders, air couriers and others. TNT expects competition to intensify in the future in all of its core business areas. Targeted, aggressive actions by competitors may negatively impact TNT's prices. In the Netherlands, TNT's present market share in the mail business results from being the former government operated monopoly. TNT expects its market share to erode due to serious competition and, in the longer term, the continuing liberalisation of the Dutch mail regulatory regime. In Europe, TNT continues to face strong competition in both its Mail and Express businesses. TNT's strategy focuses on a differentiated product and price approach and the quality of services related to price rather than on price discounts. Nevertheless, increased competition may force prices for TNT's services down and thus cause TNT's revenues and profitability to decrease.

The trends towards liberalisation of European postal markets may also result in further consolidation within the mail and express businesses as competitors seek to expand into newly opened geographic markets and former state postal monopolies enter into acquisitions or alliances in order to expand the range and geographic coverage of their services. Consolidation within TNT's businesses may result in increased competition and, as a consequence, adversely affect TNT's business, revenues and profitability.

TNT is exposed to currency and interest rate fluctuations that could have an adverse effect on the company's results and financial condition as well as on the comparability of TNT's financial statements.
Part of TNT's total revenues and operating expenses as well as assets and liabilities are denominated in currencies other than the euro. The main sensitivities on revenues can be derived from geographical segmentation as provided in the additional notes to the financial statements.

For the year 2008, for example, around 29% of revenues and around 23% of asset book value is held in countries outside of euro zone Europe. As TNT expands its international operations, it can be expected that an even greater portion of its revenues, costs, assets and liabilities will be denominated in non-euro currencies. The exchange rates between these currencies and the euro may fluctuate substantially. As a result, currency fluctuations could have a material adverse effect on TNT's results and financial condition in any given reporting period and may affect the comparability of TNT's financial statements from period to period.

Management has set up a Group Policy to require all group companies to manage their foreign exchange risk against the functional currency. Group companies are required to hedge material balance sheet exposures via the use of Foreign Exchange (FX) derivatives with the Group Treasury department, whereby a financing company operated by the Group Treasury department, as 'in-house bank' trades these FX derivatives back-to-back with external banks.

Currency exposures can be evaluated at revenue, earnings and balance sheet level. On balance, the most important exposures are in US dollar and British pound.

TNT's revenue in the US and in the United Kingdom is €24 million and €1,445 million respectively. If the euro, on average over the year 2008, had weakened/strengthened 10% against the US dollar compared to the average FX rate for the year, then the 2008 US revenues, with all other variables held constant, would have been approximately €0-5 million lower/higher. Similarly, if the euro on average would have weakened/strengthened 10% against the British pound with all other variables held constant, the revenue would have been approximately €130-160 million lower/higher.

At an earnings level TNT was a net payer of both the US dollar and the British pound. If the euro, on average over the year 2008, had weakened/strengthened 10% against the US dollar compared to the average FX rate for the year, then the 2008 profit before income tax, with all other variables held constant, would have been approximately €15-20 million lower/higher. Similarly, if the euro on average would have weakened/strengthened 10% against the British pound with all other variables held constant, the profit before income tax would have been approximately €0-5 million lower/higher.

In terms of a revaluation of foreign currency assets and liabilities as at 31 December 2008, if as at 31 December 2008, the euro had weakened/strengthened 10%

against the US dollar with all other variables held constant, the profit before income tax would have been €1 million higher/lower. If at 31 December 2008, the euro had weakened/strengthened 10% against the British pound with all other variables held constant, the profit before income tax would have been €0-5 million higher/lower.

Currently no net investment hedges are outstanding. However, significant acquisitions and local debt is usually funded in the currency of the underlying assets. These form a natural hedge against foreign currency cash flow and earnings risks.

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

TNT's Group Policy is to limit the worst case interest cost over a seven year period as a percentage of EBITDA with a statistical 95.0% level of confidence. As at 31 December 2008, if interest rates on debt and deposits had been 1% lower/higher with other variables held constant, the profit before income tax would have been €2 million lower/higher on an annualised basis. Due to the outstanding interest rate swaps, equity would be lower/higherby €11 million had interest rates been 1% lower/higher.

Although TNT generally enters into hedging arrangements and other contracts in order to attempt to reduce the company's exposure to currency and interest fluctuations, these measures may be inadequate or may subject TNT to increased operating or financing costs. See also notes 29 and 30 to the consolidated financial statements of TNT N.V.

A decline in the value of the euro could reduce the value of any investment in TNT and any dividends received.
Since its introduction on 1 January 1999, the value of the euro relative to the US dollar has fluctuated widely. Fluctuations in the exchange rate between the US dollar and the euro will affect the US dollar equivalent of the euro price of TNT's euro-denominated shares, TNT's non-listed American Depositary Receipts (ADRs) and the US dollar value of any cash dividends. If the value of the euro relative to the US dollar declines, the market price of TNT's ADRs is likely to be adversely affected. Any decline in the value of the euro would also adversely affect the US dollar amounts received by shareholders on the conversion of any cash dividends paid in euro on TNT's ADRs.

In more general terms, if an investor has a functional currency that is other than Euro, its investment expressed in its own functional currency is similarly exposed to a decline of the euro against that other currency. Please refer to note 30 of the financial statements

Changes in markets, useful lives of assets and TNT's business plans have resulted and may in the future result in substantial impairments of the carrying value of assets, thereby reducing net income.
Regular review of the carrying value of assets (including intangible, tangible and financial fixed assets) may in the future require TNT to recognise additional impairment charges. Amongst others, events in the markets where TNT conducts its businesses, including current trading, macroeconomical developments, significant declines in stock prices, market capitalisations and credit ratings of market participants, as well as TNT's ongoing review and refinement of its business plans, are elements included in these regular reviews. In addition, TNT recognises increased depreciation and amortisation charges if it is determined that the useful lives of TNT's fixed assets are shorter than originally expected.

Inherent financial risks

The multinational nature of TNT's business could expose the company to uncertainty in effective tax planning and regulatory reviews and audits.
Multinational groups of the size of TNT are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. TNT accounts for its income taxes on the basis of its own internal analyses, supported by external advice. TNT continually monitors its global tax position, and whenever uncertainties arise, TNT assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the company's position and the resulting risk of loss.

With regard to the key risks as mentioned and other risks TNT's insurance policy is based on the conservative approach of retaining frequency losses (self insured) and transferring "catastrophe exposures" to the insurance market.
As frequency losses (such as cargo and vehicle claims) are of an operational and customer service nature, TNT believes that self insurance is the best method to motivate operational units to address the underlying causes of these losses. TNT's total self insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via reinsurance. During 2008, TNT's total annual retention cap on these losses was €5 million.

TNT's "catastrophe exposures" are insured in the traditional insurance markets. These include aviation, property and business interruption, general liability, fraud, and director and officers' liability insurance. TNT has a strict policy to transfer risks only to insurers with a rating of A- or higher, and this is monitored on an ongoing basis.

Attention is being given to adjust TNT's insurance protection to the ever changing legal and regulatory environment in which it operates, and all insurance policies are therefore tailor-made to TNT's unique requirements. In addition, current insurance arrangements also need to support strategic developments and the changing risk profile of the company.

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