TNT express

SUPPLEMENT

Introduction and financial and corporate responsibility highlights

This supplementary report on Express is intended to provide insight into the strategy, business performance, financials and other topics relevant to Express and does not form part of the 2010 annual report of TNT N.V.

See chapter 1 for further details on the demerger of the Express activities from TNT N.V.

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, Express has adopted the euro as its reporting currency. In this supplementary report the euro is also referred to as "€".

The combined financial statements of Express have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

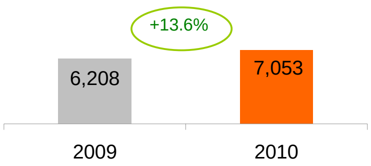
TNT has engaged PricewaterhouseCoopers Accountants N.V. to provide reasonable assurance on certain metrics and limited assurance on other metrics of CR. This assurance work is performed in accordance with the Assurance Standard 3410N "Assurance Engagements Relating to Sustainability Reports" as drawn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

Where it states 'Express Selected' in this report it means Express excluding Huayu Hengye Logistics Company Limited (Hoau), LIT Cargo and Expresso Araçatuba. These entities are excluded from PricewaterhouseCoopers Accountants N.V,'s assurance scope. However, these entities are included in the CR reporting scope.

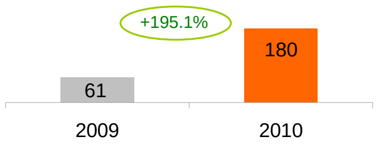
Audit work focuses on obtaining reasonable assurance, substantiated by sufficient supporting evidence. Limited assurance (obtained through review work) does not require exhaustive gathering of evidence and therefore provides a lower level of assurance than audit work. For a full description of the scope of the reported CR data and the assurance obtained please refer to chapter 9.

EXPRESS AT A GLANCE

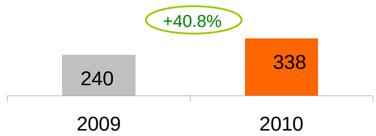
Reported revenues
(in € millions)



Reported operating income
(in € millions)

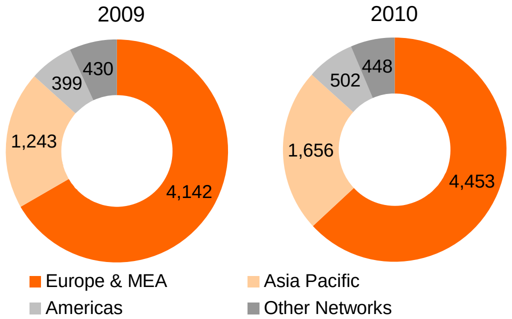


Underlying operating income *
(in € millions)

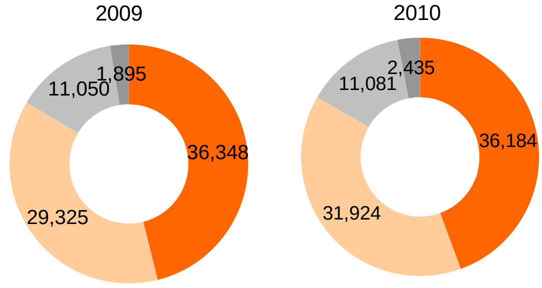


* operating income minus non-recurring and exceptional items

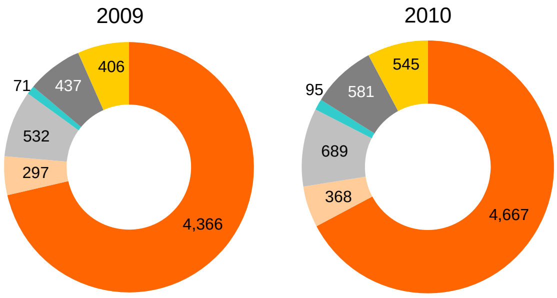
Revenue per segment (in € millions)



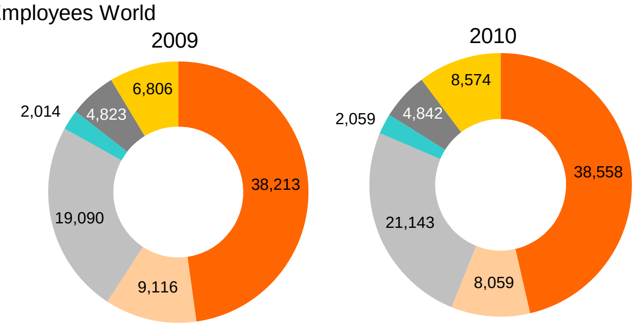
Employees per segment



Net sales World (in € millions)



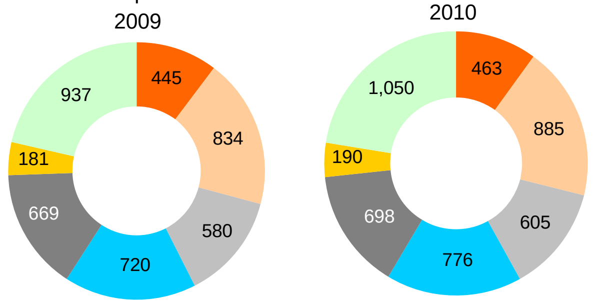
Employees World



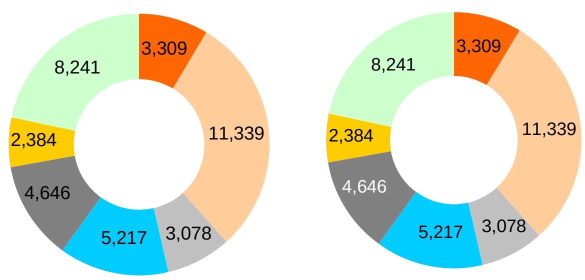
Europe Brazil China and Taiwan India Australia & Pacific Rest of world

EXPRESS AT A GLANCE

Net sales Europe (in € millions)



Employees Europe



The Netherlands · United Kingdom · Italy · Germany · France · Belgium · Rest of Europe

Operating income (EBIT)

	2009	% change	2010
Europe & MEA	281	32.0%	371
Asia Pacific	(32)	n/m	14
Americas	(32)	n/m	(67)
Other Networks	18	0.0%	18
Non-allocated	(174)	-10.3%	(156)
	61	195.1%	180

(in € millions, except percentages)

Volumes

	2009	% change	2010
Number of tons carried	7,695,844	6.6%	8,207,603
Average of number of working days	254	1.2%	257
Number of depots/hubs	2,409	10.1%	2,653
Number of vehicles [1]	26,319	14.9%	30,239
Number of aircraft [1]	48	4.2%	50

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

Financial performance

	2009	2010
Quick ratio (current assets minus inventory/current liabilities)	1.0	1.1
Interest coverage (operating income/interest and similar expenses)	0.8	3.1
Return on assets (profit for the period to the equityholder/total assets)	-0.2%	1.2%
Return on capital employed (operating income/total assets minus current liabilities)	1.8%	5.2%

Corporate responsibility performance

	2009	2010
CO_2 emissions ktonnes	788	1,020
CO_2 efficiency index	98.2	92.8
Fatal accidents own employees and subcontractors	27	36
Lost time accident frequency rate lost time accidents per 100 FTEs.	3.04	2.98
Customer satisfaction	93.6%	92.2%
Employee engagement	-	69%

TABLE OF CONTENTS

Cautionary note with regard to "forward-looking statements"

Some statements in this supplementary 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 Express' control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which Express operates and Express' management's beliefs and assumptions about future events.

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

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

Introduction

RESPONSIBILITY, FREEDOM AND PRIDE

Dear reader,

2010 was again a demanding year for TNT, during which we faced significant challenges in both the economic and natural environments. As the economic recovery encouraged global trade, our express volumes improved significantly. However, this volume growth put pressure on our yield, especially in Europe, our primary market. In response we implemented a comprehensive programme to increase prices and launch new surcharges while ensuring balanced growth between client and product segments.

Extreme environmental conditions also challenged our business. Our operations were impacted by heavy snowfall in the first and last months of 2010 and the closure of the European airspace following the eruption of the Icelandic volcano Eyjafjallajökull. Despite these difficult circumstances, we successfully rerouted many deliveries to meet customers' expectations.

In the emerging platforms we continued to upgrade and integrate our acquisitions into our global express network and establish new intercontinental connections. These intercontinental connections will fuel the growth of the local networks, both in Europe and in the emerging platforms.

POLE POSITION FOR GROWTH

With our focused growth in parcels, freight, value-added services and emerging platforms, Express is optimally positioned to grow with our customers and meet their need for a true global integrator. Our target to grow from €7 billion to €10 billion revenue by 2015 is a manifestation of our customers' needs. As our customers' supply chains become more and more complex and interconnected, they require a pro-active partner to meet logistical challenges, be it in Express' parcels, freight or value-added services. With our strong regional networks in Europe, South America and Asia, our dedicated intercontinental airline hauls and — last but not least — our brand and our people, we are exceptionally well placed to connect demand with supply across the globe and answer the need for speed, quality and service.

We will continue to develop business-to-consumer delivery services to leverage the developments in e-commerce. In addition, we will continue to expand our activities in China, India and South America and extend our regional networks, particularly in the Middle East and Asia.

INDEPENDENT COMPANY

The managerial separation of Express and Mail became effective in January 2011 and we have a new, highly experienced leadership team in place. Following the approval of the separation by the Annual General Meeting of Shareholders planned for 25 May 2011, Express will be a totally independent entity. We look forward to continuing to lead our customers into new areas of growth, leveraging our strengths as a separate company.

To me, independence brings responsibility, freedom and pride. More than ever, we feel the responsibility to deliver sustainable, profitable growth. Most of all, independence means freedom: freedom to focus on the priorities of the Express' business and to anticipate our customers' requirements. As an independent company, we can engage in direct dialogue with all our stakeholders to share our vision and strategic priorities. We also have more freedom to provide optimal support for P&L responsible Express entrepreneurs worldwide, as the line of sight between Express' strategy and their day-to-day operations becomes more direct.

By taking up the challenge of freedom and responsibility, we will continue to instil pride in our people. This will be driven by our highly satisfied customers, exceptionally engaged colleagues and a strong, experienced global management team. Our refined strategy and performance culture will make us a valuable investment in our shareholders' portfolios.

LOOKING AHEAD TO 2011

In 2011, we expect to see the results of our yield improvement programme in our bottom line. Alongside this, programmes to leverage our brand and networks in parcels and freight are also delivering positive outcomes. We will see the first flights of our three new Boeing 777 freighters, the most fuel-efficient freighters available on the market today. We at Express, from the Netherlands to China, together with the full Management Board, are determined to deliver upon the promise of independence: a promise of responsibility, freedom and pride for all our stakeholders.

Best regards,

Marie-Christine Lombard

Chapter 1 Business profile and organisation

Express provides on-demand door-to-door express delivery services for customers sending documents, parcels and freight. Express offers national, regional and global express delivery services, mainly for business-to-business customers.

STAND-ALONE EXPRESS - POST DEMERGER

In 2010, TNT reviewed its strategy and concluded that it was in the best interest of all stakeholders to separate TNT's divisions into two separate companies: Mail and Express. The separation will take place through the statutory demerger of the Express activities by TNT N.V., which will retain a minority financial shareholding in Express of 29.9%, subject to shareholder approval. The minority financial shareholding in Express is necessary to meet separation requirements.

Sell-down of TNT N.V.'s minority shareholding is anticipated over time, with proceeds to be used to reduce debt in TNT N.V. Depending on the equity position, any excess capital will be returned to shareholders. The retained minority shareholding will have no special governance or voting rights. For further details on the separation please refer to the 2010 annual report of TNT N.V.

The demerger will be effective by the end of May 2011, following shareholder approval. As of January 2011, the internal legal and organisational separation was completed.

After the separation, TNT N.V. will focus solely on mail activities and will be rebranded, with the TNT name continuing with Express.

In light of the legal demerger of Express from TNT N.V., Express is presented as a discontinued operation in the 2010 annual report of TNT N.V. This supplementary report on Express is intended to provide insight into the strategy, business performance, financial position and other topics relevant to Express and does not form part of the 2010 annual report of TNT N.V.

BUSINESS DESCRIPTION

Express transports goods and documents around the world with a focus on time-certain and/or day-certain delivery.

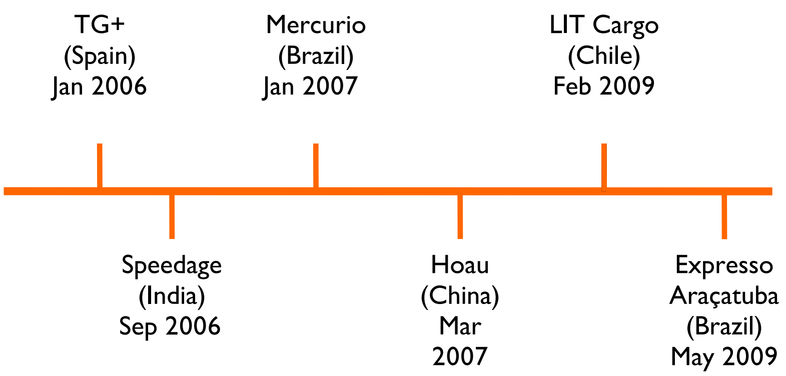
Goods and documents have different weights, shapes and sizes and can have different requirements in terms of speed of delivery, security and point of delivery. Goods and documents can have very different distance requirements, ranging from domestic (volumes within the boundaries of a country) to international (volumes shipped between countries) e.g. cross-border and/or regional as well as intra-continental and intercontinental.

The express services provided and the prices Express charges are primarily classified by speed, distances to be covered, sizes and weights of consignments. Express provides its customers express and economy express (less time sensitive) services which differ in price. The revenue-quality is the average of the growth in revenue per consignment and revenue per kilo for the domestic and international products excluding acquisitions and foreign exchange translation impacts.

Express' customers range from small and medium enterprises, major customers, high volume shippers and global customers. Each category of customers is managed by dedicated teams and processes. Express builds strong relationships with its customers through regular personal contact and visits, as well as a wide range of communications media. The main sectors Express serves are high-tech, automotive and industrial, healthcare and lifestyle (fashion).

Express is among the leading Express players in Europe, and its global coverage extends to more than 200 countries with company-owned activities in 62 countries. In 2010, Express continued to build its positions in emerging markets while enhancing connectivity between those markets and Europe.

Express' approach to geographic expansion is to acquire and/or develop solid domestic positions in new geographic markets. Once a solid position is reached, the local network is linked to the international Express network, providing international services to its customers. In line with the trend towards globalisation, Express expanded its business through a number of acquisitions in recent years of which the most significant are mentioned below.



Timeline: Express significant acquisitions in recent years

Currently, Express operates in four segments: three geographical segments and one business segment, with a different focus for each.

- Europe, Middle East and Africa (Europe & MEA) is the home market of Express and its main revenue and profit generator. In Europe, Express has a solid position in the time-definite and day-definite markets. It operates several large domestic networks as well as an intra-European air and an intra-European road network. In the Middle East, Express operates an intra-regional road network in addition to air-based products. In Africa, Express has fully owned operations in a few key countries and serves most of the continent through partnerships and agents.
- Asia-Pacific (ASPAC) is a key growth area for Express, with China at its centre. In China, Express has developed two complementary businesses: an international business which is focused on the intercontinental flows to Europe (currently served by dedicated longhaul aircraft) and to the rest of Asia-Pacific, and a domestic business built on the Hoau network acquired in 2006. In addition to the international air business run in all major Asia-Pacific countries, Express also operates an Asia road network and has a significant domestic presence in Australia and India.
- Americas is the focus of the most recent expansion of Express. In Brazil, Express is in the process of integrating the two domestic market leaders Mercurio and Expresso Araçatuba. In Chile, Express is expanding the domestic activities of the acquired company LIT Cargo. In addition to the domestic business, Express is connecting several of the key countries through the South American road network (SARN). Express maintains a presence in the United States and Canada in order to provide its customers with full service access to these major economies.
- Other Networks consists of Express' Fashion and Innight activities. Within Fashion, Express provides supply chain solutions, such as forwarding, logistics and distribution for the fashion and lifestyle industry, particularly for European retailers. Within Innight, Express offers sector-specific distribution across Europe, whereby shipments are collected at the end of the working day and are delivered overnight by 7 am the following morning. The main sectors that Innight serves include telecommunications, automotive and medical technology.

Following the demerger, Express will report along these segments, in addition to Non-allocated. Non-allocated consists of the Express Head Office and ICS activities, among others.

Key figures

In 2010, Express generated €7,053 billion in revenues and an operating profit of €180 million. Worldwide Express moved an average of 4.7 million parcels, documents and pieces of freight a week to more than 200 countries.

SECTION A: GENERAL
CHAPTER 1 BUSINESS PROFILE AND ORGANISATION CONTINUED

Currently, Express employs more than 83,000 people and runs a fleet of 30,239 road vehicles and 50 aircraft. It operates 2,653 depots and sorting centres.

Principal facilities of Express

Location	Owned / Financial	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	70,000 sq. metres

1 The land is on a long term operating lease.

Specification of aircraft in use

	2010		2009	
Type	Total number	Total capacity (kilos)	Total number	Total capacity (kilos)
Owned	22	421,000	22	421,000
Leased	10	238,700	10	141,400
Chartered	18	423,260	16	183,800
Total	50	1,082,960	48	746,200

Overall, air capacity in 2010 increased compared with 2009 as a result of the increased volumes both in Europe and on the Asia to Europe route. Express increased its capacity mainly through leased and chartered aircraft, providing further flexibility to the network. More than half of the increase in capacity was as a result of the dedicated longhaul airplanes between China and Europe, which replaced capacity that in the past would have been purchased from other airlines.

Executive and Management Board

The Express Executive Board is charged with the overall management of the company and, as such, is responsible for achieving the company's strategy, managing the associated risk profile, as well as overseeing corporate sustainability and the development of the company's earnings.

The Express Management Board works alongside the Executive Board to oversee operational issues and the implementation of the company's strategy and consists of 10 members: the CEO, the CFO and 8 members drawn from Express' four regional units (Northern and Southern Europe, the Americas and Asia-Pacific) and key functions (Marketing & Sales, Operations, ICS and HR), with both regional and global responsibilities. This ensures that Express is managed as an integrated, global business.

Marie-Christine Lombard

CEO
Chairman Executive Board
Chairman Management Board

Bernard Bot

CFO
Member Executive Board
Member Management Board

Chapter 2 Market overview, trends, strategy and outlook

Express is part of the global transportation and distribution industry and is dedicated to providing delivery solutions to its customers.

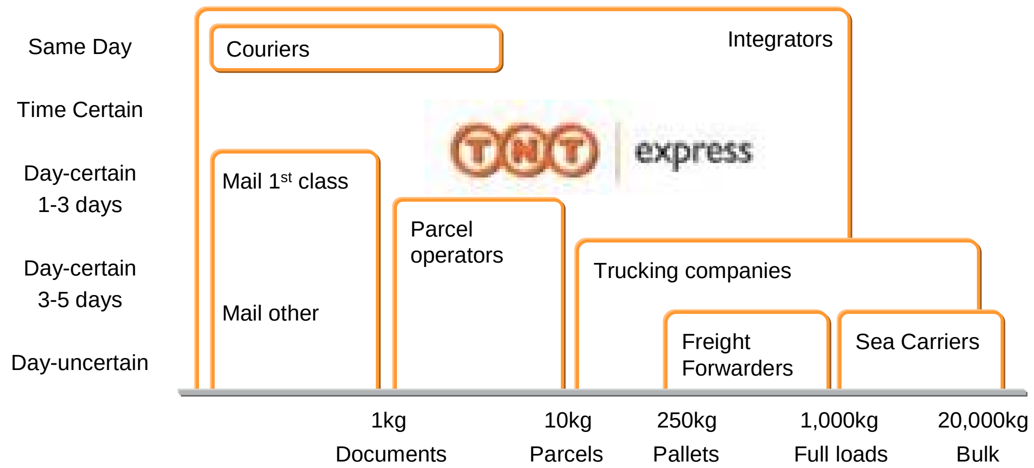
MARKET OVERVIEW

General

Express operates in what is commonly referred to as the CEP market (Courier-Express-Parcels), which is usually segmented along two dimensions: speed or time-certainty, and weight. Within the first dimension, customers have different requirements in terms of speed and guarantees for their consignments, ranging from same-day and time-definite to day-uncertain deliveries. Within the second dimension the weight, shapes and sizes of consignments differ. They range from small and light goods (e.g. documents), to large and heavy goods.

These varied requirements use different delivery networks and are served by different operators (see graphic below). These range from expeditious and time-sensitive (air and road) express networks operated by integrators to less expedited sea carriers. Freight forwarders operate networks that are partially 'virtual', 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-day and (intercontinental) next-day deliveries with a focus on light weights.

Express is a so-called 'integrator', covering most of the market segments, excluding mail services and transport of bulk goods (see graphic below). The other global integrators are UPS, FedEx and DHL.



Parcel operators are often related to postal incumbents and include TNT Post Pakketservice (Mail), GLS (Royal Mail) and GeoPost/DPD (La Poste). In recent years, these players have developed partner-based European networks and upgraded their offerings to day-definite products. Local/regional LTL (Less than Truck Load)/freight players including Schenker (Deutsche Bahn), DHL Global Forwarding/Freight (Deutsche Post), DSV, Dachser and Geodis (SNCF) are also upgrading their services and building up their European networks, though to a lesser extent. This is in line with the general industry trend of blurring boundaries between services.

Geographic markets[1]

In **Europe & MEA** (Middle East and Africa), the European CEP market had an estimated total size of €56 billion in 2009. Express is traditionally mainly active in a more 'narrow' segment of the market encompassing time-certain, next-day and fastest by air or road day-certain delivery for business-to-business (B2B) consignments, transported through a scheduled network with door-to-door track-and-trace of individual items /consignments.

[1] Source market sizes and shares in this section: Competitor Model (internal Express database built on various external sources), Based on the latest available data, data for 2010 not yet available

The thus defined domestic and intra-European 'B2B Express' market is estimated at approximately €19 billion in revenues in 2009. In this segment, Express has a market share of 17%, followed by DHL (15%), UPS (9%) and La Poste (8%).

Customers are increasingly seeking a more varied express product and service offering. Express is expanding to a larger addressable market, which includes the parcel market not normally classified as express (standard parcels), business-to-consumers (B2C) and intercontinental shipments. Express estimated the size of this addressable market in Europe at around €38 billion in 2009.

In Europe, Express operates a broad road network connecting all 38 European countries through 16 road hubs daily, with an additional leg to Morocco. Express' European Air Network connects 65 destinations through a fleet of 50 aircraft, including four Boeing 747 freighters. In 2010, TNT Airways managed to obtain traffic rights for flights to Moscow. The Moscow connection allows for an integrated service with superior cut-off times, which is especially attractive to the life sciences sector.

In addition to its international operations, Express is one of the main players in the domestic express services market, particularly in the United Kingdom, France, and Italy. The announced intention to take a 50% stake in the French B2C standard parcels company, Adrexo Colis, will further benefit Express' domestic position.

In the Middle East, Express operates an intra-regional road network in addition to its air-based services. In Africa, Express has fully owned operations in a few key countries and serves most of the continent through partnerships and agents. Given Africa's fast growing population and demand for transportation services, as well as strong growth in trade and capital flows with China and India, Express plans to continue to strengthen and expand its domestic position and increase its international and intercontinental connectivity.

The express market in the **Asia-Pacific** region was estimated at €9 billion in 2009 (excluding Japan) and is expected to grow rapidly in the coming years.

In China, Express has an advantageous position through:
- providing unmatched reliability and service for a wide range of customers, including multinationals requiring pan-China delivery solutions,
- a wide delivery network covering the whole of China,
- a select and targeted product offering catering for parcels and freight in both day-definite and day-uncertain deliveries, and
- strong service capabilities, including over 1,500 depots, five international gateways and backed by four Boeing 747 freighters.

Hoau (China) is one of the main players in the Chinese domestic market and operates the largest private road transportation network, with more than 1,500 hubs and depots across China. Hoau continues to roll out its day-certain road delivery service, which grew significantly compared with 2009.

The international express activities in Asia-Pacific offer a broad choice of services throughout this large and diverse region. In the high-tech sector, Express has an eminent position in express transportation from Asia-Pacific to Europe. Express now flies freighters daily between the regions, providing customers with secure and reliable services. In terms of overall intercontinental flows out of Asia-Pacific, Express ranks fourth with 12% behind DHL (31%), FedEx (25%) and UPS (16%).

Express also has a beneficial position in intra-regional road express services in Asia. The TNT Asia Road Network (ARN) connects over 125 cities and provides world-class operational performance and security that allows the ARN to provide an alternative to air and sea services.

In India, Express has established a solid domestic base and grew its domestic and international business by more than 20% in 2010. In India, Express currently operates a network that spans 200 key locations with seven major hubs.

In the Pacific, Express has retained its robust position in its country of origin, Australia, where it is the second largest player in the B2B express market with 19% market share. The express market in Australia is predominantly domestic, accounting for almost 90% of the more than €2 billion Australian B2B express market in 2009.

The **Americas** encompass the mature market of North America and the high-growth South American markets. The South American markets, estimated at €3 billion in 2009, offer ample opportunity for consolidation and growth. Express has established a first mover position in the domestic express business in the largest emerging economies of this fast-growing continent, through the acquisition of Mercurio and Expresso Araçatuba in Brazil (respectively in 2007 and 2009) and LIT Cargo in Chile (2009). Leveraging the presence it also has in Brazil, Argentina, and Chile, Express operates a first-to-market intra-regional road network connecting these markets.

Express is a significant express player on the South American continent with 186 depots and approximately 3,000 vehicles, 10,000 employees and 14 million consignments transported in South America in 2009.

The North American market is dominated by UPS and FedEx. For more than 25 years, Express USA has successfully managed a parcel distribution network using commercial airlines and third-party agents. Express' North American presence provides full service capabilities to its clients on other continents. Currently, Express operates a daily dedicated flight from its express hub in Liège, Belgium to New York. In 2009, Express entered into a partnership with Con-way Freight for the delivery of heavy freight. Con-way Freight is also linked to Express' European air and road networks. The partnership offers cost-effective and high-quality express freight services between Europe and the United States.

MARKET TRENDS

Express has identified four key market trends that will impact its activities:

Blurring boundaries between the various segments of the transportation industry
Service providers are increasingly expanding the range of services they offer, for example, operators who previously provided services without guaranteed delivery time or date are upgrading their service levels.

Increasing importance and accelerated growth of emerging markets
The growth of international trade and globalisation of supply chains continues. Emerging markets have an increasing importance in global trade flows and have rapidly developing domestic markets.

Growing importance of e-commerce and the resulting growth in the business-to-consumer (B2C) market
The ongoing digitisation of the economy impacts the mode of sales of express services to ad hoc and small customers, and the increase in online sales and home deliveries has led to strong growth in B2C parcels (online shopping and online retail).

Increasing awareness and interest in sustainable business practices
Stakeholder-sustainability demands are increasingly shaping the market and therefore business success. In line with this, carbon emissions and employee health and safety are key responsibilities for Express.

EXPRESS BUSINESS STRATEGY

Customers are the core of the Express strategy. The Express network and footprint has evolved with customer needs to optimise supply chains. As such, Express developed a strong and agile express platform in Europe for time-definite and day-definite delivery services in Parcels and Freight. When its customers started moving production to low-cost countries, Express expanded its intercontinental networks accordingly. With growing demand in the emerging economies of Asia and South America, Express has established high-quality local networks. This has resulted in a global, interconnected system of local networks giving customers the broadest market coverage. Express will continue to keep customers at the core of its strategy by providing solutions to deliver their business in the optimal way.

Express' strategy is twofold:
- to strengthen existing business with a focus on service quality and cost efficiency in its operation and expansion of its connected strong networks, and
- to unlock value from the identified market trends, translated into growth opportunities centred on Parcels, Freight, Value-added services and Emerging platforms.

Express is well positioned to strengthen its existing business and to capture these growth opportunities due to its unique capabilities, knowledge and experience through:
- its ability to connect local networks in a global system,

SECTION A: GENERAL
CHAPTER 2 MARKET OVERVIEW, TRENDS, STRATEGY AND OUTLOOK CONTINUED

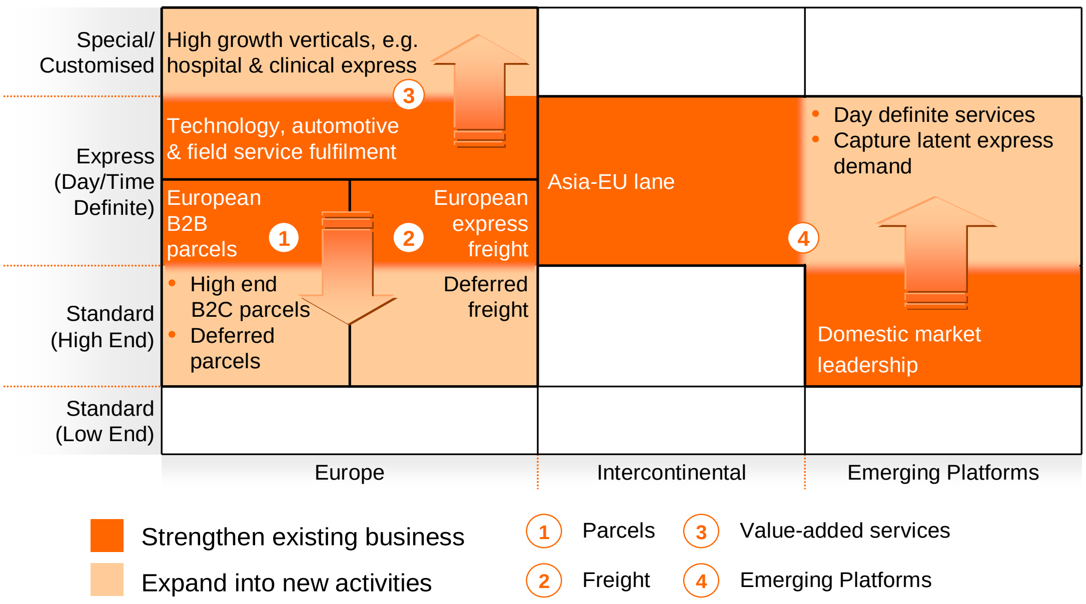
– owned air connectivity to provide dedicated capacity and reliability,
– dense road networks to provide cost efficient solutions,
– first mover advantage in key emerging markets,
– a service-oriented culture and strong local management, and
– a focus on process excellence and value-added services.

As customers are increasingly asking Express for clean transport solutions and related transparent information, in response, Express aims to lead the industry in the development of clean transport measures in both its existing and growth activities.

By 2015, Express intends to have grown substantially, profitably and responsibly to become a global company focused on a broad range of day-definite delivery services, generating between €10 billion and €11 billion in revenue.

Express growth strategy

Express' growth strategy rests on four pillars: Parcels, Freight, Value-added services and Emerging platforms (see graphic below).



Parcels

The growth of e-commerce and customer demand offers opportunities for Express. In the B2C market, Express has successfully launched a high-end parcel service to capitalise on the growing e-commerce/home delivery market. The service offers a comprehensive solution including text messaging or email notification to customers and the opportunity for receivers to arrange for delivery to their preferred location. This service has led to a reduction in 'not at home' deliveries from 20% to 10%. Building on this achievement, the aim is to grow further in this segment both domestically and internationally. Express has a small but growing share of around 5% in the European high-end express B2C segment.

Express is also targeting expansion in the standard parcels B2C segment. The announced partnership with Adrexo Colis is a first step in this expansion, with potential for duplication in other European markets.

In the B2B parcels market, one of the key growth opportunities for Express is in cross-border parcels. Cross-border parcels offer an opportunity to gain a larger share of customers looking for a tailored, lower cost parcels solution. Through dedicated direct connections for large customers, Express will be able to reduce handling and transport costs.

Freight

Within the freight segment, Express plans to continue to expand its already significant position in the day and/or time-definite express freight transportation segment in Europe. To complement this offer and strengthen ties with existing large customers, Express is expanding to non-express services by offering a high-end road freight service. This will allow Express to manage the entire flow of customers. Although only representing a small share of the total non-express freight market estimated at €85 billion, the absolute potential of the high-end road freight segment is significant. Express will target the European-wide flows of large customers that deliver scheduled, palletised and consolidated industrial freight. Services are planned to be provided in an asset-light set up, using existing (linehaul) capacity in current Express networks (for example, empty backhaul, existing subcontracting pool) and by leveraging on internal capabilities such as back-office and procurement. The road freight demand of Express' current top 25 customers is estimated at around €1.2 billion, which is confirmation of the potential of this proposition.

Value-added services

Express differentiates itself by combining express and value-added services (VAS), developed to meet the needs of customers in specific vertical markets. Express brings strong customer focus and sector-specific knowledge to these markets. Price competitiveness is achieved by complementing existing networks with special delivery or last-mile networks where needed.

Priority industries include high-tech, healthcare, industrial, automotive, and life style. Express' services focus on outbound flows and the rapidly growing after-sales market. Currently, Express already transports more than 100 million mobile phones, laptops, tablets and smart phones for its global high-tech customers, often directly from original equipment manufacturers (OEMs) in China to warehouses, distribution centres and end-customers in Europe via its European network. In healthcare, Express is expanding its position in clinical trials shipments (two million items handled) and hospital delivery solutions. Leveraging the existing 500 forward-stock locations and leading positions in key countries in the Innight segment will allow further growth in high-tech, healthcare, automotive and industrial verticals.

Emerging platforms

Express continues to build on an advantageous position in emerging markets, with a specific focus on China, South America and India, where it operates dense local and regional networks. These emerging market positions also support Express' intercontinental air connections to Europe.

The Express network in China is evolving along with its customers as was aptly demonstrated by Express' response to the move in 2010 of high-tech production facilities from southern China to the west of the country. TNT Airways was able to secure landing rights in the western city of Chongqing for its aircraft and in doing so established a competitive advantage by being the first express player to fly into this important area and to serve what is set to be a major centre for the high-tech manufacturing industry in China in the coming years. Similarly, Express' domestic day-certain road delivery service plays into the needs of key multinational accounts as well as local customers' growing demand for reliable intra-China deliveries. Hoau's day-certain network aims to connect 1,100 depots in China (out of a total of 1,500) by mid-2011.

In India, the integration of the domestic road and express company Speedage into Express' existing Indian operations supports the ambition to create a leading position in India. Through strengthening its road network and increasing the delivery quality in its domestic service offering, Express aims to seize the opportunity of strong growth in domestic demand. A new potential driver of growth in the Indian market is the anticipated change in GST/VAT regulation. It is expected that this change will provide a boost to investment and economic growth and will give customers the ability to drastically re-engineer their supply chain and footprint requirements, thereby creating opportunities, especially in domestic value-added services. With regard to international flows, Express plans to increase penetration and expand its market position on Europe and Asia routes.

In the past four years, Express has established a leadership position in the attractive, fast-growing South American emerging markets. Express plans to expand these activities in the coming years in line with the growing and changing needs of its customers. Express aims to continue its significant industry innovation in South America. Automated hubs and sophisticated labelling systems are being implemented in all the major depots and hubs, which will improve operational performance (processing time reduced by five hours) and provide customers with nationwide enhanced tracking and invoicing information, which will be unique in South America.

EXPRESS 2011 OUTLOOK

For 2011, TNT assumes a mostly stable economic environment. To counter inflationary cost pressures (including fuel) and possible mix effects, Express will focus on structural costs and cash alongside yield improvements which continue to be a priority. For the full year, Express targets underlying revenue of between €7.3 billion to €7.5

billion and underlying operating income of between €400 million to €420 million (operating income including the allocation of €20 million of TNT central costs). After separation, Express' dividend guideline will include a payout of around 40% of normalized net income.

The 2011 additional financial indicators:

- Effective tax rate: around 35% (longer term 31 – 33%)
- Cash capex: around €300 million
- Net financial expense: around €35 million

The above excludes extra one-off costs directly related to the separation of around €35 million.

EXPRESS 2015 OUTLOOK

By 2015, Express intends to have grown substantially, profitably and responsibly to become a company focused on a broad range of day-definite delivery services, generating between €10 billion and €11 billion revenue.

Express aims to realise its strategic objectives primarily through organic growth complemented by selected acquisitions and strategic partnerships, while maintaining a solid BBB+ investment grade credit rating.

Express financial targets are presented below:

Key financial indicators 2010 – 2015

(in € millions)		Revenues	Operating income	EBIT after allocation TNT NV central costs
2010	Actual	7,053	180	225
2011	Target	7,300 - 7,500	420 - 440	400 - 420
2015	Target	10,000 - 11,000	900 - 1,000	

The 2015 additional financial indicators:

- Effective tax rate: around 31% to 33%
- Cash capex: 2.5% to3.5% of revenues maintenance, 1.0% to 2.0% points higher for extension in specific years
- Working capital target: approximately10% of revenues
- Capital structure target: BBB+
- Net interest payments: approximately €25 to €35 million per year (relating to financial leases, local debts and foreign exchange currency hedges)
- Dividend policy target: 40% of normalised net income

The above excludes extra one-off costs directly related to the separation currently estimated at around €35 million.

Note: Express does not express any expectation or make any statement as to the likelihood the 2011-2015 targets will be met. A number of important factors could cause the actual results to differ materially as a result of risks and uncertainties facing Express and its subsidiaries.

FINANCIAL STRATEGY

Express' financial strategy is based on three pillars:

- secure business performance by driving revenue, margin growth and tax efficiency,
- secure asset efficiency through continued stringent investment and working capital management and continued attention to cash flow, and
- maintain a strong and efficient capital structure, defined by a long-term investment grade credit rating targeted at BBB+/Baa1 in order to ensure the lowest cost of capital while being able to support Express' 2015 plans.

Express' capital structure is based on and managed along the following components:

- an investment grade credit rating targeted at BBB+/Baa1,
- availability of at least €400 million to €500 million of undrawn committed facilities,

- cash pooling systems facilitating optimised cash requirements for the Express group by enabling 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 Express group, within long term sustainable boundaries.

Express has set target credit ratings of BBB+ for Standard & Poor's Ratings Services (S&P) and Baa1 for Moody's Investors Services (Moody's). These credit ratings result from an evaluation and analysis of many different factors. Express will monitor the development of the key credit ratios that are used by rating agents and which may vary from time to time.

Express aims to meet shareholders' return requirements long term through growth in the value of the company, and short term through dividends and, incidentally, through tax exempt share repurchases or other returns from excess cash.

Following its dividend guidelines, it is Express' intention to pay a dividend that develops substantially in line with the development of its operational performance. Express intends in principle to pay a dividend of around 40% of normalised net income. Normalised net income is defined as "profit attributable to equity holders of the parent" adjusted for significant one-off and exceptional items.

Express aims to pay interim and final dividends annually in cash and/or in stock. Furthermore, stock may be offered as part of an optional dividend.

The Express Reserves and Dividend Guidelines will be made available on TNT's corporate website group.tnt.com.

Express will operate a comprehensive insurance policy covering its operational risk profile as appropriate, using a mix of self insurance, reinsurance, and direct external insurance.

Upon issuance of Express Listco N.V. ordinary shares, which is still subject to shareholder approval, shareholders of TNT N.V. will receive one ordinary share in Express Listco N.V. for each one ordinary TNT N.V. share they hold. As TNT N.V. will keep 29.9% of the ordinary shares in Express Listco N.V., the total number of ordinary shares in Express Listco N.V. to be issued will be a factor 1 / 70.1% or 1.4265 times higher than the ordinary shares issued in TNT N.V. at close of the last trading day before issuance of the Express Listco N.V. ordinary shares.

Risk management, internal control, integrity and compliance

While part of TNT N.V., Express adopted TNT's risk management, internal control, integrity and compliance framework and will continue to adhere to these frameworks to ensure that the legal and regulatory compliance objectives are achieved and that decision making is facilitated and supported by transparent and accurate information. Independent external and internal monitoring and other oversight functions will continue to provide a second and third line of defence and assurance in addition to that provided by the line functions. Express considers the risk management, internal control, integrity and compliance frameworks fundamental to the successful day-to-day management of its activities and vital in ensuring that the strategy is executed in a controlled, disciplined and compliant manner.

TNT's Business Principles will continue to be applicable to all employees worldwide and to all controlled companies and joint ventures worldwide. To the fullest extent possible, Express requires its business associates to observe these Business Principles. These Business Principles are aligned with the UN Global Compact (since 2002) and the Partnering Against Corruption Initiative principles (since 2008). The Business Principles and related policies are being further embedded in Express' strategic and operational decision processes.

Chapter 3 Change in format, presentation and scope of results

Following the completion of the announced internal legal restructuring on 1 January 2011, the full legal scope of the Express entities to be demerged as well as the legal scope of the remaining TNT N.V. (Mail) Group after demerger have been defined. Accounting standards require TNT N.V. to publish its full year 2010 results and subsequent reports anticipating the demerger of Express.

As a result, the Express entities to be demerged are presented in a single line in the income statement and balance sheet. In order to provide additional insight into the strategy, business performance, financial position and other topics relevant to Express, this supplementary report has been prepared.

The most notable differences between the ‘new’ reporting structure and former segment reporting of TNT are the following:

Difference in scope Express and Mail: ‘Other Networks’ in addition to certain centrally-managed entities included in Non-allocated will be included in the scope of the demerged Express entity. The remaining centrally managed entities, including TNT N.V., will be included in the scope of the remaining Mail entity. The actual revenues and costs incurred by this changed scope differ from that reported under the previous segment reporting, which was aligned with divisional management responsibilities.

Temporary adjustment - profit pooling arrangement: Previously, a profit pooling arrangement was in place, whereby Express’ legal entities absorbed the fiscal losses of Mail. Given that the new reporting structure is on a legal entity basis, these losses are reflected in Express’ operating income in 2010 and in the adjusted figures for 2009. In anticipation of the demerger the profit pooling arrangement was terminated on 30 November 2010.

Temporary differences - defined benefit pension expense and actual payable pension contributions: As disclosed previously in TNT N.V.’s annual reports, for segment reporting purposes the total defined benefit pension cost for the Dutch pension plans was allocated to the units on the basis of the total pensionable salary of the employees concerned. For statutory purposes, however, the relevant entities recognise the cost equal to the contributions payable for the period in their financial statement (IAS 19.34a). TNT N.V., the sponsor for such plans, recognises the contributions received from the relevant Group companies as a benefit that offsets the defined benefit pension expense. As a consequence, TNT N.V. will show a net benefit given that the contributions received are higher than the defined benefit pension expense. The results of the Express entities to be demerged will show the higher pension cost based on the contributions paid. However, following the demerger, the new Express entity will no longer qualify as a TNT Group entity and will only report defined benefit pension expenses in its income statement.

As a result of the differences explained above, the operating income under the previous segment reporting differs from the operating income for the new Mail and Express entities. A reconciliation of the previous divisional operating income into the operating income for the new entities is shown in the following table:

SECTION A: GENERAL
CHAPTER 3 CHANGE IN FORMAT, PRESENTATION AND SCOPE OF RESULTS CONTINUED

Reconciliation 2010

Year ended at 31 December	2010 Results previous structure	Scope	Profit pooling	Pensions	2010 Results new structure
Express	6,782	271			7,053
Mail	4,298	(5)			4,293
Other networks	271	(271)			
Non-allocated and intercompany	(22)	22			
Total operating revenues	11,329	17	0	0	11,346
Express	309	(63)	(41)	(25)	180
Mail	402	12	41	25	480
Other networks	11	(11)			
Non-allocated	(62)	62			
Total operating income	660	0	0	0	660

(in € millions)

Reconciliation 2009

Year ended at 31 December	2009 Results previous structure	Scope	Profit pooling	Pensions	2009 Results new structure
Express	5,956	252			6,208
Mail	4,216	(4)			4,212
Other networks	253	(253)			
Non-allocated and intercompany	(23)	23			
Total operating revenues	10,402	18	0	0	10,420
Express	193	(16)	(92)	(24)	61
Mail	472	(1)	92	24	587
Other networks	7	(7)			
Non-allocated	(24)	24			
Total operating income	648	0	0	0	648

(in € millions)

Underlying development 2010 and 2009

The Group operating income in 2010 and 2009 was impacted by various non-recurring items. In order to analyse the operational results excluding non-recurring and exceptional items, management assesses the underlying operating income for a deeper understanding of the business performance.
The following table shows the underlying adjustments made to the previous divisional structure operating income.

Reconciliation 2010

Year ended at 31 December	Results previous structure	Restructuring related charges	Impairments and other value adjustments	Other	Bad weather/ Strike	Demerger costs	Underlying previous structure 2010
Express	309	16		16	15		356
Mail	402	167	11	(12)	10		578
Other networks	11						11
Non-allocated	(62)			(10)		45	(27)
Operating income	660	183	11	(6)	25	45	918

(in € millions)

SECTION A: GENERAL

CHAPTER 3 CHANGE IN FORMAT, PRESENTATION AND SCOPE OF RESULTS CONTINUED

Reconciliation 2009

Year ended at 31 December	Results previous structure	Restructuring related charges	Impairments and other value adjustments	Other	Underlying previous structure 2009
Express	193	37	22	4	256
Mail	472	28	146	(15)	631
Other networks	7				7
Non-allocated	(24)				(24)
Operating income	648	65	168	(11)	870

(in € millions)

To clarify the underlying performance of the two newly-created groups, similar adjustments can be made for various one-off and exceptional charges related to ongoing activities within these units as well as the one off-charges related solely to the demerger. The table below includes a reconciliation between the operating income of the new Express and Mail entities and the underlying performance.

Reconciliation 2010

Year ended at 31 December	Reported 2010	Restructuring related charges	Impairments and other value adjustments	Other	Brazil	Bad weather/ Strike	Demerger costs	Profit pooling	Pensions	Underlying 2010
Express	180	16		(4)	20	15	45	41	25	338
Mail	480	167	11	(22)		10		(41)	(25)	580
Operating income	660	183	11	(26)	20	25	45	0	0	918

(in € millions)

Reconciliation 2009

Year ended at 31 December	Reported 2009	Restructuring related charges	Impairments and other value adjustments	Other	Profit pooling	Pensions	Underlying 2009
Express	61	37	22	4	92	24	240
Mail	587	28	146	(15)	(92)	(24)	630
Operating income	648	65	168	(11)	0	0	870

(in € millions)

The differences between the underlying operating income and the underlying operating income of the previous structure are due to the inclusion of Other Networks, and certain centrally-managed entities previously included in Non-allocated, in either the new Express or Mail entities.

Reconciliation summary

	Underlying 2010		Underlying 2009	
	Previous structure	New structure	Previous structure	New structure
Express	356	338	256	240
Mail	578	580	631	630
Other networks	11		7	
Non-allocated	(27)		(24)	
Total operating income	918	918	870	870

(in € millions)

The total underlying operating income for the new groups as included in the reconciliation does not take into account additional future measures to optimise head office functions. The impact from foreign currency exchange differences and working days is not included.

For further details on the various adjustments made for the underlying operating income, refer to chapter 4.

4 Operating and financial review

OVERVIEW

Express transports goods and documents around the world with a focus on time-certain and/or day-certain delivery.

Goods and documents have different weights, shapes and sizes and can have different requirements in terms of speed of delivery, security and point of delivery. Goods and documents can have very different distance requirements, ranging from domestic (volumes within the boundaries of a country) to international (volumes shipped between countries) e.g. cross-border and/or regional as well as intra-continental and intercontinental.

The express services provided and the prices Express charges are primarily classified by speed, distances to be covered, sizes and weights of consignments. Express provides its customers express and economy express (less time sensitive) services which differ in price. The revenue-quality is the average of the growth in revenue per consignment and revenue per kilo for the domestic and international products excluding acquisitions and foreign exchange translation impacts.

Express' customers range from small and medium enterprises, major customers, high volume shippers and global customers. Each category of customers is managed by dedicated teams and processes. Express builds strong relationships with its customers through regular personal contact and visits, as well as a wide range of communications media. The main sectors Express serves are high-tech, automotive and industrial, healthcare and lifestyle (fashion).

Express is among the leading Express players in Europe, and its global coverage extends to more than 200 countries with company-owned activities in 62 countries. In 2010, Express continued to build its positions in emerging markets while enhancing connectivity between those markets and Europe.

At present, Express operates in four reportable segments. Following the demerger, Express will report along these segments. There are three geographical segments and one business segment:

- Europe, Middle East and Africa (Europe & MEA) is the home market of Express and its main revenue and profit generator,
- Asia-Pacific (ASPAC) is a key growth area for Express, with China at its centre,
- within Americas, Brazil and Chile have been the focus of the most recent expansion of Express, while maintaining a presence in the United States and Canada in order to provide its customers with full service access to these major economies, and
- finally the business segment 'Other Networks' that consists of Express' Fashion and Innight activities.

Additionally, non-allocated consists of among others of the Express Head Office and ICS (Information Communication Services) activities.

BASIS OF PREPARATION

For a detailed discussion on the basis of preparation of the financial statements in this chapter, please see chapter 5 of this supplementary report.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS

The key factors that affect Express' financial results include:

The number of consignments and kilogrammes transported through Express' networks, which is strongly correlated with the macroeconomic environment (GDP growth and trade volumes) and by the number of working days in a year.

The upward trend experienced in the global economy late 2009, continued in 2010 with an estimated global GDP growth of around 4% (GDP information source: EIU). In Europe, the growth in the economy accelerated during the second quarter, resulting in a real GDP growth of around 2.2% for the full year, driven by a strong increase in industrial production. However, growth in southern countries was clearly weaker (e.g. Italy 1.1%, Spain -0.2%). Growth in Asia-Pacific economies was robust, with China's growth accelerating to 10%, due to strong performance in all sectors of the economy, with the exception of exports. India also grew strongly with real GDP growth of around 8.8%. Growth in the emerging American countries was 7.4% on average, with the Brazilian economy growing by 7.5%.

The mix of domestic and international express and economy express services Express provides to its customers and the customer mix.

In the economic recession, Express saw a shift from its express services to economy express services as during the economic downturn customers sought to control costs.

The customer mix is the proportion of each of the customer categories e.g. small and medium enterprises, major customers, and global customers. The optimal combination of customers results in the highest margin given the available network capacity.

The price levels (including surcharges) Express obtains for its services.
Express has different rates per service, origin-destination lane, weight band, volume and size and applies various surcharges, among others related to fuel.

Given the nature of its business, fuel is an important component of Express' operating costs, especially for international air lifted services. Brent crude oil prices traded in a range of $70 – $94/barrel (source: US Energy Information Administration), with a constant increase in prices as of early summer 2010 to a level above $90 at the end of 2010. Express seeks to recover the increase in fuel costs through a fuel surcharge linked to the Brent crude price. There is typically a two month lag between changes in fuel price and the corresponding adjustment of the fuel surcharge, therefore, the increase in the fuel cost in the fourth quarter was not fully recovered in 2010.

Ongoing restructuring actions to further optimise the efficiency of its Network and the positive impact of previous years' restructuring.

Against the backdrop of an improving but still uncertain business environment in 2010, Express continued its focus on costs and cash. As volumes increased, yield remained negative, Express focused on implementation of yield measures such as improved customer and product mix, general price increase in Europe of on average 3.5% for customers on standardized tariffs, contract-specific price increases and surcharges. Cost per consignment continued to decline despite inflationary pressure as a result of the wide range of global and local cost saving programmes.

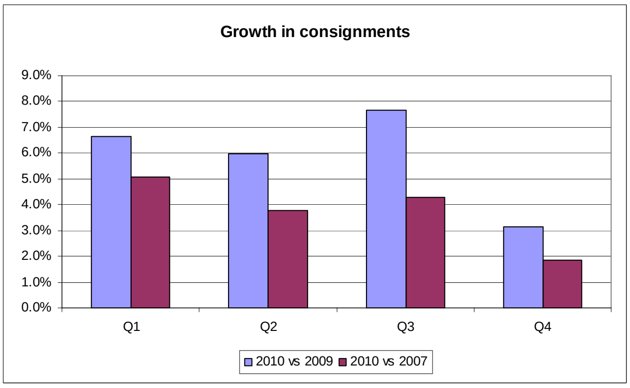
Currency developments, impacting the translation of the Company's results outside the Euro zone.

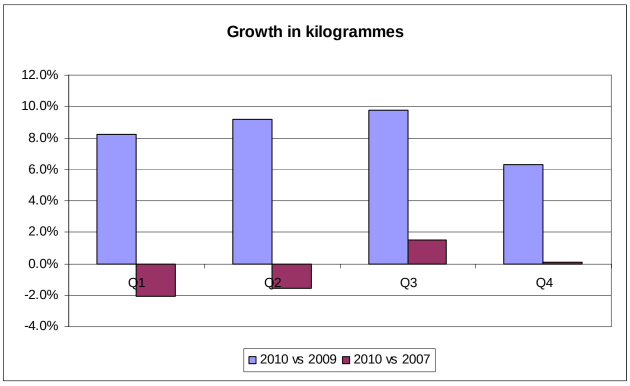
Express operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, Express' functional and reporting currency. The company's treasury 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 Express external hedges are the British pound and US dollar. Management has set up a policy to require Group companies to manage their foreign exchange risk against the functional and reporting currency.

EXPRESS BUSINESS PERFORMANCE

Volumes

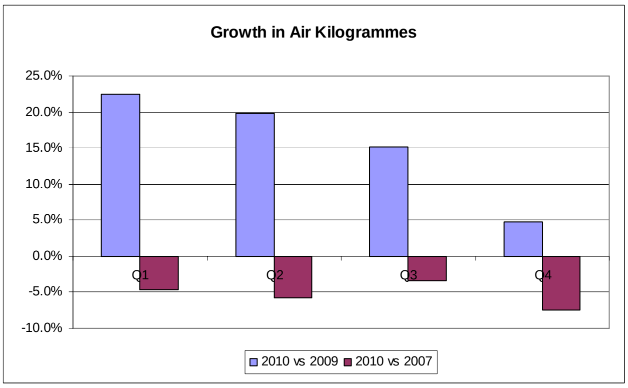
In 2010, average daily volumes grew at a faster rate than initially expected in all quarters compared to 2009. Consignments were ahead of the 2007 levels (the last year unaffected by the economic crisis) but coupled with the decrease in weights per consignment, growth based on kilogrammes lagged behind.

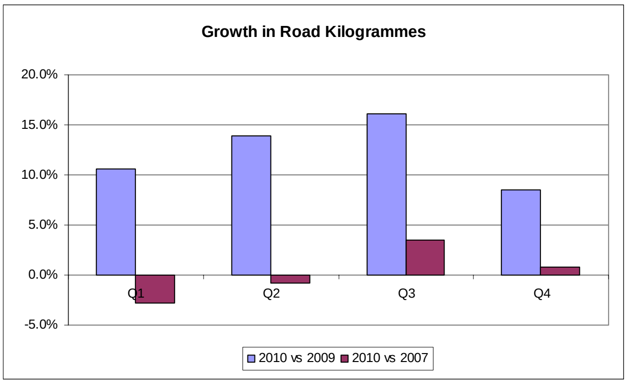




Note: Average daily Domestic and International volumes growth by quarter excluding Hoau (China) and acquisitions in Brazil and Chile

Express international volumes experienced significant growth in 2010. Kilogrammes carried by the European Air and the European Road Network grew by 16.1% and 13.3% respectively, compared to 2009.





Note: Growth in average daily kilogrammes carried by the European Air Network and by the European Road Network

International growth was absorbed by adding additional road and air capacity to the network.

Domestic volumes grew albeit at a lower rate than international. In Europe, domestic consignments grew by 6.4% outperforming European GDP growth in 2010 compared to 2009. In Asia–Pacific, Express experienced strong domestic revenue growth, particularly in Australia and India. Hoau (China) focused on replacing lower yielding domestic volumes with the new day-definite product offering which grew more than five times compared to 2009. In Americas (primarily Brazil), domestic volumes were down as a result of yield actions and contract rationalisation.

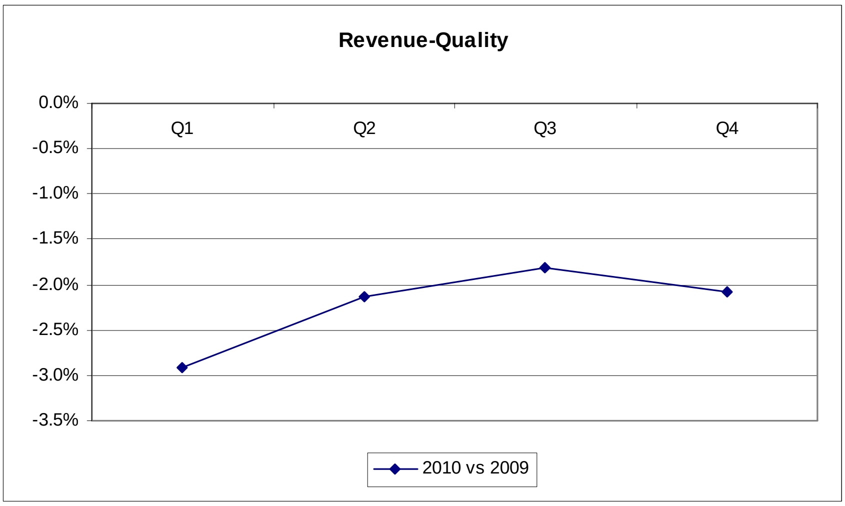
Revenue-Quality

While overall volumes grew faster than anticipated for both domestic and international, pressure on revenue-quality in 2010 remained significant, compared to both 2009 and the benchmark year 2007. The decline in revenue-quality stabilised throughout 2010 although the yield was still behind the level of 2009. Customer mix was a key reason for this development, with stronger growth in global and major accounts, trading at previously agreed contract rates. Several yield-improvement measures were rolled out in July 2010. These included targets for improving Express' product and customer mix, increases in standardised tariffs, contract-specific increases and

SECTION A: GENERAL

CHAPTER 4 OPERATING AND FINANCIAL REVIEW CONTINUED

broader application of surcharges. However, given the lead time for these measures, the full effect will be felt in 2011. The yield dropped in the fourth quarter versus the third quarter, due to the adverse weather conditions in Europe in December, which had a larger impact on the international, higher yielding product than on domestic products.



Note: Revenue-quality is the average of the growth in revenue per consignment and revenue per kilo for the domestic and international products excluding acquisitions

Network performance optimisation

In 2010, cost per consignment continued to decrease despite inflationary pressure, due to a wide range of cost saving programmes in the areas of procurement, network and operations optimisation coupled with an overall cost focus.

Cost per consignment excluding fuel, one-off costs relating to operation restructuring and foreign exchange charges in Europe & MEA was 2.6% lower than in 2009. Cost per consignment in ASPAC was 3.3% higher and in Americas was 11.4% higher due to significantly higher inflation pressure and higher average weights, more than offset on the revenue side by higher yields.

In the European Air Network, Express increased capacity while achieving its highest cargo load factor in recent history. The additional capacity was primarily addressed through additional chartered aircraft, which permitted greater capacity flexibility.

In light of intercontinental volume growth, Express added another two dedicated Boeing 747 freighters from its Liege hub to Hong Kong and Shanghai. In October, Express introduced a direct scheduled Boeing 747 service between Chongqing, a fast-growing high-tech manufacturing centre in Central China, and Europe. Express is the first express integrator to offer dedicated flights between Europe and Chongqing in response to growing demand from the region's high-tech industry. Express also announced the lease and delivery of three new Boeing 777 long range freighters, to commence service in 2011. The Boeing 777 freighters will replace the two Boeing 747 freighters currently on short term lease, and add capacity to Express' longhaul routes, mainly between Europe and China.

Express continued its roll-out of company wide 'Common Information and Communication Systems' in 2010, which over time are expected to lead to both improved processes and cost savings, once the legacy systems have been decommissioned.

Express took measures to streamline its organisation and align it with the new management structure announced on 2 December 2010. This realignment and several country specific reorganisations resulted in one-off restructuring charges of around €16 million.

FINANCIAL PERFORMANCE EXPRESS

Express revenues and earnings

Year ended at 31 December	2010	variance %	2009
Total operating revenues	7,053	13.6	6,208
Other income	12	0.0	0
Operating expenses excluding depreciation, amortisation and impairments	(6,676)	(13.0)	(5,910)
EBITDA	389	30.5	298
Depreciation, amortisation and impairments	(209)	11.8	(237)
Total operating income	180	195.1	61
as % of total operating revenues	2.6		1.0
Net financial expense	(37)	184.6	(13)
Income taxes	(57)	(32.6)	(43)
Results from investments in associates	(17)	(30.8)	(13)
Profit for the period from continuing operations	69	962.5	(8)
Profit from discontinued operations	0	0.0	0
Profit/(loss) for the period	69	962.5	(8)
Attributable to:			
Non-controlling interests	3	0.0	3
Equity holders of the parent	66	700.0	(11)

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

In 2010, Express revenues grew by 13.6% to €7,053 million. Express' operating income as percentage of revenue increased from 1.0% in 2009 to 2.6% in 2010.

Revenue growth was mainly due to the economic recovery leading to increased volumes within Express, which resulted in higher operating revenues predominantly from organic growth of €450 million (including €83 million higher fuel surcharge revenue). Furthermore, operating revenues were positively impacted by foreign currency exchange differences of €350 million mainly due to the depreciation of the euro against the Australian dollar, Brazilian real and various Asian currencies and the full-year impact of acquisitions (LIT Cargo in February 2009 and Expresso Araçatuba in May 2009) of €45 million. Higher volumes compared to 2009 contributed to organic revenue growth, partly offset by lower revenue-quality.

Underlying operating income (please refer to the paragraph on underlying development 2010 and 2009 on page 25) was €338 million or 41% higher than 2009 (32% at constant foreign exchange rates). Higher volumes and the continuous reduction of Express' cost per consignment or kilogramme had a positive impact on the operating income development. Lower revenue-quality, higher cost of commercial linehaul, negative contribution of the Brazilian operations, adverse weather conditions in December and increased security costs, all impacted operating income negatively. Restructuring costs and impairment charges decreased compared to 2009. Express maintained its focus on optimising its network with the continuation of various efficiency improvement initiatives.

Express' 2010 performance can be explained further in the context of the following specific events:

- Express operations in Europe were negatively impacted by exceptionally adverse weather conditions in December. Express' Liege hub was closed for two days, with extensive disruptions to service and deliveries across Europe. Express' European road hub in Arnhem and road linehauls, were also significantly impacted due to temporary road closures for trucks. The estimated negative impact on operating income was €15 million.
- Brazil experienced significant margin pressure due to a number of factors, including planned investment in transforming business processes and a statutory 7.5% wage increase. In addition, Brazil had to absorb around €20 million of additional integration-related costs due to claims and provisions. New systems and processes are being implemented in 2011. These are expected to improve efficiency and service level to customers and enhance administrative processes and controls.
- Heightened security requirements addressing the threat of bomb-parcels led to the implementation of additional security measures, reinforcing ground and air security controls, covering Express' own operation and that of its associates, subcontractors and partner airlines. The additional incurred costs are expected to be recovered from customers through an Enhanced Security Surcharge introduced at the beginning of December 2010.

Other income increased to €12 million (2009: 0) and consists mainly of the book profit of the sale of real estate and aircraft.

Express operating expenses

Total operating expenses, including depreciation, amortisation and impairment increased by €738 million (12.0%) to €6,885 million in 2010. Operating expenses increased by €408 million (6.6%) if excluding foreign currency exchange impact of €330 million. The increase in operating expenses was mainly due to higher work contracted out and other external expenses driven by increased volumes and an increase in fuel costs of €83 million as well as significant one-off costs related to the demerger of €45 million.

As a result, operating income in Express increased by €119 million or 195.1% in 2010 compared to 2009.

Compared to 2009, the profit for the period increased by €77 million largely due to increased revenues and lower total one-off costs.

Year ended at 31 December	2010	variance %	2009
Cost of materials	401	38.3	290
Work contracted out and other external expenses	3,650	15.6	3,157
Salaries and social security contributions	2,190	9.1	2,007
Depreciation, amortisation and impairments	209	(11.8)	237
Other operating expenses	435	(4.6)	456
Total operating expenses	6,885	12.0	6,147

(in € millions, except percentages)

Cost of materials increased by €111 million (38.3%) in 2010 compared to 2009. Excluding foreign currency exchange impact, cost of materials increased by €90 million (31.0%) in 2010, mainly due to an increase in fuel costs of €83 million and higher volumes.

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 €493 million (15.6%) in 2010 compared to 2009. Excluding foreign currency exchange impact, work contracted out and other external expenses increased by €295 million (9.3%) in 2010, mainly driven by higher volumes and costs of €45 million related to the anticipated demerger.

Salaries, pensions and social security contributions increased by €183 million to €2,190 million (9.1%) in 2010 compared to 2009. Excluding foreign currency exchange impact, salaries, pensions and social security contributions increased by €61 million (3.0%) in 2010. The increase in salary costs was largely due to the overall increased volumes and annual salary inflation. Included in salaries, pensions and social security contributions is an amount of €16 million relating to restructuring related charges (2009: 37) and €69 million pension costs (2009: 59).

Total depreciation, amortisation and impairment costs decreased by €28 million (-11.8%) in 2010 compared to 2009, due to impairment charges of €22 million in 2009 and lower investments in additional capacity in 2010.

Other operating expenses include items such as marketing expenses and insurance costs. Other operating expenses decreased by €21 million (-4.6%) in 2010 compared to 2009. Excluding foreign currency exchange impact, other operating expenses decreased by €43 million (-9.4%) in 2010, mainly due to the lower impact from profit pooling arrangement (refer to table below).

Underlying development 2010 and 2009

Express operating income in 2010 and 2009, was impacted by various non-recurring items. In the table below the reportable segments presented are Europe & MEA, Asia-Pacific, America's and Other Networks. Non-allocated represents the head office entities.

In order to analyse the results excluding non-recurring items, management assesses the underlying operating income for a deeper understanding of the business performance. Underlying operating income is calculated as operating income after the adjustment of restructuring and other non-recurring or extraordinary items as per the bridge below.

SECTION A: GENERAL
CHAPTER 4 OPERATING AND FINANCIAL REVIEW CONTINUED

Underlying operating income

Year ended at 31 December	Reported 2010	Restructuring related charges	Other	Brazil	Bad weather	Demerger costs	Profit pooling	Pensions	Underlying 2010	Foreign exchange	Underlying 2010 (at constant rates)
Europe & MEA	371	8	(4)		15			9	399	(4)	395
Asia Pacific	14								14	(1)	13
Americas	(67)	8		20					(39)	8	(31)
Other Networks	18							1	19	-	19
Non-allocated	(156)					45	41	15	(55)	(24)	(79)
Operating income	180	16	(4)	20	15	45	41	25	338	(21)	317

(in € millions)

Underlying operating income

Year ended at 31 December	Reported 2009	Restructuring related charges	Impairments and other value adjustments	Other	Profit pooling	Pensions	Underlying 2009
Europe & MEA	281	30	8			11	330
Asia Pacific	(32)	3	9				(20)
Americas	(32)	3	5				(24)
Other Networks	18					1	19
Non-allocated	(174)	1		4	92	12	(65)
Operating income	61	37	22	4	92	24	240

(in € millions)

The 2010 underlying operating income amounts to €338 million (2009: 240). Underlying operating income excludes some non-recurring items such as restructuring related charges of €16 million (2009: 37), impact of €20 million (2009: 0) related to integration related costs in Brazil, adverse weather conditions had an impact of €15 million, demerger related costs of €45 million (2009: 0), the impact of the profit pooling arrangement of €41 million (2009: 92), pension charges of €25 million (2009: 24) and various other items of -€4 million (2009: 4).

In 2010, Express recorded non-recurring restructuring charges of €16 million mainly related to restructuring programmes in the Americas of €8 million and Europe & MEA of €8 million.

Express' operations in Europe were negatively impacted by exceptionally adverse weather conditions in December. Notably, Express' Liege hub was closed for two days, with extensive disruptions to service. This led to an estimated negative impact on Express' results of €15 million.

TNT Head Office B.V. is included in Express and is the contractual entity for the majority of the services and support related to the demerger. The total demerger cost incurred amounted to €45 million in 2010.

In the past years a profit pooling arrangement was in place, whereby Express' legal entities absorbed the fiscal losses of Mail International operations in Germany. Given that the new reporting structure is on a legal entity basis, these losses are reflected in Express' operating income in 2010. In anticipation of the demerger the profit pooling arrangement was terminated at 30 November 2010.

In 2010, Express contributed cash pension contribution towards TNT N.V. for its Dutch Group pension plans. After the demerger the current group pension plan definition in accordance with IAS 19.34a will no longer be valid as a result of which both entities (Mail and Express) will account for their defined benefit pension costs separately. The underlying cost adjustment represents the difference between the IFRS expense and the cash contribution paid by Express to TNT N.V.

The various other items in 2010 consist of a €2 million book gain on the sale of an aircraft and a €2 million impairment reversal on aircraft that will be put back into operation in 2011.

In 2009, operating income was also impacted by impairments and other value adjustments mainly include a €10 million impairment charge related to impaired customer relationships and an impairment on vehicles of €5 million.

SECTION A: GENERAL
CHAPTER 4 OPERATING AND FINANCIAL REVIEW CONTINUED

Express financial income and expenses

Year ended at 31 December	2010	variance %	2009
Interest and similar income	22	(65.6)	64
Interest and similar expenses	(59)	23.4	(77)
Net financial expense	(37)	(184.6)	(13)
(in millions, except percentages)			

Interest and similar income of €22 million in 2010 (2009: 64) of which €11 million (2009: 45) is income from loans with TNT and €9 million (2009: 19) is interest income on banks, loans and deposits, taxes and interest on foreign currency hedges.

Interest and similar expenses 2010 of €59 million (2009: 77) relate mainly to interest expenses on external financing of €41 million (2009: 54), interest expenses linked to financing in relation to a loan with TNT for an amount of €12 million (2009: 13) and foreign currency exchange effect of €5 million (2009: 7).

Express income taxes

Year ended at 31 December	2010	variance %	2009
Current tax expense	88	41.9	62
Changes in deferred taxes	(31)	(63.2)	(19)
Total income taxes	57	32.6	43
(in € millions, except percentages)			

Income taxes amount to €57 million (2009: 43), or 45.2% (2009: 122.9%) of income before income taxes. In 2010, the current tax expense amounted to €88 million (2009: 62). The difference between the total income taxes in the income statement and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

In 2010, the effective income tax rate was 45.2% and is significantly higher than the statutory corporate income tax rate of 25.5% in the Netherlands. The effective income tax rate was impacted by non-deductible costs and current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets, partly offset by positive effects from several optimisation projects.

Financial position

	2010	variance %	2009
Non-current assets	3,281	1.9	3,219
Current assets	2,246	4.9	2,142
Assets classified as held for sale	4	(60.0)	10
Total assets	5,531	3.0	5,371
Net in	3,002	9.0	2,754
Non-current liabilities	468	(18.6)	575
Current liabilities	2,061	0.9	2,042
Total liabilities and net investment	5,531	3.0	5,371
(in € millions, except percentages)			

The non-current assets of €3,281 million at 31 December 2010 consist mainly of goodwill of € 1,703 million, largely related to the acquisitions of TNT and GD Express Worldwide by Mail; and other intangibles of €189 million mainly relate to IT software; property, plant and equipment of €1,089 million relate to depots, aircraft and vehicles and financial fixed assets of €294 million.

The current assets of €2,246 million at 31 December 2010 relate to total accounts receivable of €1,241 million, cash and cash equivalents of €807 million and other current asset items of €198 million.

Off-balance sheet items

Express has no off-balance sheet arrangements other than those disclosed in note 28 of the combined financial statements of Express.

Cash flow data

Liquidity

The following table provides a summary of cash flows from Express' operations.

Year ended at 31 December	2010	variance %	2009
Cash generated from operations	356	(14.4)	416
Interest paid	(39)	40.9	(66)
Income taxes paid	(76)	(123.5)	(34)
Net cash from operating activities	241	(23.7)	316
Net cash used for other investing activities	16	(23.8)	21
Net cash used for acquisitions and disposals	(23)	70.1	(77)
Net cash used for capital investments and disposals	(143)	(10.9)	(129)
Net cash used in investing activities	(150)	18.9	(185)
Net cash used for dividends and other changes in equity	0	0.0	0
Net cash from debt financing activities	(121)	(146.4)	261
Net cash used in financing activities	(121)	(146.4)	261
Changes in cash and cash equivalents	(30)	(107.7)	392

(in € millions, except percentages)

Net cash from operating activities

Cash generated from operations decreased by €60 million. This was due to cash flow impact of €80 million from profit before income taxes adjusted for non-cash items, €19 million from change in provisions and €159 million lower contribution from working capital. The negative cash flow impact from change in working capital was mainly a result of higher revenue and related increase in trade receivables in 2010.

Overall, net cash from operating activities decreased by €75 million from €316 million in 2009 to €241 million in 2010, which is primarily due to significantly higher tax payments in several countries in 2010 and lower cash generated from operations as described above.

Net cash used in investing activities

The total net cash used in investing activities amounts to -€150 million in 2010 (2009: -185). This mainly relates to interest received of €13 million (2009: 22), capital expenditures on property, plant and equipment of €121 million (2009: 120) and intangible assets of €50 million (2009: 36), remaining cash payment of €23 million for the acquisition of Expresso Aracatuba (2009: 62 relating to Expresso Aracatuba and LIT Cargo) and proceeds obtained from the sale of buildings, aircrafts, vehicles and other depot equipment of €26 million (2009: 26). The decrease in net cash used in investing activities was mainly due to lower cash payments for acquisitions in 2010.

Net cash used in financing activities

The net cash from debt financing activities amounted to -€121 million and mainly relates to the repayments on short term borrowings of -€51 million (2009: -377) and settlements in former intercompany balances between TNT N.V. and Express of -€41 million (2009: 612).

Capital expenditures and proceeds

Year ended at 31 December	2010	variance %	2009
Property, plant and equipment	121	0.8	120
Other intangible assets	50	38.9	36
Cash out	171	9.6	156
Proceeds from sale of property, plant and equipment	26	0.0	26
Disposals of other intangible assets	2	100.0	1
Cash in	28	3.7	27
Netted total	143	10.9	129

(in € millions, except percentages)

Capital expenditure on property, plant and equipment and other intangible assets totalled €171 million in 2010, an increase of 9.6 %. The main capital expenditures in 2010 related to machinery and other depot equipment (€51 million) and software (€45 million).

Working capital

Trade working capital is calculated as trade accounts receivable less trade accounts payable (refer to combined statement of financial position in chapter 5). As a percentage of revenue, trade working capital improved from 10.3% in 2009 to 9.4% in 2010. With the increased volume in 2010, trade accounts receivable remained at 15% of revenue while trade payables as a percentage of revenue increased from 5% to 6%. This is mainly a result of initiatives employed in the past year to improve payment terms with suppliers.

Pensions

In accordance with IFRS, the charge to the income statement for the defined benefit obligations in 2010 amounted to €7 million (2009: 8) in total. The total cash contributions for defined benefit obligations were €13 million (2009: 12). In 2010, amounts expensed in the income statement related to defined contribution plans were €62 million (2009: 50), of which €27 million (2009: 24) related to the cash pension contributions towards TNT N.V. for the Dutch pension plans.

FINANCIAL PERFORMANCE BY SEGMENT

General

Total underlying operating income grew by €98 million from €240 million in 2009 to €338 million in 2010 (€317 million at constant foreign currency exchange). All segments contributed to this improvement, with the exception of the Americas. Underlying operating income is calculated as operating income after the adjustment of restructuring and other non-recurring or extraordinary items.

Europe & MEA

Year ended at 31 December	2010	variance %	2009
Operating revenues	4,453	7.5	4,142
Operating income (EBIT)	371	32.0	281
Underlying operating income (EBIT)	399	20.9	330

(in € millions, except percentages)

Europe & MEA's revenue improved organically (excluding acquisitions/disposals and external factors, i.e. fuel and foreign currency exchange differences) in 2010, mainly due to higher volumes, partially offset by the lower revenue-quality. Eastern Europe, Middle East and Africa experienced double-digit growth while the mature markets increased at a slower rate albeit from a higher base. Continued focus on cost efficiency led to further unit cost reductions, in spite of inflationary pressure in many markets.

Asia-Pacific

Year ended at 31 December	2010	variance %	2009
Operating revenues	1,656	33.2	1,243
Operating income (EBIT)	14	143.8	(32)
Underlying operating income (EBIT)	14	170.0	(20)

(in € millions, except percentages)

Asia-Pacific experienced organic revenue growth of 17% (excluding acquisitions/disposals and foreign currency exchange differences) with the most significant contribution from China, mainly due to higher volumes from existing and new global customers. Currency effects added 15.9% to the revenue growth. Operating income improved in most markets, with the most significant improvement in China. Cost per consignment increased in line with higher inflation in most of these markets, but was offset by positive development of revenue-quality. Express increased its own capacity between China and Europe through the introduction of two additional Boeing 747 freighters to improve service and reduce its reliance on commercial linehaul, allowing the company to have more control over its linehaul costs in order to reduce costs.

Americas

Year ended at 31 December	2010	variance %	2009
Operating revenues	502	25.8	399
Operating income (EBIT)	(67)	(109.4)	(32)
Underlying operating income (EBIT)	(39)	(62.5)	(24)

(in € millions, except percentages)

Total Americas' revenue grew by 25.8%, driven by acquisitions (LIT Cargo, acquired in February 2009, and Expresso Araçatuba, acquired in May 2009: 10.3%) and currency related effects (17.8%). Americas' organic revenue decreased by 2.3% due to contract rationalisation in Brazil, partially offset by the positive improvement of revenue-quality.

Express operates on a relatively small scale in North America, predominantly catering for US inbound demands of its global customers; as such it is an important part of the Express global network even though it does not have the size that allows for a profitable operation.

The underlying operating income for the Americas includes an adjustment of €20 million related to Brazil integration-related costs, customer claims and provisions. The reduction in underlying operating income is related to foreign currency exchange differences, and lower results in Brazil.

Other Networks

Year ended at 31 December	2010	variance %	2009
Operating revenues	448	4.2	430
Operating income (EBIT)	18		18
Underlying operating income (EBIT)	19		19

(in € millions, except percentages)

Revenue increased organically by 3.5% mostly driven by increase in Innight activities. The operating income increase in Innight was offset by a similar decrease in the Fashion business, related to a few specific contracts.

Non-allocated

Year ended at 31 December	2010	variance %	2009
Operating revenues	(6)		(6)
Operating income (EBIT)	(156)	10.3	(174)
Underlying operating income (EBIT)	(55)	15.4	(65)

(in € millions, except percentages)

Non-allocated operating income

Year ended at 31 December	2010	2009
Demerger costs	(45)	
Projects	(7)	(5)
Profit pooling	(41)	(92)
Pensions	(15)	(12)
Other costs	(48)	(65)
Total	(156)	(174)

(in € millions)

In 2010, non-allocated operating costs amounted to €156 million (2009: 174) including €45 million of demerger costs and €41 million (2009: 92) relating to the profit and loss pooling arrangement (see page 26). Non-allocated pension costs of €15 million relate to Head Office employees, which have not been allocated to segments. Other costs relate to specific assigned tasks and events related to corporate activities which are not charged to segments.

SECTION A: GENERAL

Chapter 5 Combined Financial statements

Combined statement of financial position

At 31 December	Notes	2010	variance %	2009
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		1,703		1,646
Other intangible assets		189		207
Total		1,892	2.1	1,853
Property, plant and equipment	(2)			
Land and buildings		453		452
Plant and equipment		245		213
Aircraft		259		280
Other		108		119
Construction in progress		24		13
Total		1,089	1.1	1,077
Financial fixed assets	(3)			
Investments in associates		42		58
Other loans receivable		3		3
Deferred tax assets	(22)	230		204
Other financial fixed assets		19		20
Total		294	3.2	285
Pension assets	(10)	6		4
Total non-current assets		3,281	1.9	3,219
Current assets				
Inventory	(4)	15		13
Trade accounts receivable	(5)	1,075		953
Accounts receivable	(5)	166		183
Income tax receivable	(22)	26		33
Prepayments and accrued income	(6)	157		130
Cash and cash equivalents	(7)	807		830
Total current assets		2,246	4.9	2,142
Assets classified as held for sale	(8)	4		10
Total assets		5,531	3.0	5,371
Liabilities and net investment				
Net investment	(9)			
Equity of entities contributed in kind		2,994		2,751
Non-controlling interests		8		3
Total		3,002	9.0	2,754
Non-current liabilities				
Deferred tax liabilities	(22)	35		52
Provisions for pension liabilities	(10)	49		53
Other provisions	(11)	77		69
Long term debt	(12)	301		348
Accrued liabilities		6		53
Total		468	(18.6)	575
Current liabilities				
Trade accounts payable		414		316
Other provisions	(11)	91		84
Other current liabilities	(13)	845		984
Income tax payable	(22)	31		26
Accrued current liabilities	(14)	680		632
Total		2,061	0.9	2,042
Total liabilities and net investment		5,531	3.0	5,371

(in €millions, except percentages)

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

Combined income statement

Year ended at 31 December	Notes	2010	variance %	2009
Net sales	(15)	6,945		6,109
Other operating revenues	(16)	108		99
Total revenues		7,053	13.6	6,208
Other income	(17)	12		-
Cost of materials		(401)		(290)
Work contracted out and other external expenses		(3,650)		(3,157)
Salaries and social security contributions	(18)	(2,190)		(2,007)
Depreciation, amortisation and impairments	(19)	(209)		(237)
Other operating expenses	(20)	(435)		(456)
Total operating expenses		(6,885)	(12.0)	(6,147)
Operating income		180	195.1	61
Interest and similar income		22		64
Interest and similar expenses		(59)		(77)
Net financial (expense)/income	(21)	(37)	(184.6)	(13)
Results from investments in associates	(3)	(17)		(13)
Profit before income taxes		126	260.0	35
Income taxes	(22)	(57)		(43)
Profit/(loss) for the period		69	962.5	(8)
Attributable to:				
Non-controlling interests		3	-	3
Equity holders of the parent		66	700.0	(11)

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

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

Combined statement of comprehensive income

Year ended at 31 December	2010	variance %	2009
Profit/(loss) for the period	69		(8)
Gains/(losses) on cashflow hedges, net of tax	(7)		13
Currency translation adjustment net of tax	105		65
Other comprensive income for the period	98	25.6	78
Total comprehensive income for the period	167	138.6	70
Attributable to:			
Non-controlling interests	3		3
Equity of entities contributed in kind	164	144.8	67

(in €millions, except percentages)

The charges set out above are not necessarily representative of those that would be incurred by Express under separate ownership.

Earnings per share information has not been presented as Express, prior to the demerger, does not have a defined capital structure yet, that is consistent across all of its constituent businesses.

The 2010 tax impact on the cash flow hedges included in our continued operations is €3 million (2009: -7). The 2010 tax impact on the cash flow hedges included in our discontinued operations is €-1 million (2009: 6). There is no tax impact on the currency translation adjustment.

Combined statement of cash flows

Year ended at 31 December	Notes	2010	variance %	2009
Profit before income taxes		126		35
Adjustments for:				
Depreciation, amortisation and impairments		209		237
Share based payments		14		13
Investment income:				
(Profit)/loss of assets held for sale	(8)	(9)		3
Interest and similar income		(22)		(64)
Foreign exchange (gains) and losses		4		7
Interest and similar expenses		55		70
Results from investments in associates		17		13
Changes in provisions:				
Pension liabilities		(6)		(3)
Other provisions		(1)		(23)
Changes in w orking capital:				
Inventory		(1)		2
Trade accounts receivable		(76)		10
Accounts receivable		21		(56)
Other current assets		(30)		19
Trade accounts payable		58		66
Other current liabilities excluding short term financing and taxes		(3)		87
Cash generated from operations		356	(14.4)	416
Interest paid		(39)		(66)
Income taxes received/(paid)		(76)		(34)
Net cash from operating activities	(23)	241	(23.7)	316
Interest received		13		22
Acquisition of subsidiairies and joint ventures (net of cash)		(23)		(62)
Investments in associates		(8)		(15)
Disposal of associates		8		
Capital expenditure on intangible assets		(50)		(36)
Disposal of intangible assets		2		1
Capital expenditure on property, plant and equipment		(121)		(120)
Proceeds from sale of property, plant and equipment		26		26
Other changes in (financial) fixed assets		2		(1)
Changes in non-controlling interests		1		-
Net cash used in investing activities	(24)	(150)	18.9	(185)
Proceeds from long term borrow ings		5		24
Repayments of long term borrow ings		(19)		(9)
Proceeds from short term borrow ings		9		32
Repayments of short term borrow ings		(51)		(377)
Repayments of finance leases		(24)		(21)
Financing related to TNT		(41)		612
Net cash used in financing activities	(25)	(121)	(146.4)	261
Total changes in cash		(30)		392

(in €millions, except percentages)

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

Combined statement of changes in net investment

	Net investment	Translation reserve	Hedging reserve	Equity of enitities contributed in kind	Non-controlling interests	Total net investment
Balance at 31 December 2008	4,615	(219)	(28)	4,368	1	4,369
Total comprehensive income	(11)	65	13	67	3	70
Captial contributions/reductions	723			723		723
Dividends	(2,664)			(2,664)		(2,664)
Other	257			257	(1)	256
Total movement in TNT N.V. investments	(1,684)	0	0	(1,684)	(1)	(1,685)
Balance at 31 December 2009	2,920	(154)	(15)	2,751	3	2,754
Total comprehensive income	66	105	(7)	164	3	167
Captial contributions/reductions	96			96		96
Other	(17)			(17)	2	(15)
Total movement in TNT N.V. investments	79	0	0	79	2	81
Balance at 31 December 2010	3,065	(49)	(22)	2,994	8	3,002

(in €millions)

See the accompanying note 9 for further details regarding changes in net investment.

The capital structure set out above is not necessarily representative of the capital structure of Express under separate ownership.

The line ‘other’ reflects the consideration paid for acquired investments of TNT which have been assigned to Express.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

GENERAL INFORMATION AND DESCRIPTION OF THE BUSINESS

As part of its Vision 2015 strategy, TNT N.V. (hereafter referred to as 'TNT') announced on 2 December 2010 that the Express business would be demerged from TNT N.V. and that consequently TNT N.V. would only comprise of Mail activities. With the demerger, TNT aims to realise two strong, independently listed companies. Both the Board of Management and the Supervisory Board of TNT have approved all required decisions for the proposed demerger. The main reasons for separation are the increasingly divergent strategic profiles of the two units and the limited synergies existing between them. Mail is faced with a continuously declining mail market in the Netherlands and has to focus on sustaining solid cash flows and operational efficiency. The priorities for Express are to grow its existing strong European networks, continue to grow the intercontinental business from and to Europe into adjacent markets and to secure contributions from its existing strong positions in China, South America and India. Separation will enable greater internal focus on each business, with single-business investment discipline and capital allocation and leaner, more flexible organisations. TNT N.V. will retain a 29.9% minority financial shareholding in Express.

This demerger will be proposed to the shareholders of TNT during the Annual Meeting of Shareholders on 25 May 2011. The demerger will be effective pending shareholder approval.

As a consequence, the former Express division of TNT N.V. and relating entities that are part of the demerger are reported as 'discontinued operations/assets held for demerger' in the financial statements of TNT N.V. In order to provide additional insight into the performance and financial position of the Express business (hereafter referred to as 'Express' or 'the company'), combined financial statements of Express have been prepared for the financial year 2010 with comparative figures for the financial year 2009.

The combined financial statements have been authorised for issue by TNT's Board of Management and Supervisory Board on 21 February 2011.

Following the internal restructuring conducted throughout 2010, Express legal entities that are assigned to Express have been contributed in kind and as a result are legally owned by Express Holdco B.V. as at 31 December 2010.

In the proposed demerger, TNT N.V. intends to demerge to its wholly-owned subsidiary TNT Express Listco N.V. a 70.1% stake in its wholly-owned subsidiary TNT Express Holdco B.V., which directly or indirectly owns 100% of the Express subsidiaries and activities.
At the same time TNT N.V. will also demerge 100% of its shares in TNT Express Listco N.V., which shares will automatically be cancelled as a result of the demerger. Consequently TNT N.V. will not hold an interest in TNT Express Listco N.V anymore.

TNT Express Listco N.V. will allot new shares to the shareholders of TNT N.V. in a 1:1 ratio.

The demerger is followed by a merger whereby TNT Express Holdco B.V. merges into TNT Express Listco N.V. and ceases to exist. In exchange, TNT Express Listco N.V. will allot new shares to TNT N.V. and thereafter TNT N.V. will hold a 29.9% interest in TNT Express Listco N.V.

In addition, to achieve the desired leverage structure, an intercompany receivable of TNT N.V. on TNT Mail Holding B.V., a wholly owned subsidiary of TNT N.V., will be demerged to Express.

The basis of preparation, combination and preparation of the combined financial statements of Express is more fully described below.

BASIS OF PREPARATION

Express provides door-to-door express delivery services for customers sending documents, parcels, freight and special services worldwide, with a focus on time-certain and/or day–certain pick-up and delivery. The main sectors Express services are high tech, automotive, industrial, healthcare and lifestyle. Express is structured per geography and function.

Express has prepared these combined financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). These combined financial statements are the first financial statements prepared for Express. The company has elected to not apply IFRS 1, 'First-time Adoption of International Financial Reporting Standards' but to apply the same accounting policies as those applied in the historical reporting of financial information to TNT N.V.

In preparing these combined financial statements, the financial information of the legal entities within Express has been extracted from the reporting records on a legal entity basis, which have been reported for Group consolidation purposes within TNT N.V. The accounting policies in the historical combined financial statements for Express are consistent with the accounting policies applied in TNT's consolidated financial statements, which comply with IFRS as adopted by the EU. As a result the combined financial statements are based on predecessor values and will include all entities that are within reporting entity scope of Express Holdco B.V.

The combined financial statements have not been prepared under Part 9 of Book 2 of the Netherlands Civil Code. They have been prepared under the historical cost convention in accordance with IFRS, except for certain financial instruments which are measured at fair value, and may not be indicative of the actual results of operations and financial position of Express had it operated as a separate entity.

The combined financial statements have been prepared on a 'carve-out' basis from the TNT N.V. consolidated financial statements for the purposes of presenting the financial position, results of operations and cash flows of Express on a stand-alone basis. The combined financial statements of Express reflect assets, liabilities, revenues and expenses directly attributable to Express, including management fee allocations recognised on a historical basis in the accounting records of TNT on a legal entity basis. Although it is not possible to estimate the actual costs that would have been incurred if the services performed by TNT had been purchased from independent third parties, the allocations are considered to be reasonable by the directors of TNT and management of Express. However, the financial position, results of operations and cash flows of Express are not necessarily representative or indicative of those that would have been achieved had Express operated autonomously or as an entity independent from TNT.

Basis of combination

In determining the entities to be included in the combined financial statements, management considered those entities that have been managed as part of Express on a historical basis.

Currently, the legal entities of the Express business are held by Express Holdco B.V. following the internal restructuring that was finalised late end December 2010. As a result, the financial statements have not been prepared by consolidating the current ultimate parent Express Holdco B.V. and its subsidiaries for the financial years 2009 and 2010. Instead the financial statements have been prepared by combining all individual subsidiaries into one reporting entity, Express Holdco B.V. The list of individual legal entities included within these combined financial statements, which together form the Express business is provided in note 36. These entities have been classified as subsidiary, associate or joint venture undertakings as described below and all intra-Express transactions, balances, income and expenses, including unrealised profits on such transactions, have been eliminated on combination. Unrealised losses have also been eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Net investment

The net investment by other TNT companies includes the aggregated combined share capital of the entities included within the combined financial statements, capital contributions and reductions, dividend payments and other movements relating to TNT investments not managed as part of the Express business, accumulated results, cumulative translation adjustments and cash flow hedging.

Management fee

TNT uses a cost recovery mechanism to recover certain central management and other similar costs it incurs at a corporate level. The management fees reflected in the combined financial statements are based on the amounts historically due and have been recorded in the accounts of the individual legal entities within Express under the contractual cost recovery mechanism. An appropriate proportion of the remuneration of personnel for TNT and Express, including their salaries and pension costs, is included in these management fees. These management fees have either been directly attributed to individual operations of Express or, for costs incurred centrally, allocated between the relevant TNT businesses and Express operations on arm's length basis. A complete discussion of the relationship Express has with TNT and other TNT entities, including a description of the costs that have historically been charged to Express, is included in note 33 to these combined financial statements.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

Pension and post retirement costs

Express operates a number of pension plans around the world, which include defined benefit plans in the Netherlands, United Kingdom, Germany, Italy and Australia. The Dutch pension plans are funded defined benefit plans covered by pension funds externally funded in 'Stichting Pensioenfonds TNT' and 'Stichting Ondernemingspensioenfonds TNT'. TNT N.V. is the sponsoring employer for these two Dutch pension plans and consequently these pension plans qualify as Group plans for Express, in accordance with IAS 19.34a. Due to their qualification as Group plans, Express recognises in the combined financial statement a cost equal to the contribution payable for the period.

Interest

The interest charge reflected in the combined financial statements is based on the interest charge historically incurred by the entities included in Express on specific external borrowings or financing provided by other TNT companies. Details of specific external borrowings and borrowings held with other TNT companies are set out in notes 12 and 13.

Taxation

The tax charge attributable to Express is based on the tax charge attributable to the individual entity or group of TNT entities in the relevant individual tax jurisdictions, on a separate return basis. Tax liabilities that may arise from any separation from TNT tax groups of the operations of Express in specific countries have not been reflected in these combined financial statements.

Goodwill

Goodwill recorded at a consolidated TNT level and attributable to Express as a result of previous business combinations with parties outside of the TNT group of companies has been recorded in these combined financial statements.

Share-based Payments

A number of Express employees participate in TNT's performance share schemes. For purposes of these combined financial statements, transfers of TNT's equity instruments to employees of Express have been reflected as equity settled share-based payment transactions.

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. All amounts included in the financial statements are presented in euro, unless otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional currency and presentation currency

Items included in the financial statements of all Express' entities are measured using the currency of the primary environment in which the entity operates ('the functional currency'). The combined financial statements are presented in euros, which is the functional and presentation currency of Express.

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 currency 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 Express 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 exchange 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 currency 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 income statement as part of the gain or loss on the sale.

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

Subsidiaries, associates and joint ventures

Subsidiaries are all entities (including special purpose entities) over which Express has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Express controls another entity.

An associate is an entity that is neither a subsidiary nor an interest in a joint venture, over which commercial and financial policy decisions Express 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. Express' share of results of all significant associates is included in the combined financial statements of income using the equity method. The carrying value of Express' share in associates includes goodwill on acquisition and includes changes to reflect Express' share in net earnings of the respective companies, reduced by dividends received. Express' share in non-distributed earnings of associates is included in net investment. When Express' share of any accumulated losses exceeds the acquisition value of the shares in the associates, the book value is reduced to zero and the reporting of losses ceases, unless Express is bound by guarantees or other undertakings in relation to the associate.

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

Business combinations

Express uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes also the fair value arising from contingent consideration arrangements. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest

The excess of the consideration transferred over the fair value of Express' share of the identifiable net assets of the subsidiary is recorded as goodwill. If the cost of acquisition is less than the fair value of Express' share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Express treats transactions with non-controlling interests as transactions with equity owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When Express ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Express had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The non-controlling interest is initially measured at the proportion of the non-controlling interest in the recognized net fair value of the assets, liabilities and contingent liabilities. Losses applicable to the non-controlling in excess of the non-controlling interest in the subsidiary's equity are allocated against Express' interests except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with Express' accounting policies.

Express applied the new policies as described above prospectively to transactions occurring on or after 1 January 2010. Prior to 1 January 2010, the cost of an acquisition was measured as 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 were measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Transactions with non-controlling interests were treated as transactions with external parties. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. When the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequent accounting.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by Express. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is recognised as an asset and, although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator of impairment. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. On disposal of an entity any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous historic values, as no adjustment was required on transition. These have also been subject to impairment tests at that date and will continue to be, at least, annually.

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 relationships, assets under development, licences and concessions. Other intangible assets 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 are valued at historical cost using a component approach, less depreciation and impairment losses. In addition to the 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 asset's residual value and useful life is 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, intangible assets 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 by cash generating unit, the lowest level at which there are separately identifiable cash flows. For impairment testing of goodwill, the cash generating unit is defined as the lowest level where goodwill is monitored for internal purposes. This level may be higher than the level used for testing other assets, but is not at a higher level than an operating segment.

If the recoverable value of the cash generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then 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. Goodwill following the acquisition of associates is not separately recognised or tested for impairment.

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

Finite lived intangible assets and property, plant and equipment

At each balance sheet date, Express reviews the carrying amount of its finite lived intangible assets and property, plant and equipment 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

Express 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 was acquired. Management determines the classification of Express' 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.

Measurement at fair value requires disclosure of measurement methods by level of the following fair value measurement hierarchy:

1. Quoted prices (unadjusted) in active markets;
2. Inputs other than quoted prices that are observable either directly (prices) or indirectly (derived from prices);
3. Inputs not based on observable market data.

'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. Express designates certain derivatives as: 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 the fair value of a derivative that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in the income statement.

At the inception of the transaction, Express documents 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, of whether the derivatives 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 gains or losses that were reported in equity are 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 Express 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 Express has the positive intention and ability to hold to maturity.

Available-for-sale financial assets are non-derivative financial assets 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 as per 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 combined income statement as a gain or a 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), Express 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.

Express 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 are 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. 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. Any reversal of the impairment loss is included in the income statement at the same line as where the original expense has been recorded.

The risk of uncollectibility of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. The assumptions and estimates applied for determining the valuation allowance are reviewed periodically.

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 of disposal group classified as 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 Express' income statement.

Provisions for pension liabilities

TNT N.V. is the sponsoring employer for the Dutch pension plan, which is externally funded and covers 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 participating Express companies recognise the costs equal to the contribution payable for the period in the financial statements and therefore account their participation in the Dutch pension plan on a defined contribution basis.

The obligation for all pension and other post-employment plans that qualify as defined benefit plans is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. Express 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 the expected long-term return on plan assets). 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 income statement 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 income statement 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 occurs. 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. Express 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 relates to 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 tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income.

The amount of income tax included in the income statement 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 carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted 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 that arise from ordinary activities and result in an increase 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 a buyer the significant risks and rewards of ownership of the goods and services,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods and services 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 the normal trading activities of Express and mainly include sale of passenger/charter revenue, custom clearance income and administration fees.

Other income

Other income includes net gains or losses from the sale of property, plant and equipment and other gains and losses. Costs are recognized on the historical cost convention and are allocated to the reporting year to which they relate.

Operating expenses

Operating expenses represent the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted out and other external expenses, personnel expenses directly related to operations, and depreciation, amortisation and impairment charges.

Salaries

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

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 after normalisation for certain one-off items.

Share-based payments

Express has equity-settled, share-based compensation plans. Share-based payment transactions are transactions in which Express receives benefits from its employees in consideration for TNT N.V.'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 under the company's Performance Share Plan is calculated using the Monte Carlo model. The equity instruments granted do not vest until the employee completes a specified period of service.

Interest income and expense

Interest income and expense are recognised on a time proportion basis using the effective interest method. Interest income comprises interest income on borrowings, 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, except to the extent that they can be capitalised as cost of a qualifying asset.

Grants

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

Combined statement of cash flows

The combined statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the statement of cash flows. 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 statement of cash flows in the same category as those of the hedged item.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (CODM), who are responsible for allocating resources and assessing performance of the operating segments. The CODM have been identified as the Board of Management of TNT N.V., which makes strategic decisions. The Board of Management receives operational and financial information on a monthly basis for Express and Other Networks as these were two of the segments of the TNT Group. Due to the demerger of the Express business, the segment information in the 2010 combined financial statements focuses on the operating segments of the Express business that will be the reportable segments going forward. As a consequence, the 2010 segment information discloses details relating to the operating segments of the Express business. These are Europe & MEA, ASPAC, Americas and Other Networks. For comparison purposes, the 2009 segment information has been revised accordingly.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING EXPRESS' ACCOUNTING POLICIES

The preparation of the financial statements of Express 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 Express' 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.

Express 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

Express accounts for all its business combinations applying the acquisition method unless it is a combination of entities under common control. The assets acquired and the liabilities assumed are recognised and measured on the basis of their fair values at the date of acquisition. To determine fair values of assets acquired and liabilities assumed, Express must make estimates and use valuation techniques when a market value is not readily available. Any excess of the cost of an acquisition over the fair value of the net identifiable assets acquired represents goodwill.

For purposes of preparation of the combined financial statements, internal reorganisations or transfer of businesses between Express companies were accounted for at predecessor carrying amounts. These transactions did not give rise 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 fair value of the cash flows generated by those assets is less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the strategic plans and long-range forecasts of Express. The data necessary for executing the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins. For applied sensitivities on intangible assets, see note 1.

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, taking into account any residual value. The asset's residual value and useful life are based on Express' 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 individually assessed, 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.

Restructuring

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

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 where the ultimate tax determination is uncertain during the ordinary course of business. Express 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 and rules. 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.

Express 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 Express' financial position and net profit.

Accounting for assets classified as held for sale

Accounting for assets classified as 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.

Contingent liabilities

Legal proceedings covering a range of matters are pending against the company in various jurisdictions. 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 that 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, Express consults with legal counsel and certain other experts on matters related to litigations.

Express 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.

Changes in accounting policies and disclosures

a) New and amended standards adopted by Express

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010 and have been adopted by Express:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IFRS 3 revised continues to apply the acquisition method to business combinations. Significant changes have been incorporated, including the remeasurement through the income statement of contingent payments associated with the purchase of the business, expensing of all acquisition-related costs and the choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest's proportionate share of the acquirer's net assets. Express will apply IFRS 3 (revised) prospectively to all business combinations as from 1 January 2010. Prior acquisitions will not be affected by this revised IFRS statement. The impact of IFRS 3 revised on the 2010 financial position, profit and loss statement and cash flow is limited due to the absence of significant acquisitions in 2010.

- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period as no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). This amendment has no significant impact on goodwill impairment testing as the largest cash generating unit for impairment testing was already lower or equal to the operating segment structure.

b) The following IFRS amendments are considered to not be material for Express:

- IFRIC 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRS’ for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

- IFRIC 9, ‘Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement’, effective 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the ‘fair value through profit or loss’ category

- IFRIC 16, ‘Hedges of a net investment in a foreign operation’ effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within Express, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

- IFRIC 17, ‘Distribution of non-cash assets to owners’ (effective on or after 1 July 2009) and IFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’. The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations.

  This IFRIC 17 and IFRS 5 amendment have no impact on the presentation of assets and liabilities in the combined statement of the financial position of Express as at 31 December 2010.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by Express:

- IAS 24 (revised), ‘Related party disclosures’, issued in November 2009. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011 and clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates.
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt or equity swap). The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or company’s financial statements.
- Amendments to IFRIC 14, ‘Prepayments of a minimum funding requirement’. The amendments correct an unintended consequence of IFRIC 14, ‘IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction’. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011. The amendment will not result in a material impact on the Group or company’s financial statements.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

NOTES TO THE COMBINED STATEMENT OF FINANCIAL POSITION

1 Intangible assets: 1,892 million (2009: 1,853)

Statement of changes

	Goodwill	Software	Other intangibles	Total
Amortisation percentage		10%- 35%	0%- 35%	
Historical cost	1,924	319	98	2,341
Accumulated amortisation and impairments	(365)	(196)	(28)	(589)
Balance at 31 December 2008	1,559	123	70	1,752
Changes in 2009				
Additions	54	10	26	90
Disposals	(4)	(1)		(5)
(De)consolidation		1	36	37
Internal transfers/reclassifications		32	(32)	
Amortisation		(39)	(20)	(59)
Impairments			(10)	(10)
Exchange rate differences	37	5	6	48
Total changes	87	8	6	101
Historical cost	2,011	357	135	2,503
Accumulated amortisation and impairments	(365)	(226)	(59)	(650)
Balance at 31 December 2009	1,646	131	76	1,853
Changes in 2010				
Additions	13	11	39	63
Disposals		(2)		(2)
(De)consolidation			(23)	(23)
Internal transfers/reclassifications		29	(29)	
Amortisation		(46)	(8)	(54)
Exchange rate differences	44	4	7	55
Total changes	57	(4)	(14)	39
Historical cost	2,069	397	138	2,604
Accumulated amortisation and impairments	(366)	(270)	(76)	(712)
Balance at 31 December 2010	1,703	127	62	1,892

(in €millions, except percentages)

Goodwill

Goodwill including that generated from the acquisition of TNT and GD Express Worldwide is allocated to Express' cash generating units ('CGU's') and tested for impairment. The CGU's correspond to operations in a region and the nature of the services that are provided being: Northern Europe, Southern Europe & MEA, ASPAC, North America, South America and Other Networks.

In 2010, the additions to goodwill of €13 million are the result of the finalisation of the purchase price allocation of the 2009 acquisitions of Expresso Araçatuba (€5 million) and LIT Cargo (€8 million). Exchange rate differences resulted in an increase of goodwill by €44 million (2009: 37) for acquisitions in Brazil, Chile and China due to the strengthening of the relating currencies compared to the euro.

In 2009, the increase of goodwill amounted to €54 million arising from acquisitions of Expresso Araçatuba (€37 million) and LIT Cargo (€17 million). This resulted also in an increase of the other intangibles of €36 million due to first time consolidation of these entities.

The recoverable amount is the higher of the value in use and fair value less cost to sell. Fair value less cost to sell represents the best estimate of the amount Express would receive if it sold the CGU. The fair value was estimated on basis of the present value of future cash flows taken into account cost to sell.

For mature markets, the estimated future net cash flows are based on a five-year forecast and business plan. For emerging markets where no steady state has been achieved to date, a ten-year forecast (2009: seven years) has been applied to estimate the future net cash flows. Management concluded that it is more reasonable to assume that a steady state is realised in ten years instead of seven years in the emerging markets where Express has a presence. Prior to 2009, Express used a ten-year forecast period. However, in 2009, the strategic planning time frame was reduced to seven years. The applied growth rate does not exceed the long-term average growth rate of the related operations and markets. The cash flow projections based on financial budgets have been approved by management.

Express 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 between 10% to 14% pre-tax (post-tax 8% to 10%) to reflect specific risks relating to the relevant CGU's.

Key assumptions used to determine the recoverable values of all CGU's are the following:
- maturity of the underlying market, market share and volume development in order to determine the revenue mix and growth rate,
- level of capital expenditure in network related assets which may affect the further roll out of the network,
- level of operating income largely impacted by revenue and cost development taken into account 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 foreign currency and inflation related risks.

Management has carried out an impairment test and concluded that the recoverable amount of the individual CGU's is higher than the carrying amount. 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, and
- decrease of operating income of 5% per year.

The sensitivity analyses showed that there is limited headroom present for the CGU South America, which covers the goodwill of the acquisitions in Brazil being Expresso Araçatuba (€52 million) and Mercurio (€170 million) and in Chile being LIT Cargo (€29 million) for a total amount of €251 million. Brazil's 2010 results have been negatively impacted by integration-related costs and one-off adjustments of €20 million. In addition, the actual 2010 performance was below forecast. Consequently, management intensively reviewed the strategic business forecasts resulting in a reduced forecast for Brazil for the period 2011-2020. The improvement of the profitability and the successful integration of Mercurio and Expresso Araçatuba is a priority. Reengineering and further automation of operations within depots is a key area of attention. Management is also implementing initiatives to further strengthen administrative processes and systems..

As at 31 December and based on the latest actual forecast with a forecast period of 10 years, the goodwill of the CGU South America is fully recoverable with the recoverable value exceeding the carrying amount by around €120 million. The key parameter in this sensitivity analyses is the applied discount factor and the development of the operating income. If the discount factor would increase with 1%, the headroom would be around €40 million (+2%: -20). When operating income would reduce with 5% year on year, the headroom would be around €90 million. The results from the sensitivity analysis for the CGU South America therefore showed a headroom which could vary between -€20 million to €90 million.

The headroom would have been negative for an amount of €50 million if, as in 2009, a seven year forecast would have been applied. This would have resulted in a goodwill impairment.

Total goodwill balance at 31 December 2010 amounted to €1,703 million (2009: 1,646) of which Express has allocated €658 million (2009: 658) to Northern Europe, €574 million to Southern Europe & MEA (2009: 574), €162 million to APSAC (2009: 148), €251 million to South America (2009: 208), €0 million to North America (2009: 0) and €58 million to Other Networks (2009: 58).

Software and other intangible assets

At 31 December 2010, the software balance of €127 million (2009: 131) included internally generated software with a book value of €103 million (2009: 109). The addition in software of €11 million is related to self-produced software of €3 million and €8 million of purchased software. The reclassification of €29 million to self-produced software is due to finalised IT projects.

At 31 December 2010, other intangible assets of €62 million (2009: 76) related to customer relationships of €28 million (2009: 53) and software under construction of €34 million (2009: 23). The reduction of €23 million in other intangibles is due to adjustments to the fair values of brand name of €6 million and customer relationships of €17 million. This is the result of the finalisation of the purchase price allocation of Expresso Araçatuba and LIT Cargo.

The estimated amortisation expenses for software and other intangibles for the subsequent five years are 2011: €47 million, 2012: €43 million, 2013: €32 million, 2014: €19 million, 2015: €14 million and thereafter: €34 million. Besides software development, Express does not conduct significant research and development and therefore does not incur research and development costs.

In 2009, the impairment charge of €10 million related mainly to non-recoverable customer relationship intangible assets in Asia. These costs were included in the line depreciation, amortisation and impairment in the income statement.

2 Property, plant and equipment: 1,089 million (2009: 1,077)

Statement of changes

	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	571	477	550	451	21	2,070
Accumulated depreciation and impairments	(162)	(275)	(247)	(321)		(1,005)
Balance at 31 December 2008	409	202	303	130	21	1,065
Changes in 2009						
Capital expenditure in cash	27	32	1	14	46	120
Capital expenditure in financial leases				3		3
(De)consolidation	9	8		12	2	31
Disposals	(3)	(7)		(2)		(12)
Exchange rate differences	21	18		4	1	44
Depreciation	(31)	(50)	(23)	(59)		(163)
Impairments		(5)				(5)
Transfers to assets held for sale	(1)	(4)	(1)			(6)
Internal transfers/reclassifications	21	19		17	(57)	0
Total changes	43	11	(23)	(11)	(8)	12
Historical cost	642	554	550	479	13	2,238
Accumulated depreciation and impairments	(190)	(341)	(270)	(360)		(1,161)
Balance at 31 December 2009	452	213	280	119	13	1,077
Changes in 2010						
Capital expenditure in cash	6	22	1	24	68	121
Capital expenditure in financial leases/other		3		2	3	8
(De)consolidation		2				2
Disposals	(1)	(2)	(5)	(2)		(10)
Exchange rate differences	17	18	4	6	2	47
Depreciation	(29)	(54)	(23)	(51)		(157)
Impairments			2			2
Transfers to assets held for sale	(1)					(1)
Internal transfers/reclassifications	9	43		10	(62)	
Total changes	1	32	(21)	(11)	11	12
Historical cost	673	638	610	477	24	2,422
Accumulated depreciation and impairments	(220)	(393)	(351)	(369)		(1,333)
Balance at 31 December 2010	453	245	259	108	24	1,089

(in €millions, except percentages)

Land and buildings mainly relate to depots, hubs and other production facilities. Land and buildings of €30 million (2009: 30) and plant and equipment of €16 million (2009: 5) are pledged as security to third parties in Germany and Brazil respectively. Express does not hold freehold office buildings for long-term investments and for long-term rental income purposes.

Plant and equipment mainly relate to investments in vehicles and sorting machinery. Other property, plant and equipment mainly relate to furniture, fittings, IT equipment and other office equipments.

Aircrafts 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. Of the 25 owned aircrafts (2009: 29), 22 aircrafts (2009: 20) are classified as property plant and equipment and three (2009: nine) are classified as assets held for sale. Two of the aircrafts held for sale are in use.

In 2010, two aircrafts which were classified as assets held for sale as from 2008 were transferred back to property, plant and equipment. These aircrafts will be recommissioned back into use in Asia in 2011 and have been taken out of service in 2008. The aircrafts were measured at their recoverable amounts at the date of the subsequent decision not to sell. As a result €2 million of the previously recorded impairment charge was reversed after taken into account normal depreciation that would have been charged had no impairment occurred.

The 2009 impairment charge of €5 million related to vehicles in Americas. The transfer of assets held for sale related mainly to buildings in ASPAC and vehicles in Americas.

Finance leases included in the property, plant and equipment balance as at 31 December 2010 are:

	Land and buildings	Plant and equipment	Aircraft	Other	Total 2010	Total 2009
Total	12	13	183	1	209	230
Europe & MEA	12	5	183		200	221
Asia Pacific						
Americas		8		1	9	9
(in €millions)						

Included in land and buildings under financial leases are leasehold rights and ground rent. The book value of the leasehold rights and ground rent in Express is €12 million (2009: 14), comprising a historical cost of €25 million (2009: 25), with accumulated depreciation of €13 million (2009: 11). Aircraft leases amounting to €183 million mainly relates to two Boeing 747 freighters.

Leasehold and ground rents expiring:
- within one year amount to €1 million (2009: 1);
- between one and five years amount to €3 million (2009: 4); and
- between five and 20 years amount to €8 million (2009: 9).

There are no leasehold and ground rents contracts with indefinite terms. Leasehold rights and ground rent for land and buildings are mainly in Belgium for €8 million (2009: 9) and in France for €4 million (2009: 5).

There is no material temporarily idle property, plant and equipment at 31 December 2010 (2009: 0).

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

3 Financial fixed assets: 294 million (2009: 285)

Statement of changes

	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 2008	57	3	187	1	15	263
Changes in 2009						
Acquisitions/additions	15		22	1	5	43
Disposals/decreases			(14)			(14)
Impairments and other value adjustments	(10)					(10)
Results from investments	(3)					(3)
Withdrawals/repayments					(3)	(3)
Exchange rate differences			9		1	10
Other changes	(1)					(1)
Total changes	1	0	17	1	3	22
Balance at 31 December 2009	58	3	204	2	18	285
Changes in 2010						
Acquisitions/additions	8		35	1	2	46
Disposals/decreases	(7)		(25)			(32)
Impairments and other value adjustments	(17)					(17)
Withdrawals/repayments					(5)	(5)
Exchange rate differences			16		1	17
Total changes	(16)		26	1	(2)	9
Balance at 31 December 2010	42	3	230	3	16	294

(in €millions)

Investments in associates

As at 31 December 2010 investments in associates amounted to €42 million and relates mainly to investments made by Logispring Investment Fund Holding B.V. and TNT Europe Finance B.V., whose sole activity is to invest in incubator funds.

In 2010, the underlying investments in these entities are adjusted for an fair value adjustment of €17 million following anticipated liquidations, of underlying investments and deteriorated prospects for other investments and limited results (2010:0). The fair values are derived from most recent valuation reports based on EVCA rules for fair value calculations extrapolated using relevant benchmarks and indices. None of the investments are currently listed and as a consequence grouped within level 3 of the fair value measurement hierarchy as mentioned in the accounting policies. The investments in associates do not included goodwill (2009:0).

In 2010, the addition of €8 million to associates related to capital contributions to Logispring investments. The disposals of €7 million relates to the unwinding and divestment of Logispring investments.

The 2009 impairment and other value adjustments of €10 million related to Logispring entities.

Deferred tax assets

Deferred tax assets are further explained in note 22.

4 Inventory: 15 million (2009: 13)

At 31 December	2010	2009
Raw materials and supplies	11	9
Finished goods	4	4
Total	15	13

(in €millions)

Total inventory of €15 million (2009: 13) is valued at historical cost for an amount of €20 million (2009: 17) and is stated net of provisions for obsolete items amounting to €5 million (2009: 4). There are no inventories pledged as security for liabilities as at 31 December 2010 (2009: 0). In 2010 and 2009, no material write-offs relating to inventories occurred. The balance of inventories that is expected to be recovered after 12 months is nil (2009: 0).

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

5 (Trade) accounts receivable: 1,241 million (2009: 1,136)

At 31December	2010	2009
Trade accounts receivable - total	1,149	1,024
Allowance for doubtful debt	(74)	(71)
Trade accounts receivable	1,075	953
Vat receivable	15	24
Accounts receivable from associates	1	(1)
Other accounts receivable	150	160
Accounts receivable	166	183

(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 €4 million (2009: 3). The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Express does not hold collateral as security for the outstanding balances. The concentration of the accounts receivable per customer is limited. The top ten trade receivables of Express account for 3% of the outstanding trade receivables as per 31 December 2010 (2009: 5%). The concentration of the trade accounts receivable portfolio over the different regions can be summarised as follows: Europe & MEA €714 million (2009: 671), ASPAC €219 million (2009: 176) and Americas €93 million (2009: 71). For the non-trade accounts receivables no allowance for doubtful debt is required.

As of 31 December 2010, the total trade accounts receivable amounted to €1,149 million (2009: 1,024), of which €407 million (2009: 351) was past due date but not individually impaired. The standard payment term for Express is around seven days. The total allowance for doubtful debt amounts to €74 million (2009: 71) of which €34 million (2009: 35) relates to trade accounts receivable that were individually impaired for the notional amount. The remainder of the allowance relates to a collective loss component established for groups of similar trade accounts receivable balances in respect to losses that have been incurred but not yet identified as such for trade accounts receivable. This collective loss component is largely based on the ageing of the trade receivables and reviewed periodically.

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

At 31December	2010	2009
Up to 1 month	284	246
2-3 months	84	74
3-6 months	23	21
Over 6 months	16	10
Total	407	351

(in €millions)

The movements in the allowance for doubtful debt of trade accounts receivables are as follows:

	2010	2009
Balance at 1 January	71	63
Provided for during financial year	34	35
Receivables written off during year as uncollectable	(25)	(26)
Unused amounts reversed	(6)	(1)
Balance at 31 December	74	71

(in €millions)

6 Prepayments and accrued income: 157 million (2009: 130)

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 2010, prepayments amounted to €78 million (2009: 62). The balance of prepayments and accrued income that is expected to be recovered after 12 months is nil (2009: 0).

Prepayments and accrued income also include outstanding short-term foreign exchange forward contracts for an amount of €2 million (2009: 9). The fair value of these financial instruments has been calculated at the relevant (forward) market rates at 31 December 2010. The notional principal amount of the outstanding foreign exchange forward contracts is €177 million at 31 December 2010 (2009: 363).

7 Cash and cash equivalents: 807 million (2009: 830)

Cash and cash equivalents comprise cash at bank and in hand of €75 million (2009: 77) and short-term bank deposits of €732 million (2009: 753). The effective interest rate during 2010 on short-term bank deposits was 0.3% (2009: 0.4%) and the average outstanding amount was €582 million (2009: 504). The individual deposits have an average maturity of 1.4 days (2009: 1.5). Included in cash and cash equivalents is €1 million (2009: 1) of restricted cash. The fair value of cash and cash equivalents approximates the carrying value.

8 Assets classified as held for sale: 4 million (2009: 10)

The assets classified as held for sale amount to €4 million (2009:10) and relate to aircraft of €2 million (2009: 3), vehicle of €2 million (2009: 6) and building of €0 million (2009: 1).

As per 31 December 2010, there are three aircrafts (2009: 9) classified as assets held for sale. In 2010, three of the aircrafts were sold. The net profit of €2 million is recorded as other income. In addition, two aircraft were transferred back to property, plant and equipment in 2010 as they will be recomissioned back into use in Asia in 2011. The aircraft were re-measured at their recoverable value of €2 million, see note 2. One aircraft for sale has been scrapped to used for spare parts.

In 2009, a fair value adjustment of €7 million has been recorded relating to aircraft that were decommissioned and recorded as held for sale in 2008. This fair value adjustment has been recorded as part of other income.

9 Net investment: 3,002 million (2009: 2,754)

Equity of entities contributed in kind

As per 31 December 2010, the combined equity of the legal entities of Express as contributed in kind to Express Holdco B.V. amounts to €2,994 million (2009: 2,751). This amount represents the equity under TNT accounting policies, which have been prepared in accordance with IFRS for all assigned Express entities. As Express, prior to the demerger, does not have a defined capital structure yet, no details of the composition of the equity are presented, see overview of combined statement of changes in net investment.

In 2010, total comprehensive income amounts to €164 million (2009: 67) which consist of net profit €66 million (2009: -11), currency translation €105 million (2009: 65) and cash flow hedging -€7 million (2009: 13).
The movement in TNT N.V. investments of €79 million (2009: 1,684) mainly represents capital contributions from TNT N.V. to Express and dividend paid from Express towards TNT.

As at year-end 2010 the hedge reserve mainly contains the fair value timing difference of $239 million (2009: $251) on interest rate swaps, net of taxes. The US dollar interest rate swaps have been entered into to mitigate the cash flow interest rate risk relating to the Boeing 747 ERF financial lease contracts that resulted in movements in cash flow hedging reserves of -€7 million (2009: 13).

The net cash payments relating to the unwinding of this swap will be recycled from equity to the income statement or to investments based on the duration of the underlying hedged items. During 2010, €0 million (2009: 0) of forward starting swaps were unwound with a €0 million (2009: 0) effect in the income statement. In 2010 an amount of -€1 million (2009: -1) has been recycled from the hedge reserve to the income statement. For further information on interest rate swaps, see note 30.

10 Pension assets: 6 million (2009: 4) and provisions for pension liabilities: 49 million (2009: 53)

Express operates a number of post-employment benefit plans around the world. Most of Express' non-Dutch post-employment benefit plans are defined contribution plans. The defined contribution costs are amplified on in the final part of this note. The most relevant defined benefit plans are in place in the Netherlands, the United Kingdom, Germany, Australia and Italy.

Defined benefit plans in the Netherlands

In the Netherlands, Express employees participate in one of three different pension plans. A first pension plan covers the employees who are subject to the collective labour agreement and staff with a personal labour agreement arranged as from 2007 in the Netherlands. A second pension plan covers staff with a personal labour agreement arranged before 2007 in the Netherlands. The first and second pension plan are externally funded in 'Stichting Pensioenfonds TNT' and 'Stichting Ondernemingspensioenfonds TNT' respectively, for which TNT N.V., the parent company of Express until the demerger, is the sponsoring employer. After the intended demerger, TNT N.V. and Express prefer a continued participation of the Express employees in both TNT pension funds. A third pension plan covers the Dutch employees of Express' Fashion Group.

Some of the employees covered by the first and second pension plan also participate in transitional plans. These transitional defined benefit plans consist of an early retirement scheme and additional arrangements that have been agreed between the company and the employees following the revised fiscal regulations applying to Dutch pension plans in 2006.

Defined benefit plans in the United Kingdom

In the United Kingdom, Express contributes to a closed pension plan, externally funded in a pension fund governed by a trustee. The pension plan covers only inactive (former) Express employees. The pension entitlements are based on years of service within the plan until 1 July 2006 and final (average) salary.

Defined benefit plans in Germany

In Germany, Express employees participate in one of two pension plans. The first plan is a defined benefit plan closed for new entries as of 1 January 2005. The second plan, applicable to new hirers as from 1 January 2005, is a defined contribution plan with a minimum return guarantee. The defined benefit plan provides lump sum benefits based on years of service and final salary. The defined benefit plan is funded via direct insurance with an external insurance company. The contributions of the defined contribution plan are invested in public investment funds administered by an external party. The risk coverage for death and disability benefits within the defined contribution plan is directly insured with an external insurance company.

Defined benefit plans in Australia

In Australia, Express contributes to several superannuation funds. With the exception of the TNT Group Superannuation Plan ('TNT GSP'), a fund with both defined benefit and defined contribution sections, all other payments are made to defined contribution plans. The TNT GSP was established under a master trust as a sub-plan of the Mercer Superannuation Trust. The defined benefit section of TNT GSP provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from group companies and the group's obligation is limited to these contributions.

Defined benefit plans in Italy

In Italy, in accordance with Italian law, after the completion of employment, employers have to pay to employees a lump sum ('Trattamento di Fine Rapporto', 'TFR') indemnity, equivalent to the total (annually revalued) benefits allocated to the years of service. Starting from 1 January 2007 a special TFR fund has been established. This fund, managed by the National Social Security Institute, is financed by a contribution equal to the TFR allowance accrued by the employee in the private sector. All employers in the private sector having at least 50 employees are required to contribute to this fund. The TFR liability for Express therefore consists of the unfunded benefits accrued by the employees up to 31 December 2006 and of the obligation reflecting the annual revaluation of these accrued benefits.

At 31 December 2010, the defined benefit obligation of the Express plans described above covers approximately 92% of the Express group obligation for post-employment benefits and the relating plan assets cover approximately 94% of the Express group plan assets.

Defined benefit pension costs recognized in the income statement

The valuation of the pension obligation of Express and the determination of its pension cost are based on key assumptions that 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 as part of the actuarial gains and losses. If the cumulative actuarial gains and losses exceed the corridor, the excess will be amortized over the employee's expected average remaining service lives and reflected as an additional profit or expense in Express' income statement in the next year.

In accordance with IAS 19.34a, TNT N.V., as the sponsoring employer for the two Dutch pension funds, recognizes in its corporate financial statements the contributions received from the relevant group companies as a benefit that offsets the defined benefit pension expense. The relevant group companies, also those within Express, recognize in their financial statements the costs equal to the contribution payable for the period. The operating income of Express therefore includes the contributions paid as defined contribution costs.

In 2010, Express' expense for post-employment benefit plans was €7 million (2009: 9). Total cash contributions for post-employment benefit plans in 2010 amounted to €13 million (2009: 12) and are estimated to amount to approximately €13 million in 2011, all amounts exclude the cash pension contribution relating to the Dutch pension plan sponsored by TNT N.V.

Statement of changes in net pension asset/(liability)

	Balance at 1 January 2010	Employer pension expense	Contributions / Other	Balance at 31 December 2010
Provision for pension liabilities	(18)	(6)	10	(14)
of which pension and transitional plans in the Netherlands	(18)	(3)	6	(15)
of which other pension plans in Europe	0	(1)	3	2
of which pension plans outside Europe	0	(2)	1	(1)
Other post-employment benefit plans	(31)	(1)	3	(29)
Total post-employment benefit plans	(49)	(7)	13	(43)

(in €millions)

The total net provision for post-employment benefit plans of €43 million as per 31 December 2010 (2009: 49) consist of a pension asset of €6 million (2009: 4) and a pension liability of €49 million (2009: 53).

The funded status of the Express' post-employment benefit plans at 31 December 2010 and 2009 and the employer pension expense for 2010 and 2009 are presented in the table below.

Pension disclosures

	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	(91)	(79)
Service costs	(5)	(4)
Interest costs	(5)	(4)
Amendments/foreign currency effects	(4)	0
Actuarial (loss)/gain	(13)	(10)
Benefits paid	7	6
Benefit obligation at end of year	(111)	(91)
Change in plan assets		
Fair value of plan assets at beginning of year	53	44
Actual return on plan assets	9	6
Contributions	10	9
Amendments/foreign currency effects	3	0
Benefits paid	(7)	(6)
Fair value of plan assets at end of year	68	53
Funded status as per 31 December		
Funded status	(43)	(38)
Unrecognised net actuarial loss	29	20
Pension assets/liabilities	(14)	(18)
Other employee benefit plans	(29)	(31)
Net pension asset/liability	(43)	(49)
Components of employer pension expense		
Service costs	(5)	(4)
Interest costs	(5)	(4)
Expected return on plan assets	5	3
Amortisation of actuarial loss	(1)	(2)
Other costs	0	(1)
Employer pension expense	(6)	(8)
Other post-employment benefit plan expenses	(1)	(1)
Total post-employment benefit expenses	(7)	(9)
Weighted average assumptions as at 31 December		
Discount rate	4.9%	5.2%
Expected return on plan assets	5.8%	6.1%
Rate of compensation increase	2.4%	2.2%
Rate of benefit increase	2.0%	2.1%

(in €millions)

Express' 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 Express' post-employment benefits is 31 December. Changes in assumptions may occur as a result of economic and market conditions. If actual results differ from those assumed, this will generate actuarial gains or losses. These are amortized over the employee's expected average remaining service lives if they exceed the corridor.

The discount rate is based on the long-term yield on high quality corporate bonds. 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.

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 Europe. In the Netherlands, the average life expectancy of men after retiring at the age of 65 is 19.5 years (2009: 18.2). The equivalent expectancy for women is 21.6 years (2009: 21.1).

SECTION A: GENERAL

CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

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 with the provision for post-employment benefit plans. Included in the provision for pension liabilities is the unfunded defined benefit TFR plan in Italy of €29 million (2009: 31).

At 31 December	2010	2009
Present value of funded benefit obligations	(79)	(60)
Fair value of plan assets	68	53
(Un)Funded status	(11)	(7)
Present value of unfunded benefit obligations	(32)	(31)
Unrecognised liability	29	20
Other employee benefit plans	(29)	(31)
Net pension asset/liability	(43)	(49)
of which included in pension assets	6	4
of which included in provisions for pension liabilities	(49)	(53)

(in €millions)

Defined Contribution costs

Amounts expensed in the income statement related to defined contribution plans were €62 million (2009: 50), of which €27 million (2009: 24) relates to the Dutch defined benefit pension plans externally funded in 'Stichting Pensioenfonds TNT' and 'Stichting Ondernemingspensioenfonds TNT'. The €35 million (2009: 26) remaining defined contribution costs relates to plans within Europe for €17 million (2009: 13) and to plans outside Europe for €18 million (2009: 13).

11 Other provisions: 168 million (2009: 153)

Statement of changes

	Other employee benefit obligations	Restructuring	Claims and indemnities	Other	Total
Balance at 31 December 2008	32	28	43	59	162
of which included in other provisions (non-current)	23	2	7	41	73
of which included in other provisions (current)	9	26	36	18	89
Changes in 2009					
Additions	1	37	11	10	59
Withdrawals	(1)	(40)	(6)	(26)	(73)
Exchange rate differences	3	1	2	6	12
(De)consolidation				2	2
Interest				1	1
Reclassification	(1)	1	(4)	4	
Other/releases		(4)	(3)	(3)	(10)
Total changes	2	(5)		(6)	(9)
Balance at 31 December 2009	34	23	43	53	153
of which included in other provisions (non-current)	22	3	12	32	69
of which included in other provisions (current)	12	20	31	21	84
Changes in 2010					
Additions	7	16	19	9	51
Withdrawals	(3)	(23)	(11)	(4)	(41)
Exchange rate differences	4		3	4	11
(De)consolidation				(2)	(2)
Interest				1	1
Reclassification		(1)		1	
Other/releases	2		(4)	(3)	(5)
Total changes	10	(8)	7	6	15
Balance at 31 December 2010	44	15	50	59	168
of which included in other provisions (non-current)	29	3	10	35	77
of which included in other provisions (current)	15	12	40	24	91

(in €millions)

Other employee benefits consist of provisions related to jubilee payments of €14 million (2009: 11), long-service benefits of €7 million (2009: 4) and other employee benefits of €23 million (2009: 19). Short-term employee benefits, such as salaries, profit-sharing and bonuses are discussed in note 18.

As per 31 December 2010, the restructuring provision amounted to €15 million, of which €11 million (2009: 20) relates to restructuring projects in Europe and for €4 million (2009: 3) within the rest of Express.

The total restructuring-related charge for 2010 amounted €16 million and has been recorded under restructuring provisions. The 2010 restructuring plans mainly related to redundancy costs and reallocation costs of employees in Americas for €8 million and Europe for €8 million. A majority of these restructuring provisions will be utilised in 2011. The other restructuring plans announced before 2009 related to Europe and South America, and have been largely finalised during 2010.

The withdrawals from the restructuring provisions of €23 million (2009: 40) relates to settlement payments following restructuring programmes for an amount of €16 million within Europe and €7 million within Americas.

In 2010 1,325 employees (2009: 1,448) were made redundant, mainly in Americas and Europe. The relating settlements have been withdrawn from these provisions.

Provisions for claims and indemnities include provisions for claims from third parties, mainly customers, with respect to the ordinary business activities of Express. In 2010, the €19 million addition includes €11 million of provision for claims in Brazil, which are integration-related.

Other provisions consist mainly of provision for risks related to subcontractors' social security liabilities, mainly in Italy. The additions of €9 million relate to Italy for an amount of €4 million, South America €2 million and other countries €3 million.

The estimated utilisation in 2011 is €91 million, in 2012 €8 million, in 2013 €5 million and in 2014 and beyond €64 million.

12 Long-term debt: 301 million (2009: 348)

Carrying amounts and fair value of long term debt

At 31December	2010 Carrying Amount	2010 Fair value	2009 Carrying Amount	2009 Fair value
Finance leases	184	186	188	179
Other loans	24	40	36	43
Interest rate swaps	93	93	124	124
Total long term debt	301	319	348	346

(in €millions)

The interest rate swaps in the table above include an amount of €65 million that relates to the GBP denominated Eurobond of TNT N.V. TNT Finance B.V. which is part of the Express business, entered into the interest rate swap for this Eurobond and has a contractual relationship with TNT N.V. As a consequence, TNT Finance B.V. has a receivable of €65 million towards TNT N.V. which has been included in the 'net accounts payable to TNT'. This position will be settled before the actual demerger.

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.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

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

	Finance leases	Other loans	Interest rate swaps	Short term bank debt	Total
2011	19	10		28	57
2012	15	9			24
2013	14	8	5		27
2014	11	3			14
2015	11	1			12
Thereafter	133	3	88		224
Total borrowings	203	34	93	28	358
of which included in long term debt	184	24	93		301
of which included in other current liabilities	19	10		28	57

(in €millions)

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

13 Other current liabilities: 845 million (2009: 984)

At 31 December	2010	2009
Short term bank debt	28	56
Other short term debt	29	30
Total current borrowings	57	86
Net payable TNT	526	549
Taxes and social security contributions	114	157
Expenses to be paid	22	31
Other	126	161
Total	845	984

(in €millions)

Total current borrowings

Other short-term debt includes short-term bank facilities of €10 million (2009: 13) and the current portion of outstanding finance lease liabilities of €19 million (2009: 17). There are no balances as of 31 December 2010 that are expected to be settled after 12 months (2009: 0).

Net payable TNT

The net payable towards the continuing TNT Group of €526 million represent the net payable from legal entities of the Express business towards TNT N.V. and legal entities of its continued business and is expected to be settled before the actual demerger. The net payable arises mainly from financing activities as the trading activities between Express and TNT are limited, see note 32.

14 Accrued current liabilities: 680 million (2009: 632)

At 31 December	2010	2009
Amounts received in advance	27	38
Expenses to be paid	488	465
Vacation days/vacation payments	74	71
Other accrued current liabilities	91	58
Total	680	632

(in €millions)

An amount of €6 million is expected to be settled after 12 months (2009: 3).

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED
NOTES TO THE COMBINED INCOME STATEMENT

15 Net sales: 6,945 million (2009: 6,109)

The net sales of Express relate to the trading activities of the reporting segments Europe & MEA, ASPAC, Americas and Other Networks, arising from rendering of services. Net sales allocated by geographical area in the country or region in which the entity records sales is detailed in note 33.

16 Other operating revenues: 108 million (2009: 99)

Other operating revenues relate to the rendering of services not related to Express normal trading activities and mainly include passenger/charter revenues of €75 million (2009: 73) and customs clearance/ administration revenue of €17 million (2009: 15).

17 Other income: 12 million (2009: 0)

Other income in 2010 includes net proceeds from the sale of property, plant and equipment for a net amount of €8 million (2009: -3) and other miscellaneous income of €4 million (2009: 3).

18 Salaries, pensions and social security contributions 2,190 million (2009: 2,007)

Year ended at 31 December	2010	2009
Salaries	1,781	1,635
Share based payments	19	13
Pension charges:		
Defined benefit plans	7	9
Defined contribution plans	62	50
Social security charges	321	300
Total	2,190	2,007

(in €millions)

Labour force	2010	2009
Employees [1]		
Europe & MEA	36,184	36,348
Asia Pacific	31,924	29,325
Americas	11,081	11,050
Other Networks	2,435	1,895
Non-allocated [2]	1,612	1,444
Total at year end	83,236	80,062
Employees of joint ventures [3]	1,022	822
External agency staff at year end	1,650	2,705
Full-time equivalents (FTEs) [1]		
Europe & MEA	34,177	34,542
Asia Pacific	31,403	27,955
Americas	12,083	12,637
Other Networks	2,241	1,654
Non-allocated [2]	1,563	1,365
Total year average	81,467	78,153
FTEs of joint ventures [3]	894	738

1 Including temporary employees on our payroll.
2 Including employees and FTEs in Head office and Global IT Support Centre.
3 These numbers represent all employees and FTEs in the joint ventures.

At the end of 2010 1,022 people (2009: 822) were employed by joint ventures.

Apart from the headcount of employees, the labour force is also expressed in full-time equivalents (FTEs), based on the hours worked divided by the local standard. In 2010 the average number of FTEs increased compared with 2009. The FTE increased mainly due to Hoau (China) and Fashion UK.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED
Remuneration of the key management
In 2010, the total remuneration of the key 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 2010 values of each of these remuneration elements will be reported per member of the key management.

Total remuneration
In 2010, the remuneration, including pension and social security contributions, of the key management amounted to €2,450,915. The remuneration of Bernard Bot covers the period 1 Augustus 2010 up and including 31 December 2010.

The remuneration of the individual members of the key management is set out in the table below:

	Base salary	Accrued for short term incentive	Accrued for long term incentive	Other periodic paid compensation	Pension costs	Total 2010	Total 2009
Bernard Bot [1]	187,500	281,939	50,204	27,573	61,682	608,898	
Marie-Christine Lombard	612,000	343,395	214,842	390,260	281,520	1,842,017	1,989,317
Total	799,500	625,334	265,046	417,833	343,202	2,450,915	1,989,317

1 The accrued for short term incentive amounts include a discretionary bonus.
(in €)

Base salary
The base salary for the members of the key management is €612,000 for Ms Lombard and €450,000 for Mr Bot.

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. For Ms Lombard other periodic paid compensation includes French social taxes and French social security contributions, calculated on the full salary package i.e. base salary, bonus and performance shares.

Variable compensation
In the table below the total accrued variable compensation in 2010 to the members of the key management is shown:

	Accrued for short term incentive	Accrued for long term incentive	Total variable compensation
Bernard Bot [1]	281,939	50,204	332,143
Marie-Christine Lombard	343,395	214,842	558,237
Total	625,334	265,046	890,380

1 The accrued for short term incentive amounts include a discretionary bonus.
(in €)

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 2010 performance
In the table below the amount of €598,482 reflects the accrued bonuses for performance over 2010, which will be paid in 2011.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

The 2010 accrued short-term incentive amounts for key management are accrued as set out below:

	Accrued for 2010 bonus	as % of base pay	Accrued for bonus matching shares	Accrued for short term incentive
Bernard Bot [1]	269,532	144%	12,407	281,939
Marie-Christine Lombard	328,950	54%	14,445	343,395
Total	598,482		26,852	625,334

1 The accrued for short term incentive amounts include a discretionary bonus.
(in € except percentages)

Bonus/matching share plan

As of 2008, members of the key management are no longer eligable to participate in the bonus/matching plan. Mr Bot was eligible to participate in the scheme up to his appointment as key manager (no participation in 2008). The amount of €26,852 reflects the accrued costs in 2010 for the rights on matching shares that were granted in 2007, 2009 and 2010 to Mr Bot (but only insofar these relate to his key management membership period), and 2007 for Ms Lombard.

Under the bonus/matching plan, of the net bonus amount received an amount equal to 25% of the gross bonus was used by the key management 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 key 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.

All key management participated in the scheme for the bonus earned during their membership of the key management, up until 2007 (except Mr Bot).

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

	Year	Number of matching rights on shares: Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Bernard Bot	2007	1,245		1,245		
	2009	3,365			3,365	0.4
	2010		2,763		2,763	0.4
Marie-Christine Lombard	2007	3,476		3,476		
Total		8,086	2,763	4,721	6,128	

In 2010 the average price on vesting for matching shares for the key management was €23.05.

Accrued long-term incentive

Costs of the long-term incentive

The maximum numbers of performance shares that can vest amount to 150% of base allocation. In the table below, the total costs of the rights on performance shares granted to the key management are shown:

	Costs in 2010 from performance shares granted in 2007	Costs in 2010 from performance shares granted in 2008	Costs in 2010 from performance shares granted in 2009	Costs in 2010 from performance shares granted in 2010	Accrued for long term incentive
Bernard Bot		15,905	17,481	16,818	50,204
Marie-Christine Lombard	46,727	70,197	97,918		214,842
Total	46,727	86,102	115,399	16,818	265,046

(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 4 May 2010 through 3 May 2013 governs the performance share grant for 2010. For the 2009 grant that period is from 5 May 2009 through 4 May 2012, for the 2008 grant that period is from 28 April 2008 through 27 April 2011, and for the 2007 grant it is from 4 May 2007 through 3 May 2010. In compliance with the Dutch Corporate Governance Code, the key 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.

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 2010.

	Year	Performance shares: Vesting % of base allocation	Vesting as if per 31 Dec 2010
Bernard Bot	2008	20.2%	1,429
	2009	54.4%	6,759
	2010	9.4%	713
Marie-Christine Lombard	2008	20.2%	2,627
	2009	54.4%	15,775
Total			27,303

Long-term incentive/performance share plan

The table below summarises the status of the rights awarded under the performance share plan to the key management.

	Year	Number of rights on performance shares: Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Bernard Bot	2007	8,249		754	7,495		
	2008	10,608				10,608	0.3
	2009	18,637				18,637	0.4
	2010		11,382			11,382	0.4
Marie-Christine Lombard	2007	19,508		1,784	17,724		
	2008	19,508				19,508	0.3
	2009	43,497				43,497	0.4
Total		120,007	11,382	2,538	25,219	103,632	

In 2010 the average price on vesting for performance shares for the key management was €21.26.

Long-term incentive/share option plan

The table below summarises the status of the outstanding options (no relating costs in 2010) to acquire a number of TNT ordinary shares granted to the key management.

	Year	Number of options: Outstanding 1 Jan 2010	Exercised during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Amounts in €: Exercise price	Share price on exercise date	Remaining years in contractual life
Marie-Christine Lombard	2004	30,000	30,000		0	18.44	22.63	
Total		30,000	30,000		0			

Pension

The pension costs consist of the service costs for the reported year. Mr Bot is a participant in a career average defined benefit scheme, whereas Ms Lombard participates in a French defined contribution pension scheme. The pensionable age of all key management is 65 years.

Unwinding of existing equity plans conditional to the demerger

Subject to approval of the demerger proposal by the shareholder, the unvested rights on performance shares and matching shares granted in 2010 and 2009 will be unwound immediately before the demerger date. All schemes will be terminated before the planned demerger and no 'legacy plans' will exist thereafter. The unwinding will be executed as described below unless the Supervisory Board decides otherwise in the period before the demerger.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

The existing and unvested rights on performance shares and matching shares will vest on a pro-rated basis in accordance with current plan rules and, for the performance shares, applying the then most recent performance criteria.

The unwinding of the unvested performance shares and matching shares will be settled in cash and paid to the respective key manager.

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 to 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 his/her future contribution to the company.
Participants will become the economic 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 to be delivered (nil up to the maximum comprising the right) is dependent on the company's performance on total shareholder return. These conditions are included in the calculation of the fair value at the grant date.
Performance shares were granted in May 2010 to 612 Express managers at a fair value of €12.39 each. These grants were part of the policy to annually grant rights on performance shares to eligible members of senior management from 2005 onwards.
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 2010 is stated below.

		Number of rights on performance shares					
	Year	Outstanding 1 Jan 2010	Granted during 2010	Vested during 2010	Forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management	2007	614,448		52,877	561,571		
	2008	916,901		10,677	38,664	867,560	0.3
	2009	1,765,327		18,567	79,611	1,667,149	0.4
	2010		1,167,733	339	13,441	1,153,953	0.4
Total		3,296,676	1,167,733	82,460	693,287	3,688,662	

In 2010 the average price on vesting for performance shares for the management (excluding Mr Bot) was €21.23.

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 key management and senior management. All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

		Number of options				Amounts in €		
	Year	3.0	Exercised during 2010	Forfeited during 2010		Exercise price	Share price on exercise date	Remaining years in contractual life
Management	2003	36,109	18,684		17,425	13.85	19.63	0.1
	2003	3,000			3,000	14.51		0.4
	2004	185,451	21,000	2,600	161,851	18.44	20.73	0.4
Total		224,560	39,684	2,600	182,276			

Historic overview outstanding options

	2010		2009	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at beginning of year	254,560	17.68	281,560	17.64
Exercised	(69,684)	21.25	(10,250)	20.34
Forfeited	(2,600)	18.44	(16,750)	18.01
Balance at end of year	182,276	17.94	254,560	17.68
Exercisable at 31 December	182,276	17.94	254,560	17.68

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 2010 (73,123), 2009 (45,879), 2008 (63,290) and 2007 (50,913) 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 (2010: €22.91/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.

The exercise of the rights on matching shares is subject to the TNT rules concerning inside information. 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 management:

	Year	Number of matching rights on shares				
		Outstanding 1 Jan 2010	Granted during 2010	Vested or forfeited during 2010	Outstanding 31 Dec 2010	Remaining years in contractual life
Management	2007	41,894		41,894		
	2008	60,415		4,697	55,718	0.3
	2009	52,556		1,469	51,087	0.4
	2010		73,123	727	72,396	0.4
Total		154,865	73,123	48,787	179,201	

In 2010 the average price on vesting for matching shares for the management was €22.94.

Unwinding of existing equity plans conditional to the demerger

Subject to approval of the demerger proposal by the shareholder, the unvested rights on performance shares and matching shares granted in 2010 and 2009, as well as any unexercised options, will be unwound immediately before the demerger date, subject to approval of the demerger proposal by the shareholder. All schemes will be terminated before the planned demerger and no 'legacy plans' will exist thereafter. The unwinding will be executed as described below unless the supervisory board decides otherwise in the period before the demerger.

The existing and unvested rights on performance shares and matching shares will vest on a pro-rated basis in accordance with current plan rules and, for the performance shares, applying the then most recent performance criteria.

The unwinding of the unvested performance shares and matching shares will be settled in cash and paid to the eligible management and employees.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

The exercise period of the employee options for TNT shares will be shortened and will end immediately before the planned demerger date. The value upon demerger of any unexercised option will be calculated in accordance with a generally accepted option valuation model and will be paid to the eligible employees.

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:

	2010	2009
Share price (in €)	22.18	15.18
Volatility (%)	41.44	39.80
Vesting period (in years)	3	3
Risk free rate (%)	1.72	2.14
Dividend yield (%)	2.48	2.35

As of 4 May 2010, the 2010 grant date, the fair value of the matching shares awarded was €20.54 and the fair value of the performance shares awarded was €12.39. As of 5 May 2009, the 2009 grant date, the fair value of the matching shares awarded was €14.11 and the fair value of the performance shares was €8.75. 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 was €29.88 and the fair value of the performance shares awarded was €17.03.

TNT manages its risk in connection with the obligations the company has under the existing share and option plans by purchasing shares on the market. In 2010, TNT did not purchase any additional shares to cover its obligations under the existing share and option schemes.

At 31 December 2010, TNT held a total of 188,757 shares to cover its obligations under the existing share and options schemes (2009: 488,691).

19 Depreciation, amortisation and impairments: 209 million (2009: 237)

Year ended at 31 December	2010	2009
Amortisation of intangible assets	54	59
Depreciation property, plant and equipment	157	163
Impairment of intangible assets		10
Impairment of property, plant and equipment	(2)	5
Total	209	237

(in €millions)

The amortisation of intangible assets of €54 million relates to software for €46 million (2009: 39) and other intangibles for €8 million (2009: 20). The reversal of the impairment of property, plant and equipment of €2 million in 2010 relates to two aircraft which have been transferred back from asset held for sale to property, plant and equipment and which will be back into service in 2011.

In 2009, the impairment charges mainly related to impaired customer relationships of €10 million in Asia and vehicles of €5 million in Americas.

20 Other operating expenses: 435 million (2009: 456)

The other operating expenses consist of IT communication, marketing, consulting and shared services cost and auditors fees.

21 Net financial income and expenses: -37 million (2009: -13)

Year ended at 31 December	2010	2009
Interest and similar income	20	64
Fair value change fair value hedges	2	0
Total interest and similar income	22	64
Interest and similar expenses	(53)	(67)
Fair value change cashflow hedge recycled to profit and loss	(1)	(1)
Fair value change fair value hedges		(2)
Net foreign exchange losses	(5)	(7)
Total interest and similar expenses	(59)	(77)
Net financial expenses	(37)	(13)

(in €millions)

Express has financing relationships with both external banks and with TNT. As a result Express records both external interest income and expenses from financial institutions and internal interest income and expenses to and from TNT.

Interest and similar income: 22 million (2009: 64)

The interest and similar income amounts to €20 million (2009: 64), of which €11 million (2009: 45) is income from TNT. The external interest and similar income of €9 million (2009: 19) mainly relates to interest income on banks, loans and deposits of €7 million (2009: 12), of which €4 million (2009: 8) relates to a gross up of interest on notional cash pools, interest on taxes of €1 million (2009: 2) and interest on foreign currency hedges of €1 million (2009: 3).

Interest and similar expenses: 59 million (2009: 77)

The interest and similar expenses amounts to €53 million (2009: 67), of which €12 million (2009: 13) are expenses to TNT. The external interest and similar expenses of €41 million (2009: 54) mainly relate to interest expense on bank overdrafts and bank loans of €11 million (2009: 21), of which €4 million (2009: 8) relates to a gross up of interest on notional cash pools, interest expenses on long-term borrowings of €12 million (2009: 10), interest on foreign currency hedges of €14 million (2009: 19), interest on provisions of €1 million (2009: 1).

In accordance with IFRS interest income and expense on cash pools are reported on a gross basis. From an economic and legal perspective the €4 million (2009: 8) 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 €1 million of interest income and €2 million of fair value change fair value hedges (2009: 3) fully offsets the €14 million (2009: 19 interest expense and 2 fair value change fair value hedges) of interest expenses on hedges.

22 Income taxes: 57 million (2009: 43)

Income taxes amount to €57 million (2009: 43), or 45.2% (2009: 122.9%) of income before income taxes.

Effective income tax rate

Year ended at 31 December	2010	2009
Dutch statutory income tax rate	25.5	25.5
Adjustment regarding effective income tax rates other countries	(3.9)	(9.1)
Permanent differences:		
Non and partly deductible costs	8.6	21.1
Non and partly deductible impairments		9.1
Exempt income		
Other	15.0	76.3
Effective income tax rate	45.2	122.9

(in percentages)

In 2010, the effective income tax rate is 45.2% (2009: 122.9%), which is significantly higher than the statutory income tax rate of 25.5% in the Netherlands (2009: 25.5%). The adverse impact of several non-deductible costs of 8.6% (2009: 21.1%) is partly offset by an overall positive effect of different income tax rates in other countries of

-3.9% (2009: -9.1%). The line 'other' includes several effects. Current year losses for which no deferred tax assets could be recognised due to uncertainty regarding the recoverability of such assets, results in an increase by 24.4% (2009: 39.9%). Positive effects from several optimisation projects and changes in accounting estimates relating to deferred tax assets and deferred tax liabilities lowered the effective tax rate by 14.1% (2009: 36.4%). The remaining 'other' increase of 4.7% reflects the net impact of several other positive and negative effects.

Compared to 2009, the effective tax rate improved significantly, partly due to the absence of non-deductible impairments in 2010 (in 2009, a significant part of the recorded impairments was non-deductible, which impacted the effective tax rate by 9.1% in 2009). Further the effective tax rate of 2009 was impacted by 55.2% due to the effect of certain profit pooling arrangements between the Mail and Express businesses. The line 'other' includes the effect of current year 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 24.4% (2009: 39.9%). Positive effects from several optimization projects decreased the effective tax rate by 14.1% (2009: 36.4%). The remaining 'other' increase of 4.7% reflects the net impact of several other positive and negative effects.

Income tax expense consists of the following:

Year ended at 31 December	2010	2009
Current tax expense	88	62
Changes in deferred taxes (excluding acquisitions / foreign exchange effects)	(31)	(19)
Total income taxes	57	43

(in €millions)

In 2010, the current tax expense amounted to €88 million (2009: 62). The difference between the total income taxes in the income statement 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 2010, the income tax receivable amounts to €26 million (2009: 33) and the income tax payable amounts to €31 million (2009: 26). In 2010, Express paid taxes for an amount of €76 million (2009: 34 million).

The following table shows the movements in deferred tax assets in 2010:

	Provisions	Property, plant and equipment	Losses carried forward	Other	Total
Deferred tax assets at 31 December 2008	27	5	99	56	187
Changes charged directly to equity				(5)	(5)
Changes via income statement	3		13	(3)	13
(De)consolidation/foreign exchange effects	3		6		9
Deferred tax assets at 31 December 2009	33	5	118	48	204
Changes charged directly to equity				1	1
Changes via income statement	3	(1)	6	1	9
(De)consolidation/foreign exchange effects	4	1	12	(1)	16
Deferred tax assets at 31 December 2010	40	5	136	49	230

(in €millions)

Of the deferred tax assets an amount of €11 million (2009: 9) is to be recovered within 12 months and an amount of €219 million (2009: 195) is to be recovered after 12 months.

Deferred tax assets and liabilities are presented net in the balance sheet if Express 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 €49 million (2009: 48) an amount of €28 million (2009: 32) relates to temporary differences for assets that are both capitalised and depreciable for tax purposes only.

The total accumulated losses available for carry forward at 31 December 2010 amounted to €896 million (2009: 774). With these losses carried forward, future tax benefits of €278 million could be recognised (2009: 228). Tax deductible losses give rise to deferred tax assets at the substantively enacted 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 expiration of tax losses carried forward and projected future taxable income. As a result Express has not recognised €140 million (2009: 108) of the potential future tax benefits and has recorded deferred tax assets of

€138 million at the end of 2010 (2009: 120). Of the total recognised deferred tax assets for loss carry forward an amount of €2 million was offset against deferred tax liabilities.

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

2011	9
2012	20
2013	27
2014	45
2015 and thereafter	318
Indefinite	477
Total	896

(in €millions)

The following table shows the movements in deferred tax liabilities in 2010:

	Provisions	Property, plant and equipment	Other	Total
Deferred tax liabilities at 31 December 2008	1	32	18	51
Changes via income statement		(14)	8	(6)
(De)consolidation/foreign exchange effects		2	5	7
Deferred tax liabilities at 31 December 2009	1	20	31	52
Changes via income statement	3	(3)	(22)	(22)
(De)consolidation/foreign exchange effects		1	4	5
Deferred tax liabilities at 31 December 2010	4	18	13	35

(in €millions)

Of the deferred tax liabilities an amount of €3 million (2009: 1) is to be settled within 12 months and an amount of €32 million (2009: 51) is to be settled after 12 months.

NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

The non-cash transactions in the statement of cash flows 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.

23 Net cash from operating activities 241 million (2009: 316)

In 2010, the net cash from operating activities decreased by €75 million from €316 million in 2009 to €241 million.

Cash generated from operations

The cash generated from operations decreased from €416 million in 2009 to €356 million in 2010. In 2010 the profit before income taxes contributed €126 million and €349 million if adjusted for the non-cash impact of depreciation, amortization, impairments and share based payments. This is €64 million higher compared to 2009 (2009: 285).

The change in net pension liabilities of -€6 million in 2010 (2009: -3) reflects the total Express non-cash employer pension expense for the post-employment defined benefit plans of €7 million (2009: 9) and comparable total Express cash contributions to various post-employment defined benefit plans for a total amount of €13 million (2009: 12).

The increase of €22 million in change in other provisions relates mainly to higher cash payments in 2009 following several restructuring plans.

In 2010, the total working capital of -€31 million worsened by €159 million compared to 2009 (2009: 128), mainly as a result of increase in revenue that lead to higher trade accounts receivable and accrued income balances. Trade working capital worsened by €94 million compared to 2009, non-trade working capital worsened by €65 million.

Interest paid

The total cash out flow for interest paid in 2010 is €39 million (2009: 66). In 2010 interest paid mainly includes interest on Express' financial leases of €13 million (2009: 11). In addition, interest payments of €12 million (2009: 29) are included for short-term debt (of which €4 million (2009: 11) is a gross up due to cash pools which is offset in the interest received) and for interest on foreign currency hedges of €14 million (2009: 26).

The interest paid and received on notional cash pools are reported on a gross basis according to IFRS. From an economic and legal perspective the €4 million (2009: 11) 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 €3 million of interest received (2009: 6) is fully set off against the €14 million (2009: 26) of interest paid on hedges.

Income taxes paid

In 2010, Express paid taxes for an amount of €76 million (2009: 34 million).

24 Net cash used in investing activities: -150 million (2009: -185)

Interest received

In 2010, interest received amounted to €13 million (2009: 22). In 2010, interest received mainly includes interest relating to short-term bank balances and deposits of €9 million (2009: 14) (of which €4 million (2009: 11) is a gross up due to nominal cash pools which is offset in the interest paid), realised interest on foreign currency hedges of €3 million (2009: 6) and interest received on taxes of €1 million (2009: 2).

Acquisition of subsidiaries and joint ventures (net of cash)

In 2010, the total payments net of cash for acquisitions amounted to €23 million (2009: 62) and is related to the final payment for the acquisition of Expresso Araçatuba. In 2009, the total payment net of cash for acquisitions of €62 million was related to the acquisitions of LIT Cargo for €39 million and Expresso Araçatuba for €23 million.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

Capital expenditure on intangible assets and property, plant and equipment

In 2010, capital expenditures on property, plant and equipment amounted to €121 million (2009: 120), mostly related to vehicles, IT equipment and depot equipments. The capital expenditures on intangible assets of €50 million (2009: 36) mostly related to software license and common systems development costs. In 2010, capital expenditures were funded primarily by cash generated from operations and were part of strict cost control and review.

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

Proceeds from the sale of property, plant and equipment in 2010 totalled €26 million (2009: 26), related to the sale of buildings, aircrafts, vehicles and other depot equipment.

25 Net cash used in financing activities: -121 million (2009: -261)

As a result of the announced demerger of Express, the 2009 and 2010 cash flow statements include a reclassification from intercompany to external cash flows for all relationships between Express and TNT.

Proceeds from and Repayments of long-term borrowings

In 2010 the total net repayments on long-term borrowings relates to net repayments of local bank debt for a total amount of €14 million (2009: proceeds 15).

Proceeds from and Repayments of short-term borrowings

The total net repayments on short-term borrowings mainly related to the net of increases and decreases on outstanding local short-term bank debt of €42 million (2009: 345). In 2009 the repayment related mainly to the repayment of the commercial paper under TNT's commercial paper programme of €222 million.

Repayments to finance leases

The repayments related to redemptions on the two Boeing 747 freighters of €9 million (2009: 8) and to redemptions on other finance lease contracts of €15 million (2009: 13).

26 Reconciliation to cash and cash equivalents

The following table presents reconciliation between the cash flow statements and the cash and cash equivalents as presented in the statement of financial position.

Year ended at 31 December	2010	2009
Cash at the beginning of the year	830	437
Exchange rate differences	7	1
Total change in cash (as in consolidated cash flow statements)	(30)	392
Cash at the end of the year	807	830

(in €millions, except percentages)

ADDITIONAL NOTES

27 Business combinations

(No corresponding financial statement number)

In 2010, Express had no acquisitions.

In 2009, Express entered into two acquisitions, being LIT Cargo S.A. and Expresso Araçatuba, with a total acquisition cost of €88 million. Following the purchase price allocation of the 2009 acquisition in LIT Cargo S.A., Expresso Araçatuba goodwill has increased by €13 million, in 2010.

Specification

Company name	Segment	Month aquired in 2009	% owner	Acquisition costs	Goodwill on acquistion
LIT Cargo	Americas	February	100.0%	39	17
Expresso Araçatuba	Americas	April	100.0%	49	37
Total				88	54

(in €millions)

The main factors that contributed to a cost that resulted in the recognition of goodwill are summarised below:

- LIT Cargo S.A. is a leading express delivery company in Chile. The acquisition gives Express 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 fully fits with the Express strategy to become the intra-regional express leader in South America,
- Expresso Araçatuba Transportes e Logística S.A. provides a foundation for further development of transport flows between Brazil, Chile and Argentina and offers express transportation — mainly by road — from the south and south-east of Brazil to the highly attractive north and central-west regions, home to the continent's largest concentration of pharmaceutical companies and large manufacturing plants.

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

	Pre-acquisition	Post-Acquisition
Goodwill		54
Other non-current Assets	28	65
Total non-current Assets	28	119
Total current Assets	28	27
Total assets	56	146
Equity	14	90
Non-current liabilities	17	19
Current liabilities	25	37
Total Liabilities and Equity	56	146

(in €millions)

	LIT Cargo		Expresso Araçatuba	
	Pre-acquisition	Post-Acquisition	Pre-acquisition	Post-Acquisition
Goodwill		17		37
Other non-current Assets	21	38	7	27
Total non-current Assets	21	55	7	64
Total current Assets	11	10	17	17
Total assets	32	65	24	81
Equity	8	39	6	51
Non-current liabilities	13	15	4	4
Current liabilities	11	11	14	26
Total Liabilities and Equity	32	65	24	81

(in €millions)

Pro forma results

The following represents the pro forma results of Express for 2009 as if these acquisitions had taken place on 1 January 2009.
These pro forma results do not necessarily reflect the results that would have arisen had these acquisitions actually taken place on 1 January 2009. The pro forma results are not necessarily indicative of the future performance of Express.

Year ended at 31 December	Pro forma results (unaudited) 2009	As reported 2009
Total revenues	6,238	6,208
Profit for the period from continuing operations	(10)	(8)
Profit attributable to the equity holders of the parents	(13)	(11)

(in €millions, except per share data)

28 Commitments and contingencies

(No corresponding financial statement number)

Specification off-balance sheet commitments

At 31 December	2010	2009
Rent and operating lease	1,219	701
Capital expenditure	4	30
Purchase commitments	89	54

(in €millions)

Of the total commitments indicated above €301 million are of a short-term nature (2009: 260).

Guarantees

At the end of 2010, Express, on behalf of TNT subsidiaries, has various parental and bank guarantees outstanding. However, none (2009: 0) result in an off-balance sheet commitment for the Group as the relating obligations to external parties have already been recognised by these subsidiaries following its ordinary course of business.

Rent and operating lease contracts

In 2010, operational lease expenses (including rental) in the combined income statement amounted to €354 million (2009: 320).

TNT Airways and Guggenheim Aviation Partners LLC have signed an agreement for the delivery and lease of three new Boeing 777 freighters. The first aircraft is expected to be delivered and to enter service in July 2011. The two other will enter service by the end of 2011. These aircrafts will be on a 12-year operating lease with a total lease commitment of €464 million.

The Boeing 777 freighters will operate on longhaul routes between Europe and Asia. On these routes, Express currently operates a fleet of two owned Boeing 747 freighters and two Boeing 747 freighters on short-term lease. The new Boeing 777 freighters will be replacing the two Boeing 747 freighters on short-term leases due to expire in 2011. The new Boeing 777 freighters will reduce Express' reliance on commercial line haul and external short-term contract capacity, while providing the capacity required to support the company's growth in Asia.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

Future payments on non-cancellable existing lease contracts mainly relating to aircraft, depots, hubs, vehicles and other equipments were as follows:

Repayment schedule of rent and operating leases

At 31 December	2010	2009
Less than 1 year	217	190
Between 1 and 2 years	190	134
Between 2 and 3 years	151	99
Between 3 and 4 years	119	75
Between 4 and 5 years	94	59
Thereafter	448	144
Total	1,219	701
of which guaranteed by a third party/customers	22	12

(in €millions)

Capital expenditure

Commitments in connection with capital expenditure, which primarily relate to sorting machinery and other depot upgrading projects, are €4 million (2009: 30).

Purchase commitments

At 31 December 2010 Express had unconditional purchase commitments of €89 million (2009: 54), which are primarily related to short-term aircraft charter contracts and various service, maintenance contracts These contracts for service and maintenance relate primarily to facilities management, security, cleaning, salary administration and IT support contracts.

Contingent tax liabilities

Multinational groups of the size of Express are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. Express accounts for its income taxes on the basis of its own internal analyses, supported by external advice. Express continually monitors its global tax position, and whenever uncertainties arise, Express 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. Express 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 residents 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. The plaintiffs lodged an appeal with the Belgian Supreme Court, which overturned the 2004 judgement of the Liège Court of Appeal on 4 December 2009. The matter has been sent to the Brussels Court of Appeal for new submissions and pleadings. Following a Court of Appeal session on 7 October 2010, a calendar of proceedings will be fixed shortly. However, a new decision is not expected for at least two years.

A similar claim was lodged on 5 May 2009 before the Civil Court of Liège by the town of Riemst, which is seeking the closure of Liège airport. The Court rejected the claim on 14 April 2010. An appeal by Riemst was introduced on 14 September 2010 in which the town of Riemst requested the Court to pronounce a temporary measure that will forbid the use of the extended runway (417 m of extension). The Court rejected the request on 12 October 2010 and has fixed a calendar of proceedings. TNT has to submit its conclusions before 1 March 2011. The hearing will take place on 14 February 2012. It is unlikely that the outcome of this proceeding will be different from the night flights case above.

Foreign investigations

The Company has received and responded to subpoenas from the United States Office of Foreign Asset Control inquiring about its involvement in exports to countries sanctioned by the United States. In addition the Company has received and responded to information requests from competition authorities in various jurisdictions and cooperated with investigations in this context. Express does not expect any liability arising from any of those investigations to have a material effect on its results of operation, liquidity, capital resources or financial position.

29 Financial risk management

(No corresponding financial statement number)

Express 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 Express utilises a variety of financial derivatives.

The following analyses provide quantitative information regarding Express exposure to the financial risks described above. There are certain limitations and simplifications inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously, while at the same time, for example, the impact of changes in interest on foreign exchange exposures and visa versa is ignored. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

Express 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 of Management 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 Express borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on Express 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. Express' 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 2010, Express gross interest bearing borrowings, including finance lease obligations, totalled €358 million (2009: 434), of which €307 million (2009: 359) was at fixed interest rate.

Although, Express 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 2010, if interest rates on borrowings and financial assets had been 1% higher with other variables held constant the profit before income tax would have been €7 million higher (2009: 7). Equity would be impacted by €15 million (2009: 14), due to the outstanding interest rate swap(s) with a nominal value of US$239 million, as well as the €7 million (2009: 7) impact on profit before income taxes, see also note 30.

Foreign currency exchange risk

Express 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, Express' functional and reporting currency. Express 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.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

The two main currencies of Express external hedges are the British pound and US dollar, of which the 2010 exchange rates to the euro are shown below:

	Year end closing [1]	Annual Average [2]
British pound	0.86080	0.85740
US dollar	1.33620	1.32100

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. Express 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 2010, 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 €0 million higher (2009: 0). The net income sensitivity to movements in EUR/USD exchange rates compared to 2009 has not changed. Equity would have been impacted by €0 million (2009: 0).

At 31 December 2010, 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 (2009: 0). The net income sensitivity to movements in EUR/GBP exchange rates compared to 2009 has not changed. Equity would have been positively impacted by €0 million (2009: 26).

Credit risk

Credit risk represents the loss that the company would incur if counterparties with whom Express 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. Express 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 of Management. The utilisation of credit limits is regularly monitored. At reporting date there were no significant concentrations of credit risk. The top ten customers of Express account for 3% of the outstanding trade receivables as per 31 December 2010.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, 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, Express attempts to maintain flexibility in funding by keeping committed credit lines available.

Express has the following undrawn committed facilities:

At 31 December	2010	2009
Multicurrency Revolving Credit Facilities	1,100	1,000

(in €millions)

These facilities are available for the TNT Group and have been guaranteed by TNT N.V. They will need refinancing upon demerger.

The table below analyses Express 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.

At 31 December	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Thereafter	Book value
Outgoing flows based on the financial liablities 2010					
Other loans	16	31	10	2	34
Financial leases	21	35	37	135	203
Interest rate and cross currency swaps - outgoing	69	442	118	823	93
Foreign exchange contracts - outgoing	1,126				17
Short term bank debt	28				28
Trade accounts payable	414				414
Other current liabilities	109				109
Mitigation incoming flows based on the financial liabilities 2010					
Interest rate and cross currency swaps - incoming	57	421	112	773	
Foreign exchange contracts - incoming	1,126				
Total liquidity risk	600	87	53	187	898
Outgoing flows based on the financial liablities 2009					
Euro Bonds					
Other loans	8	8	51	4	49
Financial leases	21	38	38	146	205
Interest rate and cross currency swaps - outgoing	67	450	116	871	124
Foreign exchange contracts - outgoing	640				7
Short term bank debt	56				56
Trade accounts payable	316				316
Other current liabilities	156				156
Mitigation incoming flows based on the financial liabilities 2009					
Interest rate and cross currency swaps - incoming	55	415	109	800	
Foreign exchange contracts - incoming	640				
Total liquidity risk	569	81	96	221	913

(in €millions)

Capital structure management

It is the objective of Express when managing the 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. Express' capital structure will be based on and managed along the following components: (I) maintain an investment grade credit rating at BBB+/Baa1; (2) an availability of at least €400 million to €500 million of undrawn committed facilities; (3) cash pooling systems facilitating optimized cash requirements for the group and (4) a tax optimal internal and external funding focused at optimizing the cost of capital for the group, within long-term sustainable boundaries.

The debts of Express include finance leases for two Boeing 747 freighters for a total of €179 million. Certain clauses in these finance leases can be triggered by the lender upon the demerger of Express as is the case for many smaller, mostly uncommitted overdraft and guarantee facilities around the world. Express will seek agreement with the providers of these facilities to continue them on a stand-alone basis. In addition Express will require committed bank facilities that it seeks to arrange in anticipation of the demerger, among other things to assure the availability of at least €400 million €500 million of undrawn committed facilities upon demerger.

A lower-than-targeted initial credit rating or a subsequent downgrade in the credit rating of Express 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 its returns for shareholders and benefits for other stakeholders.

The terms and conditions of Express' 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.

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED
30 Financial instruments
(No corresponding financial statement number)

Summary financial instruments
In line with IFRS 9 and IAS 39 the following categories of financial assets and financial liabilities can be distinguished.

Assets

At 31 December	Note	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets as per balance sheet 2010				
Other loans receivable	3	3		3
Other financial fixed assets	3	16	3	19
Accounts receivable	5	1,241		1,241
Prepayments and accrued income	6	155	2	157
Cash and cash equivalents	7	807		807
Total		2,222	5	2,227
Assets as per balance sheet 2009				
Other loans receivable	3	3		3
Other financial fixed assets	3	18	2	20
Accounts receivable	5	1,136		1,136
Prepayments and accrued income	6	121	9	130
Cash and cash equivalents	7	830		830
Total		2,108	11	2,119

(in €millions)

Liabilities

At 31 December	Note	Financial liabilties measured at amortised costs	Derivatives used for hedging	Total
Liabilities as per balance sheet 2010				
Long term debt	12	208	93	301
Trade accounts payable		414		414
Other current liabilities	13	166	17	183
Total		788	110	898
Liabilities as per balance sheet 2009				
Long term debt	12	224	124	348
Trade accounts payable		316		316
Other current liabilities	13	242	7	249
Total		782	131	913

(in €millions)

The fair value of financial instruments is based on foreign exchange and interest rate market prices. Express uses commonly practised fair value valuation methods for its derivatives. The valuations represent a best approximation of the trading value of these derivatives at their valuation moment. The derivatives within the financial instruments are thereby grouped within level 2 of the fair value measurement hierarchy.

Finance leases

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

For the outstanding finance leases, see the table below:

At 31 December	Nominal value	Fixed / floating interest	Hedge accounting	Carrying value	Fair value
Boeing 747 ERF	179	floating	Yes	179	179
Other leases	24	floating/fixed	No	24	26
Total outstanding finance leases 2010	203			203	205
Boeing 747 ERF	174	floating	Yes	174	165
Other leases	31	floating/fixed	No	31	31
Total outstanding finance leases 2009	205			205	196

(in €millions)

Interest rate swaps

Express has US$ 239 million (2009: 251) and €30 million (2009: 30) of interest rate swaps outstanding for which it pays fixed and receives floating interest. These interest rate swaps act as a hedge on the cash flow interest rate risk on outstanding long-term debt. The €30 million loan which is hedged by the €30 million swap is a loan of TNT N.V., the value of the swap is therefore included in 'Net payable to TNT'.

As all previously outstanding 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 result of €0 million (2009: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to result of €0 million (2009: 0).

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

At 31 december Nominal	Forward Starting	Currency	Outstanding	Pay	Receive	Hedge	Fair value	Settlement amount
Interest rate swaps 2010								
117	No	USD	Yes	fixed	floating	cash flow	(11)	
122	No	USD	Yes	fixed	floating	cash flow	(12)	
30	No	Euro	Yes	fixed	floating	cash flow	-	
Cross currency swaps 2010								
250	No	USD/EUR	Yes	floating	floating	fair value	1	
568 [1]	No	GBP/EUR	Yes	fixed	fixed	cash flow	(65)	
27	No	SEK/EUR	Yes	floating	floating	fair value	(5)	
Interest rate swaps 2009								
123	No	USD	Yes	fixed	floating	cash flow	(7)	
128	No	USD	Yes	fixed	floating	cash flow	(8)	
30	No	Euro	Yes	fixed	floating	cash flow	-	
Cross currency swaps 2009								
250	No	USD/EUR	Yes	floating	floating	fair value	(19)	
568 [1]	No	GBP/EUR	Yes	fixed	fixed	cash flow	(88)	
26	No	SEK/EUR	Yes	floating	floating	fair value	(2)	

(in €millions)

1 Please also see under explanatory text relating foreign exchange contracts.

Foreign exchange contracts

Express 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 outstanding long-term cross-currency swaps is recorded as a long-term asset in 'financial fixed assets' or as liability in 'long-term debt'. The value of the GBP/EUR 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 of TNT N.V. As the GBP/EUR cross-currency swap relates to a financial instrument of TNT N.V. the value of the swap is included in 'Net payable to TNT', see also notes 5 and 12. The other outstanding cross-currency swaps are fair value hedges on intercompany positions.

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

	Note	At 31 December Carrying value	Fair value	Nominal value	Hedge	Amount in equity
Foreign exchange contracts 2010						
Asset	6	2	2	177	Fair value / Cash flow	
Liability	12	17	17	1,126	Fair value	
Foreign exchange contracts 2009						
Asset	6	9	9	363	Fair value / Cash flow	3
Liability	12	(7)	(7)	640	Fair value	

(in €millions)

The cash flow hedges on highly probable forecasted transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on the effective portion of the forward exchange contracts as of 31 December 2010 amount to €0 (2009: 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 result of €0 million (2009: 0). The total ineffective portion recognised in the income statement that arises from the usage of cash flow hedges amount to a result of €0 million (2009: 0).

31 Joint ventures

(No corresponding financial statement number)

Express participates in joint ventures that are proportionately consolidated. The company's most significant joint venture as at 31 December 2010 is the 50% interest in TNT Swiss Post AG, which offers express services in Switzerland. The Express share in equity in these joint ventures is limited as per 31 December 2010.

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

Year ended at 31 December	2010	2009
Non-current assets	6	5
Current assets	36	24
Equity	17	15
Non-current liabilities	4	1
Current liabilities	21	13
Net sales	78	58
Operating income	10	7
Profit attributable to the shareholders	7	6
Net cash provided by operating activities	11	8
Net cash used in investing activities	(1)	(2)
Net cash used in financing activities	(8)	(7)
Changes in cash and cash equivalents	2	(1)

(in €millions)

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED
32 Related party transactions and balances
(No corresponding financial statement number)

Express is currently owned and controlled by TNT N.V. It also has trading relationships with a number of other TNT companies, joint ventures and uncombined companies in which it holds minority shares. In some cases there are contractual arrangements in place under which the Express entities source supplies from such undertakings, or such undertakings source supplies from Express.

During 2010, sales made by Express companies to its joint ventures amounted to €1 million (2009: 0). Purchases of Express from joint ventures amounted to €21 million (2009: 2). The net amounts due to the joint venture entities amounted to €29 million (2009: 18). As at 31 December 2010, no material amounts were payable by Express to associated companies.

The following transactions were carried out with other TNT companies.

At 31December	2010	2009
Direct operational services to other TNT companies	7	7
Direct operational services from other TNT companies [1]	(11)	(12)
Management fees	9	13
Reimbursement of marketing costs		1
License fees	7	8
Share-based payments	14	13
Pension costs in respect of group plans [1]	(27)	(24)
Interest income	11	45
Interest expenses [1]	(12)	(13)

(in €millions)

Financial position related to other TNT companies

At 31December	2010	2009
Non-current receivables		29
Current receivables	1,669	523
Non-current payables		76
Current payables	2,195	1,072
Net payables TNT	(526)	(596)

(in €millions)

The net liabilities towards the continuing TNT Group of €526 million represent the net payable from legal entities of Express to TNT N.V. and legal entities of its continued business and is expected to be settled before the actual demerger The net payable arises mainly from financing activities, as the trading activities between Express and TNT are limited.
For the disclosure relating to key personal, see note 18. In 2009, the net payable of €596 million is recorded within the other current liabilities for an amount of € 549 million and for €47 million in the long-term liabilities.

33 Segment information
(No corresponding financial statement number)

The Board of Management of TNT N.V. receives operational and financial information on a monthly basis for Express and Other Networks that were two of the segments of TNT Group. Due to the demerger of the Express business, the segment information in the 2010 combined financial statements focuses on the operating segments of the Express business that will be the reportable segments going forward. This segment information is primarily based on the geographical areas were Express offers its services. As a result, the segment information is presented mainly from a geographical perspective to give an overview of the main markets. Express has the following reportable segments:
- Europe & MEA
- ASPAC
- Americas
- Other Networks, which includes Innight and Fashion

SECTION A: GENERAL
CHAPTER 5 FINANCIAL STATEMENTS CONTINUED

The measure of profit and loss and assets and liabilities is compliant with IFRS. The pricing of intercompany sales is done at arm's length.

Segmentation – results

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

Year ended at 31 December 2010	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Net sales	4,355	1,643	497	443	7	6,945
Intercompany sales	9	-	1	3	(13)	-
Other operating revenues	89	13	4	2		108
Total operating revenues	4,453	1,656	502	448	(6)	7,053
Other income	3	5	3	1		12
Depreciation/impairment property, plant and equipmen	(106)	(25)	(12)	(4)	(8)	(155)
Amortisation/impairment intangibles	(11)	(5)	(7)	(1)	(30)	(54)
Total operating income	371	14	(67)	18	(156)	180
Net financial income/(expense)						(37)
Results from investments in associates						(17)
Income tax						(57)
Profit/(loss) for the period						69
Attributable to:						
Non-controlling interests						3
Equity holders of the parent						66
Number of employees (headcount)	36,184	31,924	11,081	2,435	1,612	83,236

(in €millions)

Taxes and net financial income are dealt with at Express 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.

Other than the depreciation and amortisation, the material exceptional non-cash items in the 2010 operating income are the restructuring-related charges of €16 million, of which €8 million is within reportable segment Europe & MEA and €8 million in Americas. Other material non-cash items include provision for post-employment benefits of €7 million, claims of €19 million and legal and other obligation of €9 million. Book profits on sale of property plant and equipment amounted to €8 million of which €3 million is within reportable segment Europe & MEA, €4 million in ASPAC and €1 million in Americas.

Year ended at 31 December 2009	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Net sales	4,050	1,230	397	425	7	6,109
Intercompany sales	12	-	(1)	2	(13)	-
Other operating revenues	80	13	3	3		99
Total operating revenues	4,142	1,243	399	430	(6)	6,208
Other income	(6)	6	2	(2)		-
Depreciation/impairment property, plant and equipmen	(127)	(23)	(13)	(3)	(2)	(168)
Amortisation/impairment intangibles	(13)	(23)	(7)	(1)	(25)	(69)
Total operating income	281	(32)	(32)	18	(174)	61
Net financial income/(expense)						(13)
Results from investments in associates						(13)
Income tax						(43)
Profit/(loss) from discontinued operations						-
Profit/(loss) for the period						(8)
Attributable to:						
Non-controlling interests						3
Equity holders of the parent						(11)
Number of employees (headcount)	36,348	29,325	11,050	1,895	1,444	80,062

(in €millions)

Non-allocated operating income

Year ended at 31 December	2010	2009
Demerger costs	(45)	
Projects	(7)	(5)
Profit pooling	(41)	(92)
Pensions	(15)	(12)
Other costs	(48)	(65)
Total	(156)	(174)

(in €millions)

In 2010, non-allocated operating costs amounted to €156 million (2009: 174), of which €45 million were demerger costs and €41 million (2009: 92) were costs relating to the profit and loss pooling arrangement. Both of these are one-off costs. The unallocated pension costs of €15 million are part of the difference of €25 million between the recorded IFRS employer pension expense for the defined benefit pension plans and the actual cash payments paid from Express to the TNT Group which are not charged to the segments. Shareholders' costs relate to specific assigned tasks and events linked to corporate activities that are not charged out to the segments and staff costs of central functions and branding. The other costs relate to costs not charged out to the segments and represent the difference between management fees and actual invoices.

Balance sheet information

A reconciliation of the segment information relating to the balance sheet of the reportable segments is presented below:

At 31 December 2010	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Intangible assets	1,258	173	280	59	122	1,892
Property, plant and equipment	787	142	107	36	17	1,089
Trade accounts receivable	714	219	93	48	1	1,075
Other current assets	239	95	51	19	771	1,175
Total assets	3,113	712	577	165	964	5,531
Cash out for capital expenditures	70	45	12	3	41	171
Trade accounts payable	282	55	29	17	31	414
Other current liabilities [1]	646	205	84	39	673	1,647
Total liabilities [1]	1,207	287	169	62	804	2,529

1. Non-allocated includes the net payable to TNT and joint venture adjustment.

(in €millions)

The balance sheet information at 31 December 2009 is as follows:

At 31 December 2009	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	Total
Intangible assets	1,258	158	261	59	117	1,853
Property, plant and equipment	836	107	91	24	19	1,077
Trade accounts receivable	671	176	71	39	(4)	953
Other current assets	236	83	42	12	826	1,199
Total assets	3,116	584	506	139	1,028	5,373
Cash out for capital expenditures	66	22	33	10	25	156
Trade accounts payable	224	35	25	9	23	316
Other current liabilities [1]	673	174	119	35	725	1,726
Total liabilities [1]	1,174	228	231	52	934	2,619

(in €millions)

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 goodwill arising from the acquisition of TNT and GD Express Worldwide, which is not allocated to other countries or regions but to Europe & MEA.

Net sales

Year ended at 31 December	2010	2009
Europe		
The Netherlands	463	445
United Kingdom	885	834
Italy	605	580
Germany	776	720
France	698	669
Belgium	190	181
Rest of Europe	1,050	937
Americas		
USA and Canada	51	37
Brazil	368	297
South & Middle America	79	63
Africa & the Middle East	133	111
Australia & Pacific	581	437
Asia		
China and Taiwan	689	532
India	95	71
Rest of Asia	282	195
Total net sales	6,945	6,109

(in €millions)

Assets

	2010			2009		
At 31 December	Intangible assets	Property, plant and equipment	Financial fixed assets	Intangible assets	Property, plant and equipment	Financial fixed assets
Europe						
The Netherlands	902	84	43	901	91	62
United Kingdom	156	246		151	253	1
Italy	3	26	27	4	31	28
Germany	43	59	37	43	61	51
France	287	64	4	287	68	7
Belgium	3	265	14	1	279	6
Rest of Europe	47	85	40	48	88	29
Americas						
USA and Canada		3	41		3	37
Brazil	243	78	3	227	67	3
South & Middle America	37	27	2	33	22	1
Africa & the Middle East		11		1	7	
Australia & Pacific	22	87	69	22	70	52
Asia						
China and Taiwan	122	39	6	111	23	1
India	25	2	2	23	2	2
Rest of Asia	2	13	6	1	12	5
Total	1,892	1,089	294	1,853	1,077	285

(in €millions)

Employees

At 31 December	Europe & MEA	Asia Pacific	Americas	Other Networks	Non-allocated	2010	2009
Europe							
The Netherlands	1,739			725	851	3,315	3,309
United Kingdom	9,472			604	761	10,837	11,339
Italy	3,025					3,025	3,078
Germany	4,287			946		5,233	5,217
France	4,727					4,727	4,646
Belgium	2,437			43		2,479	2,384
Rest of Europe	8,825			117		8,942	8,241
Americas							
USA and Canada			875			875	776
Brazil			8,059			8,059	9,116
South & Middle America			2,147			2,147	1,158
Africa & the Middle East	1,672					1,672	1,473
Australia & Pacific		4,842				4,842	4,823
Asia							
China and Taiwan		21,143				21,143	19,090
India		2,059				2,059	2,014
Rest of Asia		3,880				3,880	3,399
Total	36,184	31,924	11,081	2,435	1,612	83,236	80,062

34 Subsequent events

(No corresponding financial statement number)

There are no subsequent events relating to Express.

35 Fiscal unity in the Netherlands

(No corresponding financial statement number)

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

36 List of combined entities at 31 December 2010

(No corresponding financial statement number)

All entities are 100% unless otherwise stated, except entities marked with *, these entities are joint ventures

ARC India Private Limited
Archive and Data Storage Limited
Bleckmann (Holding) U.K. Limited
Bleckmann (Portugal) Transitarios Internacionais, Limitada
Brilliant Jade Investment Company Limited
Cambronne Gestion Sas
Cendris I Limited
Cendris Limited
Cendris UK Limited
Colton Carriers (Vic.) Pty. Limited
Colton Carriers (Vic.) Unit Trust
Concord Global Trade & Transport Limited
Easymall B.V.
Equity Credit Services Limited
Factora Factoring und Inkasso GmbH
GD Insurance Company Limited
J. McPhee & Son (Australia) Holdings Pty. Limited

Jet Services Deutschland GmbH
Leiraveien 13 Eiendom AS
LIT Cargo SA
Logispring Investment Fund Holding B.V.
LogiSpring Investment Fund N.V./S.A.
Mach++ Express Worldwide Limited
McPhee Transport Pty. Limited
Mercury Re Limited
MR/Lason LLC
Pan Air Lineas Aereas SA
PNG Air Freight Limited *
Programme Office B.V.
Project Hurricane Limited
PT TNT Skypak International Express
Riteway Transport Pty. Limited
Salah Al Balawi Trading Establishment
Sayer & Company (Transport - I.O.M.) Limited
Stichting Programme Office
Supply Chain Solutions (Hong Kong) Limited
T.E.I. Limited
TNT (China) Holdings Company Limited
TNT (H.K.) Limited
TNT (PNG) Limited
TNT (UAE) LLC
TNT Airways NV/SA
TNT Akademie Gesellschaft für Training und Personalentwicklung GmbH
TNT Araçatuba Transportes e Logistíca S.A.
TNT Argentina S.A.
TNT Australia Pty. Limited
TNT Brasil Participações One Limitada
TNT Bulgaria Eood
TNT Business Solutions Limited
TNT China Holdings B.V.
TNT Customs Clearance Service (Japan) Inc.
TNT Danmark A/S
TNT Direct Marketing Services (Shanghai) Company Limited
TNT Egypt Limited
TNT Employment Services Limited
TNT Europe Finance B.V.
TNT Europe Limited
TNT European Airlines Limited
TNT Express (Austria) GmbH
TNT Express (Belgium) N.V./S.A.
TNT Express (Canada) Ltd.
TNT Express (Cyprus) Limited
TNT Express (Ireland) Limited
TNT Express and Logistics Co., Ltd., Beijing
TNT Express Beteiligungsgesellschaft GmbH
TNT Express Brasil Holdings Limitada
TNT Express Brasil Ltda
TNT Express Chile Limitada
TNT Express Corporation
TNT Express Deliveries (Phils.), Inc.
TNT Express Enfield Pty. Limited
TNT Express France Sas

TNT Express GmbH
TNT Express Holdco B.V.
TNT Express Holdings B.V.
TNT Express Holdings Germany GmbH
TNT Express Hungary Kft.
TNT Express ICS Limited
TNT Express Insurance B.V.
TNT Express International SAS
TNT Express Listco N.V.
TNT Express Luxembourg SA *
TNT Express National SAS
TNT Express Nederland B.V.
TNT Express Properties (Berlin) B.V.
TNT Express Properties (Frankfurt) B.V.
TNT Express Properties (München) B.V.
TNT Express Road Network B.V.
TNT Express Worldwide (Cambodia) Limited
TNT Express Worldwide (China) Limited
TNT Express Worldwide (CIS) Limited Liability Company
TNT Express Worldwide (Cyprus) Limited
TNT Express Worldwide (Euro Hub) N.V./S.A.
TNT Express Worldwide (HK) Limited
TNT Express Worldwide (Israel) Limited
TNT Express Worldwide (Japan) Inc
TNT Express Worldwide (Kenya) Limited
TNT Express Worldwide (M) Sdn Bhd
TNT Express Worldwide (Namibia) (Proprietary) Limited
TNT Express Worldwide (NZ) Limited
TNT Express Worldwide (Phils.), Inc.
TNT Express Worldwide (Poland) Sp zoo
TNT Express Worldwide (Singapore) Private Limited
TNT Express Worldwide (South Africa) (Proprietary) Limited
TNT Express Worldwide (Spain), S.L.
TNT Express Worldwide (Thailand) Co. Limited
TNT Express Worldwide (UK) Limited
TNT Express Worldwide (Zimbabwe) (Private) Limited
TNT Express Worldwide Eesti AS
TNT Express Worldwide Holdings Inc.
TNT Express Worldwide Investments Limited
TNT Express Worldwide Jordan Private Shareholding Company
TNT Express Worldwide Limited
TNT Express Worldwide Mexico SA de CV
TNT Express Worldwide N.V.
TNT Express Worldwide spol. s r.o. - Slovakia
TNT Express Worldwide, distribucija, d.o.o.
TNT Express Worldwide, spol. s.r.o. - Czech Republic
TNT Express WW (Portugal) Transit., Transp. e Servicos Complem. SA
TNT Express WW Kuwait Company WLL,Diya Abdul Latif Al-Kazemi & Partner
TNT FAA Sas
TNT Fashion Group B.V.
TNT Fashion Group France Sas
TNT Finance B.V.
TNT Finance Cyprus Limited
TNT France Holding SAS
TNT Global Express SpA

TNT GRS 2008 Ltd
TNT Headoffice B.V.
TNT Holdings (Deutschland) GmbH
TNT Holdings (Poland) Sp. z o.o.
TNT Holdings (UK) Limited
TNT Holdings B.V.
TNT Holdings Luxembourg Sàrl
TNT India Private Limited
TNT Informations Systeme GmbH
TNT Ingatlanhasznosito Kft.
TNT Innight Austria GmbH
TNT Innight B.V.
TNT Innight Czech Republic s.r.o.
TNT Innight GmbH & Co. KG
TNT Innight Hungary Express Szolgáltató Korlátolt Felelösségü Társaság
TNT Innight Management (Europe) GmbH
TNT Innight NV/SA
TNT Innight Slovak Republic s.r.o.
TNT International Express Tasimacilik Ticaret Limited Sirketi
TNT Latvia Sia
TNT Logisztikai Kereskedelmi es Szolgaltato Kft
TNT Management (Bahrain) EC
TNT Mehrwertlogistik GmbH
TNT Mercúrio Cargas e Encomendas Expressas S.A.
TNT New Zealand Limited
TNT Newco Limited
TNT Norden A/S
TNT Norge AS
TNT Offshore Islands Express Limited
TNT Overnite (M) Sdn Bhd
TNT Parcel Services (Shanghai) Company Limited
TNT Pty. Limited
TNT Real Estate Jersey Ltd
TNT Romania Srl
TNT Shared Services Centre Pty. Limited
TNT Shipping & Development Pty. Limited
TNT Shipping (Aust.) Pty. Limited
TNT Side Snc
TNT Skypak (Hellas) Limited
TNT Skypak Finance B.V.
TNT Skypak International (Bahrain) WLL
TNT Skypak International (Ireland) Limited
TNT Skypak International (Netherlands) B.V.
TNT Skypak International (NZ) Limited
TNT SPC Limited
TNT Suomi Oy
TNT Superannuation Pty. Limited
TNT Sverige Aktiebolag
TNT Swiss Post AG *
TNT Transport (N.I.) Limited
TNT Transport International B.V.
TNT Transport Limited
TNT UK Limited
TNT USA Inc.
TNT Vietnam Limited

TNT-Vietrans Express Worldwide (Vietnam) Company Limited
Trans Melanesian Airways Limited
UAB TNT
X-Air Services NV\SA *
XP International B.V.

Baotou Wuzhou Huayu Logistics Co., Ltd
Beijing Sanjiang Huayu Logistics Co., Ltd.
Changchun Wanlong Huayu Logistics Co., Ltd.
Changsha Sanjiang Huachen Logistics Company Ltd.
Changzhou Sanjiang Huayu Logistics Company Limited
Chengdu Wanlong Huayu Logistics Company Ltd.
Chongqing Bailong Huajia Logistics Company Ltd.
Dalian Sanjiang Huayu Goods Transportation Co., Ltd.
Dongguan Wanlong Huayu Transportation Company Ltd.
Foshan Wanlong Huayu Logistics Company Ltd.
Fuzhou Wanlong Huayu Logistics Company Ltd.
Guangzhou Wanlong Huajiang Logistics Company Ltd.
Guiyang Sanjiang Huayu Logistics Company Ltd
Haerbin Wanlong Huayu Logistcs Co., Ltd.
Hangzhou Pengxiang Huayu Transportation Co., Ltd.
Hefei Huamao Logistics Company Ltd.
Heilongjiang Wuzhou Huayu Hengye Logistics Company Limited
Huizhou Wanlong Huayu Logistics Company Ltd.
Jiamusi Sanjiang Huayu Logistics Co., Ltd.
Jiamusi Wanlong Huayu Hengji Logistics Company Limited
Jiaxing Wuzhou Huayu Logistics Company Ltd.
Jinan Wanlong Huayu Logistics Company Ltd.
Jinhua Sanjiang Huayu Logistics Company Ltd.
Jinzhou Wanlong Huayu Logistics Co., Ltd.
Kunming Wanlong Huayu Logistics Company Ltd
Kunshan Wanlong Huayu Logistics Company Ltd.
Lanzhou Sanjiang Huayu Logistics Company Ltd.
Liuzhou Sanjiang Huayu Goods Transportation Company Ltd
Nanchang Wanlong Huayu Logistics Company Ltd.
Nanjing Bailong Huayu Logistics Company Ltd.
Nanning Sanjiang Huayu Goods Transportation Company Ltd.
Nantong Wanlong Huayu Logistics Company Ltd.
Ningbo Jiangbei Sanjiang Huayu Logistics Company Ltd.
Qingdao Wanlong Huayu Logistics Company Ltd.
Shanghai Huazhen Logistics Company Ltd.
Shantou Huazhen Transportation Company Ltd.
Shenyang Wanlong Huayu Logistics Company Ltd.
Shenzhen Sanjiang Huamao Transportation Company Ltd.
Shijiazhuang Wanlong Huayu Logistics Co., Ltd.
Suzhou Wanlong Huayu Logistics Company Ltd.
Taiyuan Wanlong Huayu Hengji Logistics Co., Ltd.
Tangshan Wanlong Huazhen Goods Transportation Co., Ltd.
Tianjin Bailong Huayu Logistics Co., Ltd.
Urumqi Wanlong Huayu Logistics Company Ltd.
Weifang Wanlong Huayu Logistics Co., Ltd
Wenzhou Sanjiang Huayu Goods Transportation Company Ltd.
Wuhan Sanjiang Huayu Logistics Company Ltd.
Wuxi Wanlong Huaxia Transportation Company Ltd.
Xiamen Sanjiang Huayu Logistics Company Ltd.

Xi'an Huachen Logistics Company Ltd.
Xining Wuzhou Huayu Logistics Company Limited
Xuzhou Wanlong Huayu Logistics Company Ltd.
Yangjiang Wanlong Huayu Logistics Company Ltd.
Yangzhou Sanjiang Huayu Logistics Company Ltd.
Yantai Wanlong Huayu Logistics Company Ltd.
Yinchuan Wanlong Huayu Logistics Company Ltd.
Zhengzhou Sanjiang Huayu Logistics Co., Ltd.
Zhongshan Sanjiang Huayu Transportation Company Ltd.

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMBINED FINANCIAL STATEMENTS EXPRESS BUSINESS

To the Board of Management of TNT N.V.

We have audited the accompanying combined financial statements 2010 of the Express business of TNT N.V., Amsterdam as set out on pages 32 to 93 as described in the 'basis of preparation' as set out on pages 36 to 38 which comprise the combined statement of financial position as at 31 December 2010, the combined statements of comprehensive income, changes in net investment and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Management's responsibility

The Board of Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the accompanying combined financial statements as set out on pages 32 to 93 present fairly, in all material respects, the financial position of the Express business of TNT N.V. as at 31 December 2010, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to the basis of preparation of the combined financial statements on pages 36 to 38. As the Express business has not operated as a separate entity, these combined financial statements are therefore, not necessarily indicative of results that would have occurred if the Express business had been a separate stand-alone entity during the year presented or of future results of the Express business. Our opinion is not qualified in respect of this matter.

Amsterdam, 21 February 2011
PricewaterhouseCoopers Accountants N.V.
Original has been signed by drs. R. Dekkers RA

Chapter 6 Regulatory environment

Due to the importance of transport services to society, Express is affected by regulation.

CARBON MANAGEMENT AND REDUCTION

EU Emission Trading Scheme (EU ETS)

The Kyoto protocol established three mechanisms to be used by countries to attain emission reduction through effective management of carbon: emission trading, joint implementation and clean development. The Directive 2003/87/EC established a scheme for greenhouse gas emission allowance trading within the Community in order to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner, recognising that, in the long term, global emissions of greenhouse gases should be reduced by approximately 70% compared to 1990 levels.

EU ETS recognises three time-based key phases, arranged in order of the polluting nature of industries. The first phase was from 2005 to 2007, covering heavy industry or service providers such as power, oil refineries, paper and steel manufacturers. The second phase, from 2008 to 2012, expands the scope to include the aviation sector, while the third phase, from 2013 to 2020, expands the scope to include other industries such as the aluminium and ammonia production industries. Therefore, as part of the regulatory obligations under the EU ETS, Express must monitor and report data regularly from 2010 onwards on all its aircraft.

A key part of EU ETS is the development of a monitoring plan that reports Express' emissions and tonne–kilometre data, and the verification of this by an independent and accredited verifier. The monitoring and reporting plans for Express' aviation have been accepted by the local authorities. The allocation of credits will take place in the second quarter of 2011, based on our reported data for use in 2012.

Carbon Reduction Commitment – Energy Efficiency Scheme (CRC)

In November 2008, the United Kingdom became the first country in the world to introduce a Climate Change Act, which is now a UK legally-binding, long-term framework for tackling climate change. The Act sets up a framework for the United Kingdom to achieve its long-term goals for reducing greenhouse gas emissions and to ensure steps are taken towards adapting to the impact of climate change.

The UK government is therefore now bound, by law, to cut emissions by at least a third by 2020 and by at least 80% by 2050, and to embrace climate change and commit to a low carbon economy. To help achieve this, a new mandatory carbon emission trading scheme, called the CRC, has been introduced for large non-energy intensive organisations.

The CRC will apply to organisations that purchase more than 6,000 MWh of electricity through half-hourly metres. Express falls into this category and will be ranked in a performance league table using three metrics:

- absolute metric: measuring the relative change in absolute emissions,
- growth metric: measuring the change in emissions relative to revenue, and
- early action metric: determining whether organisations have taken voluntary steps to reduce emissions prior to the CRC.

The revenue raised from the sale of allowances was supposed to be recycled back to participants in the CRC after a six-month period and the amount of money paid back as an incentive to cut carbon emissions. However, the government of the United Kingdom, as part of its cost-cutting strategy in 2010, decided not to comply. Express will therefore have to pay this levy.

Express foresees the commitment to a low carbon economy being extended further into Europe and other countries and has included this in Express' global approach in the development of its long-term CO_2 efficiency improvement objective. In addition, Express is responding proactively by developing and implementing country, regional and divisional carbon reduction plans. The initiatives to reduce its impacts are being supported through its capital expenditure and budgetary process.

CUSTOMS REGULATION

In 2010, customs legislation was influenced by increased security measures for cross-border traffic. Although more pronounced in the EU with the Modernised Customs Code and the draft Implementing Provisions, the issue clearly has a global effect. Elevated aviation security measures place additional responsibilities on the shoulders of customs agencies at national borders and customs processes are being revised.

With the introduction of enhanced customs risk assessment techniques applied to advanced data provided by the carrier at both export and import points, there has inevitably been a trend towards the introduction of more regulated controls, leading in turn to potentially negative impacts upon time-sensitive services. Express' response has been to demonstrate continuously high levels of compliance with customs standards through its ongoing strategy of achieving accreditation in the various authorised economic operator (AEO) programmes around the world. At the same time, Express has encouraged a measured approach by regulators through the trade consultation process in order to ensure that trade facilitation does not become a victim of robust and overt interference with legitimate trade using its services.

Mutual recognition by national customs administrations of AEO programmes, and the establishment of secure trade lanes between trading parties, represent a key factor for Express in its work with the World Customs Organisation.

Technological advancement must be structurally supported by regulations to facilitate customs-to-customs and customs-to-trade exchange of data intelligence to counter criminal and terrorist activity within the supply chain. With the continued codification of modern customs practices, Express remains vigilant and engaged at the highest level in the customs regulatory processes, wherever they take place. Express aims to minimise the negative impact of the introduction of intelligent risk-based approaches by customs enforcement agencies to the global supply chain.

The industry continues to look critically at the outcome of the EU's introduction of the export control system in 2009, the import control system in 2011, and the complementary regulatory changes that allow for customs management of safety and security standards in the movement of cargo across the borders of the EU. With similar models being considered by countries as diverse as China and Russia, the lessons learnt by Express through the ongoing consultation process with customs administrations will continue to pay dividends in preparing for new initiatives in the customs domain and ensuring the integrity of the supply chain for its customers.

SAFETY

Aviation security

Escalating concerns about global terrorism and the current levels of aviation security, which are considered to be inadequate, have resulted in governments and airline operators around the world either adopting or contemplating the adoption of stricter disciplines and additional emergency measures for security in passenger and all cargo aircraft. This will increase operating costs for businesses, including those in the transportation industry. For example, the EU has recently increased the security requirements for air cargo, which has had significant implications for security and customs clearance processes. In addition, many aviation regulators around the world are proposing mandatory use of x-ray screening equipment, enhanced screening methods and investment in intelligence-led security processes.

Express may be unable to use commercial linehaul due to increased regulatory pressure on security. These emergency measures prevent certain types of goods from travelling on commercial passenger airlines, thereby restricting the movement of these goods to cargo aircraft, causing potential service delays and increased costs.

These emergency measures are under review by various governments who are seeking to introduce new security standards for implementation globally. These new standards may directly result in or indirectly cause commercial passenger airlines banning the carriage of cargo on passenger flights. This would drastically limit Express' capability to provide current levels of connectivity and service without significant investments.

Night flights

Express operates various types of aircraft throughout Europe and between Europe and Asia. As a result, Express is required to comply with a wide variety of international and national laws and regulations. In some of the markets in which Express 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, Express needs to secure adequate and effective flight slot times from airport coordination (or other local) authorities in all the countries and airports where it operates.

Chapter 7 Corporate responsibility strategy

INTRODUCTION

The economic climate over the past year has been challenging for Express. The corporate responsibility (CR) strategy has been developed to embrace change as well as find innovative solutions to address restructuring and enhance corporate responsibility. In 2010 the emphasis was placed on the long term and organisational responsiveness of the CR agenda.

Corporate responsibility has evolved into being recognised as an intrinsic part of the Express business model, an investment that creates competitive advantage and helps Express to achieve sustainable growth. Express acknowledges the need to transition its corporate responsibility efforts beyond standard risk and reputation management and to embed the CR strategy into its operations and day-to-day management.

In recent years Express has made considerable progress on CO_2 efficiency and has set a solid foundation to consolidate these achievements, and to further embed the CR strategy within both the mature and emerging businesses.

Express will also continue to publish an integrated annual report including non-financial information together with its financial data. The Express Management Board firmly believes that improved CR performance is sustained through continuous improvement and actions taken in the day-to-day management of the core business. This chapter outlines Express' CR strategy, the output of the multi-stakeholder dialogue and a view on 2011 objectives. More detailed insight into Express' CR performance is provided in chapter 8 and the assurance report on the CR section is included in chapter 9.

CORPORATE RESPONSIBILITY STRATEGY

The foundation of the Express CR strategy comprises five internationally-recognised management standards, namely workplace safety (OHSAS 18001), social responsibility (SA 8000), personal growth of employees (Investors in People), environmental management (ISO 14001) and operational excellence (ISO 9001). TNT started these certifications back in 2004 and Express remains committed to them. Express demonstrates this commitment by making it compulsory for new acquisitions to implement the certifications standards. Individual implementation plans have been developed to ensure that newly acquired companies are brought up to the Express standard as soon as possible.

Express' CR strategy focuses on three pillars that Express believes have the greatest material impacts:
- employees (employee engagement, human rights and health and safety),
- environment (carbon efficiency and air quality), and
- other stakeholders (customer satisfaction, subcontractor and supplier performance).

The three pillars of focus are complemented by a fourth pillar of voluntary contributions to society through Express' partnership with the United Nations World Food Programme (WFP). This is covered by the repositioned Moving the World (MtW) strategy that is now based on sharing knowledge and skills, emergency response, advocacy and engagement, and building partnerships.

Providing a safe and healthy environment for employees and others that may be affected by its operations is vital to the success of Express. Express' ambition is therefore to meet and exceed, where applicable, all obligations in the health and safety area.

Express also recognises the fact that climate change and other environmental issues are shaping the expectations of key stakeholders, and aims to focus on sustaining its position as a global CR leader in the industry. Express has therefore committed to ambitious targets, such as a 40% improvement of the CO_2 efficiency index by 2020. By continuously challenging the business and by investing in clean technologies, Express continues to address customers' expectations and deliver innovative and more sustainable solutions.

Customer focus and satisfaction are at the heart of Express' activities. Express will also encourage its suppliers and subcontractors to adopt the same approach as Express with respect to corporate responsibility. One particular area of attention relates to subcontractor health and safety performance.

While it is important to set targets against the CR strategy pillars, a critical success factor is to identify and implement the actions that will enable Express to meet the targets. Express has therefore identified the following actions for the implementation of its CR strategy, which it will diligently pursue.

- Ensure that the corporate programmes address challenging social and environmental issues while striving to improve business performance.
- Optimise results through simultaneously focusing on economic, social and environmental performance and governance. Each area will have clearly defined initiatives to target different stakeholder groups, with performance reported by the appropriate medium.
- Develop excellent leaders to ensure that the mission, vision, values and business principles of Express reflect a CR culture, reinforced by all levels of its management structure with an aim to influence the sector in which it operates.
- Engage in stakeholder dialogues to identify key issues and, where discrepancies or issues arise with regard to the current CR strategy and policies, engage in discussions on possible solutions and mitigating actions. Express continues to develop and implement its CR principles into procurement and operational processes and procedures to improve the supply chain's (subcontractors) social, environmental and service performance.
- Integrate CR initiatives and approaches into the business to ensure that policies and practices are effectively reflecting Express' mission and ambition.
- Continue to commit knowledge, skills and resources to support the World Food Programme in fighting hunger worldwide and food insecurity. The two-way and flexible approach will maximise the synergy and have a positive impact on the partnership on a local, regional and global level.

STAKEHOLDER DIALOGUE

The Express Management Board is committed to putting its ambitious CR strategy into practice, and to achieve Express' CR mission, which is to share responsibility for the world in which it operates. This mission is reflected in the collaboration with key stakeholders and other sector members. Express also continues to integrate its CR strategy and initiatives into its business to ensure that its policies and practices effectively reflect its mission and ambition.

Stakeholder dialogue

To better understand stakeholder perspectives, perceptions and concerns regarding risks and responsibilities resulting from the Express operations, a multi-stakeholder dialogue is organised annually by a cross-functional team to engage with all stakeholder groups. The stakeholder dialogue supports Express in critically reviewing its strategy, to ensure that the CR policies and practices effectively reflect Express' mission and ambition.

Express has identified the following key stakeholder groups, which reflect the groups that have the most significant impact on Express' business:

- employees,
- customers,
- subcontractors,
- suppliers,
- investors (including the social responsibility investor community), and
- civil society.

In order to identify its stakeholders Express investigated during 2008 its impact on key stakeholders by using survey findings and management interview feedback to understand where Express has the greatest impact on society and the environment. Express has listened to and taken on board their opinions as to the way forward. The results of these investigations confirm that where customers, employees and regulations shape the operational environment that facilitates or limits Express' potential success, Express' operations have the greatest direct impact on its employees, the environment and selected other stakeholders.

Due to the success of the European focused multi-stakeholder dialogue and survey in 2009, the scope was expanded in 2010 to include stakeholders in Asia and the Middle East as well as the global employee stakeholder group, to provide a well-balanced representation of all stakeholders. The stakeholder survey was sent to 1,200 stakeholders across all stakeholder groups, for both Mail and Express. With 263 responses from all over the world, the survey clearly reflects the stakeholders' opinions of the CR strategy. Results of the survey have been split into Mail and Express, to highlight specific outcomes for Express.

Multi-stakeholder survey results

Express stakeholders were invited to provide feedback to management via an online survey, which covered areas such as familiarity with CR communication and opinions of Express' CR strategy and performance.

An analysis of the survey results highlighted the following key issues:

- familiarity with the CR reports could improve significantly, while internal and external communication on CR could also increase,
- Express is widely regarded as a sustainable organisation, with an ambitious CR strategy,
- the top four focus areas are carbon efficiency of operations, health and safety, satisfied customers and positively engaged employees,
- European stakeholders are more positive about the CR strategy compared with those in the Asia and Middle East regions,
- in Asia and the Middle East human rights is an important issue, while Europe, by comparison, is more focused on the carbon efficiency of its operations,
- specific interest was expressed in the importance of CR performance as part of selection criteria for subcontractors, as subcontractors have a major impact on the total CR performance.

Based on the outcomes of the online survey, the following three subjects were selected for further discussion during the multi-stakeholder dialogue:

- the scope of CR issues that should be reported,
- the importance of subcontractors' CR performance, and
- the relevance of voluntary contributions to society.

Multi-stakeholder dialogue results

On 14 December 2010, a multi-stakeholder dialogue was organised at TNT's Head Office in the Netherlands. TNT welcomed all stakeholder groups (employees, customers, subcontractors, investors, suppliers and members of civil society), of which a total of 21 external stakeholders attended the dialogue, to discuss the three selected subjects (see above), and to deliberate on stakeholders' concerns and opinions with respect to CR.

The main outcomes of the discussions were as follows:

- In relation to the scope of CR issues that should be reported - The content of CR reporting by Express is considered to be both extensive and distinctive. However, stakeholders recommended that a more tailored reporting could improve clarity for different stakeholder groups. Stakeholders further advised Express to promote the use of web-based media, in particular social media, to increase familiarity with CR performance. In addition, stakeholders acknowledged the significance of transparent reporting, specifically on CR challenges. In conclusion, stakeholders indicated CR reporting is well on track, though current developments in this area would dictate an even further integration of CR information into reporting.
- In relation to the importance of subcontractors' CR performance - A large part of the carbon footprint of Express is constituted by subcontractors' emissions. To influence subcontractors' CR performance, stakeholders recommended that Express consult more frequently with subcontractors to discuss and improve their CR performance. Moreover, standard CR performance indicators could be integrated into contractual standard terms and conditions. Nevertheless, stakeholders understood the difficulty of implementing standard conditions as subcontractors differ considerably, for example in expertise and cultural background. Thus, to truly make a difference, Express should act as a responsible business throughout the supply chain.
- In relation to the relevance of voluntary contributions to society - The voluntary contributions to society discussion focused on TNT's Moving the World (MtW) programme and its added value to Express. Stakeholders believed that MtW could further improve its communication and objectives. Stakeholders also indicated that MtW should not be presented as a philanthropic part of Express, but as an integral component of employee engagement and Express' products and services.

The Express Management Board acknowledges the above outcomes and takes them into account when reviewing its CR strategy and related actions. The outcomes of the 2010 multi-stakeholder dialogue and survey provide a general overview of opinions, key risks and significant focus areas, which may vary between the different stakeholder groups.

Other stakeholder dialogues

In addition to the multi-stakeholder dialogue, Express invests in targeted dialogues with specific stakeholders, for example with HR professionals.

Dialogue by using social media

Social media provides Express employees with channels and tools to make their voices heard. This is a form of empowerment that offers significant potential for enhancing dialogues, knowledge sharing and networking throughout the company. Therefore, Express embraces social media (tools) and facilitates the use of it where possible, for instance in the recruitment of new staff. Furthermore, several webcasts (e.g. on quarterly results) and webinars (e.g. educational webinars on change or CR strategy) are organised to include as many employees as possible in online dialogues.

Dialogue agreements when confronted with restructuring

Managing and anticipating change is essential to Express' competitiveness and performance, as well as to the well-being of Express employees. The need to successfully manage and anticipate change is particularly required during periods of restructuring.

In order to contribute to responsible social dialogues and foster relationships based on trust, Express has developed and implemented a 'Code of Conduct on Responsible Restructuring' (the Code). The Code sets out guiding principles for handling the social aspects of future restructurings in Europe and is aligned with the TNT's Business Principles and other existing quality systems.

The main objectives of the Code are to promote effective social dialogue, to stress the importance of timely information and consultation, and to reiterate the existing policies already in place and safeguard the competitiveness of Express' operations. Furthermore, the Code addresses the adverse effects on employees when implementing restructurings.

SECTOR INITIATIVES

External partners and initiatives in corporate responsibility

Express believes that working with external partners provides the means to share, learn and keep abreast of the view and opinions of the societies in which it operates. Regular engagement means being well-informed on current and emerging issues and changing societal expectations. It provides an opportunity for Express to voice its approach to CR issues, obtain important feedback and build trust. Consequently, external partnerships and initiatives help Express to identify important issues and develop responses focused on the interest of stakeholders and the wider society.

Express is actively participating in the following sector initiatives:

- the United Nations Global Compact: Global Compact provides a sustainability framework for businesses regarding the use of 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Express has been a signatory since 2006 and will continue its participation.
- Logistics and Transport Sustainability Group of the World Economic Forum (WEF): This industry partnership programme enables Express to engage throughout the year with other global companies to define and address critical industry issues, such as supply chain de-carbonisation, anti-corruption measures and emergency response.
- Partnering Against Corruption Initiative (PACI) of the World Economic Forum: Express is a signatory of the WEF PACI partnership and is actively involved in a number of PACI initiatives to combat corruption. The CEO is also a PACI board member.
- World Business Council of Sustainable Development (WBCSD): This is a CEO-led global association that focuses on business and sustainable development. It serves as an intercompany platform to explore sustainable development, share knowledge, experiences and best practices.
- United Nations Environment Programme (UNEP): Express has developed a Clean Fleet Toolkit in cooperation with UNEP to reduce fuel consumption and vehicle maintenance costs in developing countries. In 2010, Express fleet managers attended Clean Fleet workshops in Indonesia, Dubai and Brazil.
- Global Road Safety Partnership (GRSP): GRSP addresses road safety issues in low and middle income countries, with the support of NGOs and the public and private sector. Express helps GRSP to coordinate and facilitate road safety activities, with the aim to prevent crashes, deaths and injuries.
- Global Express Association (GEA): the GEA is a global trade association of express delivery industry, with Express, DHL, UPS and FedEx as its members. The interests of GEA members and their customers are being promoted in international regulatory and public affairs arenas.

- European Express Association (EEA): the EEA contributes to the shaping of policies that affect the express industry in Europe, focusing on competition and market reform, customs, transport and environment and security.
- Conference of Asia Pacific Express Carriers (CAPEC): CAPEC consists of Express, DHL, UPS and FedEx and works closely with governments and other industry associations in constructive partnerships to develop business and regulatory frameworks for express delivery services.
- Social Accountability International (SAI): SAI is a global organisation known for its widely-used social standards, aimed to improve labour conditions of workers. These standards have been translated into human rights benchmarks for companies, in order to measure their own performance related to human rights.
- European Academy for Business in Society (EABIS): The EABIS is an alliance of companies, including Express, business schools and other institutions. Its aim is to promote sustainable business practice (for example, corporate responsibility, sustainability and governance) through partnership, education and research.

CORPORATE RESPONSIBILITY IN 2011 AND BEYOND

Express has generated considerable forward momentum and learned a tremendous amount over the past five years. These lessons are the basis for CR programmes in the future. Express' CR programmes are recognised as an intrinsic part of the business, an investment that creates competitive advantage and helps to achieve profitable and sustainable growth.

Express is a service organisation, where the motivation and wellbeing of staff are critical to the operations and the ability to deliver a differentiated service to customers. Engaging employees in CR is a great opportunity to instil pride in them as well as to attract future employees. An example of how CR is an intrinsic part of the business is the new TNT Centre that was constructed in 2010. The employees of Express will move into their new CO_2 neutral building in the first quarter of 2011.

During 2011, Express' CR strategy will continue to look closely at the inter-relationships between the social, economic and environmental impacts of its business and ensure that the revised structure addresses any changes or additional risks that require internal or external resources. Specifically, during 2011 Express will:

- identify and agree programmes that will further embed CR programmes into the operational environment,
- maintain a leadership position in the Dow Jones Sustainability Index and continue to use the Carbon Disclosure Project as benchmarking best practice,
- reduce CO_2 by focusing on new technologies and new solutions for tomorrow, including new products or services with external partners to explore new technologies and innovations,
- continue to apply road safety standards across all operating units, particularly in emerging countries, and
- develop and integrate CR principles into procurement and operational policies and procedures to improve the supply chain's (subcontractors) social and environmental performance.

Express aspires to be open, transparent and balanced in its CR communications, informing key stakeholders of its commitments and ambitions.

Chapter 8 Corporate responsibility performance 2010

INTRODUCTION

An important component of Express' mission is to share responsibility for the world in which it operates. This commitment is translated into its corporate responsibility (CR) strategy that reflects the impact of its operations on its stakeholders.

To assess Express' CR Performance in 2010, this chapter begins with an overview of the key performance indicators. This is further elaborated upon in a more detailed explanation of the performance within each of the four pillars that form the core of the Express CR strategy:

- employees (employee engagement and health & safety),
- environment (carbon efficiency and air quality),
- other stakeholders, such as customers, subcontractors and suppliers (customer satisfaction and green services), and
- voluntary contributions to society (cooperation with the World Food Programme).

CORPORATE RESPONSIBILITY PERFORMANCE SUMMARY

On the whole, CR performance in Express during 2010 was positive, with many key focus areas showing improvement compared with 2009. The highlights of Express' CR performance are shown in the table below:

Detailed analysis of these and other CR performance figures is further provided below.

Corporate responsibility data Express

Year ended at 31 December

Excluding Innight, Head Office, Hoau, LIT Cargo and Araçatuba

		2010	2009
Employees			
OHSAS 18001 (in % of total FTEs working in certified sites)	▲	88%	86%
Fatal accidents (own and subcontractor)[1]		36	27
Serious accidents	▲	23	25
Lost time accidents per 100 FTEs	▲	2.98	3.04
SA 8000 certification (in % of total FTEs working in certified sites in non-OECD countries)	▲	58%	58%
Investors in People (in % of total headcount working in certified sites)	▲	86%	87%
Employee engagement		69%	no data
Environment			
ISO 14001 (in % of total FTEs working in certified sites)	▲	89%	86%
CO_2 emissions absolute of own operations (ktonnes)	▲	1,020	788
CO_2 efficiency index	▲	92.8	98.2
CO_2 efficiency network flights (EAN + Domestic) (g CO2/tonne km)	▲	1,544	1,690
CO_2 efficiency longhaul air (g CO_2/tonne km)	▲	532	529
CO_2 efficiency small trucks and vans (g CO_2/km)	▲	345	344
CO_2 efficiency large trucks (g CO_2/km)	▲	717	691
CO_2 efficiency buildings (kg CO_2/m^2)	▲	29.2	37.6
Sustainable electricity (in % of total electricity)	▲	44%	31%
Other stakeholders			
ISO 9001 (in % of total FTEs working in certified sites)	▲	87%	86%
Customer satisfaction		92.2%	93.6%

[1] Including Innight, Head Office, Hoau, LIT Cargo, Araçatuba

Figures with a triangle (▲) fall within the reasonable assurance scope

EMPLOYEES

Express' employees are the heart of the company, therefore Express goes beyond compliance to provide a safe working environment and to be an attractive and engaging employer. Key elements of the employee pillar of the CR strategy are embedding in a strong health and safety culture and making Express an attractive workplace. It does this by establishing open dialogues with employees, ensuring recognition, facilitating learning and development opportunities and measuring engagement.

Employee engagement

Express is, above all, a service organisation, and is dependent on its employees to deliver this service to customers. Therefore, having motivated and happy employees is critical to Express' operations and its ability to deliver a differentiated service to customers.

Engaging employees is also an opportunity to instil pride and to genuinely inspire them, in particular around CR commitments. Actively seeking new and innovative initiatives positively impacts employees and increases their willingness to work to their highest ability.

Recognition

Employees are rewarded for their performance according to market practice and Express acknowledges that recognition and reward is more than just a financial issue. Within Express there are a diverse number of awards and non-financial recognition systems and programmes in place, such as the internal annual Masters Awards.

The Masters Awards not only honour achievements, they recognise the can-do attitude typical of Express employees and provide a forum for showcasing best practice and knowledge sharing. Specifically these awards:
- pinpoint the long-term impact of business decisions,
- identify, celebrate and share best practice, and
- encourage continuous improvement and continuous innovation in the pursuit of business excellence.

Winners are announced at the Annual Senior Management Meeting.

To further strengthen and embed its employee-related ambitions, Express has adopted the TNT Business Principles, which emphasises the importance the Express Management Board places on this area. For example, a key element of article three of the TNT Business Principles is to create an environment in which each employee is recognised as a valued individual: *"In TNT, we seek to attract, develop, reward and retain outstanding individuals who appreciate the value of acting as a team. We create equal opportunities for all our employees, without regard to age, disability, ethnicity, gender, marital status, race, religion or sexual orientation. We do not condone unfair treatment of any kind. We treat all people with consideration and respect."*

Express recognises the importance of a diverse and inclusive culture and each member of the Express Management Board has signed the diversity and inclusion statement and encourages every employee in Express to live up to this statement.

Investors in People certification

Investors in People (IiP) sets out the minimum criteria for continuous operational performance through management and employee development. Living up to this standard ensures that Express employees receive the necessary development opportunities and attention they need to be successful and thus create value for Express and the employee. Each year progress evaluations are held with all employees, with a focus on their performance, behaviour and personal development.

Investors in People certification — GRI indicator: 4.12

in percentage of total headcount working in certified sites

		2010	2009
Express Selected	▲	86%	87%
Innight & Head Office	▲	29%	32%
Hoau, LIT Cargo, Araçatuba		0%	0% [1]
Express Total		64%	68%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

SECTION B: CORPORATE RESPONSIBILITY
CHAPTER 8 CORPORATE RESPONSIBILITY PERFORMANCE 2010 CONTINUED

Express is the recipient of a global Investors in People certificate and this was reaccredited at the beginning of 2010 for a further three-year period. IiP assessment at local level takes place every three years and is conducted by an accredited independent external body. 17 Express business entities underwent reassessment in 2010 and successfully retained their certifications. The slight decrease in IiP certification can be explained by the impact of changing headcounts.

Absenteeism

Express' approach to absenteeism is to provide absent employees with a safe and timely return to work irrespective of the reason for being absent. A 'return to work interview' is held as an open discussion about the employee's long-term absence. Its purpose is to establish whether management is able to support the employee and improve the situation. In many cases, the employee's return to work is also closely managed by a registered medical practitioner if required.

In 2010, several initiatives were organised at local level to enable employees to lead a healthier life, both at work and outside. These include health checks for senior management, work-life balance workshops for all employees, and providing healthy eating options in workplace restaurants. The table below provides an overview of absenteeism.

Absenteeism — GRI indicator: LA 7

in percentage of total working hours

	2010	2009
Express Selected	3.4%	3.1%
Innight & Head Office	4.9%	6.1%
Hoau, LIT Cargo, Araçatuba	1.6%	0.7% [1]
Express Total	3.1%	2.7%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

The increase in absenteeism for Express Total is caused by a higher number of influenza cases and the extreme weather conditions experienced during 2010.

Turnover and internal promotion

The Express Management Board is committed to the personal development of all employees and encourages internal promotion to vacant positions that are advertised within the company. Exit interviews are also conducted to understand the reasons why employees leave the company and to identify issues requiring improvements or corrective actions by management.

The improved global economy has brought about greater confidence in the jobs market, leading to a 2.3% increase in voluntary turnover in Express Selected, although levels are still lower than in 2008. The 3% decrease in voluntary turnover in emerging economies is mainly due to the higher growth. Overall there is a 1.6% reduction in voluntary turnover.

Voluntary turnover — GRI indicator: LA 2

in percentage of total headcount

	2010	2009
Express Selected	9.1%	6.8%
Innight & Head Office	11.1%	4.2%
Hoau, LIT Cargo, Araçatuba	33.2%	36.2%
Express Total	15.1%	16.7%

Refer to chapter 9 for the definition of 'Express Selected'

Express has a well-established performance management process and competency framework, both of which have been reviewed and enhanced in 2010. These processes enable Express to accurately assess employee performance, identify areas for personal development and assist in individual career planning. Within Express, resource committees scout talent to fulfil vacant management positions and build succession plans. Only if there are no internal candidates available expertise is sourced from outside the company.

Internal promotion

GRI indicator: LA 2

in percentage of total management vacancies

	2010	2009
Express Selected	62%	67%
Innight & Head Office	no data	25%
Hoau, LIT Cargo, Araçatuba	90%	89%
Express Total	77%	79%

Refer to chapter 9 for the definition of 'Express Selected'

In 2010, the internal promotion as a percentage of total management vacancies was 62% for Express Selected. While there is a small decrease in the percentage of vacancies filled internally in 2010, the actual number of vacancies for Express Selected increased significantly compared with 2009.

Learning and development

Express strives to provide its employees with the necessary resources, training and recognition to maximise their own potential and individual contribution to the business. It is also important that employees appreciate how they contribute to Express being a good corporate citizen and environmentally responsible operator.

Within Express Total, overall training per FTE in 2010 was 18.0 hours compared with 16.7 hours in 2009. This modest increase was due to the GO Academy, Coaching and 'Lean Improvement' programmes that were rolled out during 2010.

In Express there are a number of other programmes aimed at developing its employees. A Learning Centre pilot for the Central and Eastern Europe region was created in January 2010. The aim of the Learning Centre is to deliver high quality training to all employees within the region, based on local business needs. The pilot will be evaluated mid-2011. With a shared service approach that works well in phases of economic downturn, the Learning Centre makes joint use of all resources within the region.

VOICE – Global Engagement Survey (GES)

Express continues to focus on improving engagement of all employees. VOICE was the vehicle used in 2010 to measure Express' success in increasing employee pride and motivation. In 2009, it was decided to postpone the GES until 2010 (therefore no reported 2009 results are available) to allow for the development and piloting of the new VOICE survey. The employee engagement survey result within Express was 69% in 2010 (76% in 2008).

When analysing the results, and taking into account the organisational and economic climate, two key areas of improvement have been identified:

– continuing focus on employee recognition and reward, and
– improving efficiency and collaboration between teams and departments.

Action plans on these improvement areas have been developed with employees, and progress is discussed on a regular basis. The defined action plans are:

– to implement strategies to link reward and performance and share existing best practice recognition programmes within the business,
– to promote ongoing use of the 'Lean Improvement' methodology to optimise process efficiency, and
– to enhance communication processes to promote teamwork and inform and involve employees about business priorities, initiatives and developments.

Further improvement in the engagement programme is being formulated. On a positive note, the results also show that Express employees have clarity and understanding of the goals of the organisation and that they are committed to providing excellent customer service.

Human rights

Human rights refer to the 'basic rights and freedoms to which all humans are entitled'. Express has further aligned itself with the framework developed by Professor John Ruggie of the Business and Human Rights Initiative by updating the TNT Business Principles with a clearer statement on human rights. This states that *"TNT is committed to developing and promoting a culture where internationally recognised human rights contained within the Universal Declaration of Human Rights (proclaimed in a resolution of the United Nations General Assembly on 10 December 1948) are not infringed."*

SECTION B: CORPORATE RESPONSIBILITY
CHAPTER 8 CORPORATE RESPONSIBILITY PERFORMANCE 2010 CONTINUED

The TNT Business Principles outline Express' commitment to human rights worldwide in four broad headings: the company, the employees, the business and the relationship with the world. This is supported by the establishment of a cross-functional working group that strategically focuses on engaging in partnerships, extending knowledge on human rights, and creating a connection with Express business activities. Clearer roles and responsibilities are being developed and policies and procedures are being updated to reflect Express' commitments.

SA 8000 certification

SA 8000 sets standards to ensure transparent and acceptable working conditions with respect for human rights. To comply with the United Nations Universal Declaration of Human Rights, the International Labour Organisation (ILO) Conventions and OECD guidelines, Express aims to certify all its entities in non-OECD countries to the SA 8000 standard. Express is confident that this approach not only provides a framework to support compliance with the laws and regulations in the countries in which it operates by preventing the use of child labour and forced labour, but also improves health and safety, promotes freedom of association, prevents discrimination, implements performance management processes and sets fair and adequate compensation and working hours.

As part of this programme, Express also encourages all its suppliers and subcontractors to support the TNT Business Principles and their commitment to social accountability.

SA 8000 certification — GRI indicators: LA 4, HR 5, HR 6, HR 7

in percentage of total FTEs working in certified sites in non-OECD countries

		2010	2009
Express Selected	▲	58%	58%
Innight & Head Office	▲	not applicable	not applicable
Hoau, LIT Cargo, Araçatuba		0%	0% [1]
Express Total		31%	34%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

In 2010, Chile, Estonia, Israel, and Slovenia became members of the OECD, thus changing their status from non-OECD countries in 2009 to OECD countries in 2010. Therefore, the scope of non-OECD countries has changed, but the percentage of certified FTEs in non-OECD countries remains equal. Express continued its strong focus to maintain SA 8000 certification in all non-OECD countries. India has achieved certification and Brazil is striving to achieve SA 8000 certification in 2011. Due to reorganisation, Russia and Argentina failed to maintain SA 8000 certification, but there are plans in place to regain certification to the standard.

Diversity and inclusiveness

The Express Management Board supports diversity and focuses in particular on promoting and sponsoring female talent. As an international organisation operating worldwide, the approach to promoting women to executive positions is global, while executed locally. During 2011, Express will review the scope and approach of the global gender diversity programme, which is aimed at utilising the existing initiatives to improve the recruitment and career development of women within Express. Local initiatives are also in place to take appropriate measures to improve the number of women in the workforce. In India, for example, female college graduates account for more than 50% of the new appointments of management and executive trainees in 2010.

Gender profile — GRI indicator: LA 13

in percentage of headcount

	2010		2009	
	Male	Female	Male	Female
Express Selected	70%	30%	70%	30%
Innight & Head Office	64%	36%	64%	36%
Hoau, LIT Cargo, Araçatuba	80%	20%	82%	18% [1]
Express Total	72%	28%	72%	28%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Gender profile of management

GRI indicator: LA 13

in percentage of total management

	2010		2009	
	Male	Female	Male	Female
Express Selected	73%	27%	74%	26%
Innight & Head Office	79%	21%	81%	19%
Hoau, LIT Cargo, Araçatuba	93%	7%	96%	4% [1]
Express Total	77%	23%	78%	22%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Employees with a disability

GRI indicator: LA 13

in number and in percentage of headcount

	2010		2009	
	Number in headcount	In % of headcount	Number in headcount	In % of headcount
Express Selected	597	1.2%	556	1.2%
Innight & Head Office	0	0.0%	0	0.0%
Hoau, LIT Cargo, Araçatuba	103	0.5%	88	0.6% [1]
Express Total	700	1.0%	644	1.0%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

The gender profile for Express Total remained the same as in 2009. The percentage of women at management positions increased in 2010 to 23%, compared with 22% in 2009, while the percentage of Express employees with a disability remained at the same level as in 2009.

Express also supports various networks aimed at creating more awareness of diversity, including TNT Pride (dedicated to gay, lesbian, bisexual and transgender employees), TNT Link (dedicated to the professional development of women in TNT) and TNT Unity (dedicated to cultural diversity within TNT).

Health and safety

Express continues to focus on developing a strong top-down and bottom-up safety culture, and recognises that it needs to manage health and safety with the same degree of expertise and to the same standards as other core business activities. With its health and safety management policy, Express aims to effectively control risks and prevent people from being injured or harmed during the course of their work.

Express aims to certify all its operational locations with the management system OHSAS 18001 (Occupational Health and Safety). This standard is the foundation of the overall health and safety framework of Express.

OHSAS 18001 certification

OHSAS 18001 sets the minimum health and safety standards Express expects in its operations. It also creates a platform for ongoing work-related health and safety performance improvement at entity level. This allows localised focus and ownership for monitoring and implementing these improvements.

OHSAS 18001 certification

GRI indicators: 4.12 & LA 6

in percentage of total FTEs working in certified sites

		2010	2009
Express Selected	▲	88%	86%
Innight & Head Office	▲	35%	34%
Hoau, LIT Cargo, Araçatuba		20%	2% [1]
Express Total		71%	69%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

During 2010, the percentage of total FTEs working in OHSAS 18001 certified sites within Express Total increased compared with 2009. Express continued with its strong focus on maintaining certification in all its countries in 2010. India achieved certification in 2010 and Brazil aims to achieve OHSAS 18001 certification during 2011.

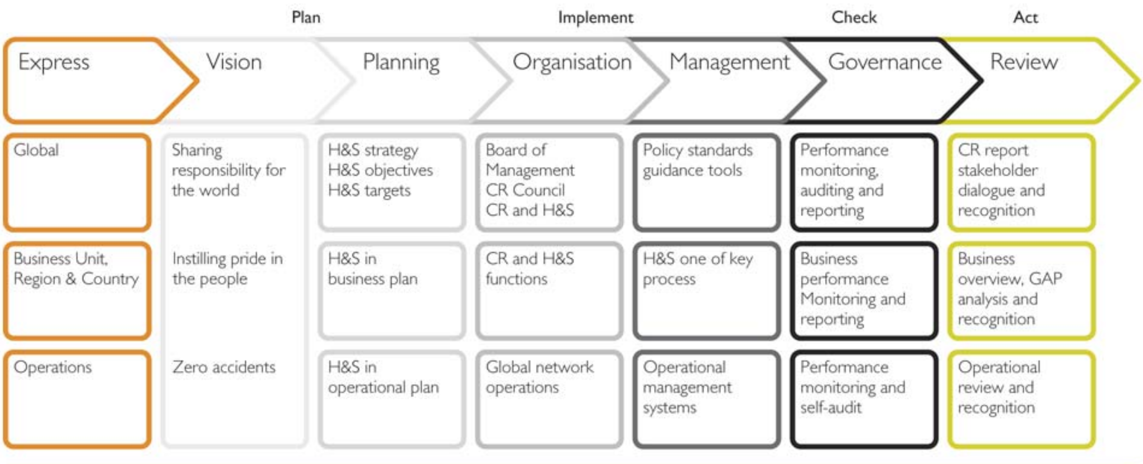
Health and safety framework

The Express health and safety framework is designed to:

– provide a system that eliminates or minimises health and safety risks to employees and others who may be associated with company activities,
– identify the relevant legal requirements appropriate to company activities,
– take into account any other requirements that the location subscribes to, including best practices and any local operational restrictions,
– document the health and safety roles and responsibilities of all employees,
– 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 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 Express' health and safety policies.

The health and safety framework provides the policies, standards, guidance, materials and tools that support and assist management to promote, educate, manage and improve health and safety within facilities, business units, countries and operational processes through a comprehensive set of key performance indicators. These are reviewed as part of Express' continuous improvement process to ensure that standards are maintained and enhanced further.

Health and Safety Framework



Road safety programme

The Express Management Board remains fully committed to improving road safety across all Express operations, with a particular emphasis on the emerging markets, while influencing, where possible, external factors that affect its operations. Specific detailed action plans have been developed that take a country's culture and road safety conditions into consideration. These action plans set minimum standards for vehicle, driver, journey and subcontractor's management to ensure that effective road safety management systems are implemented and monitored.

In 2010, Express continued to provide focused support to its operations in India, Brazil and China, as these present very specific road safety challenges. Road safety is a complex problem, especially in these emerging markets. Nevertheless, continued focus on implementing sustainable improvements and standards should produce positive results in the long term. To reflect this ambition, Express is a founding member in the creation of the newly-formed India Road Safety Partnership along with the Global Road Safety Partnership (GRSP), Fleet Forum, Shell and Confederation of Indian Industry. Express is also a global partner of GRSP and a member of GRSP's executive committee.

GRSP brings together governments and governmental agencies, the private sector and civil society to urgently address road safety issues, especially in low and middle-income countries. It provides advice on proven good practice and facilitates projects that aim to build successful and sustainable road safety interventions. Fleet safety is one particular focus area, as effective management of commercial fleets is recognised as a global challenge, but also a major opportunity towards reducing road traffic injuries and fatalities.

One of the key focus areas of the road safety programme is the development and implementation of specific training and awareness programmes for employees. In 2010, training and assessment programmes were extended to subcontractors in India, and two pilots to develop fleet management strategies were started under the 'People Moving Goods' banner with the Fleet Forum and GRSP.

Health and safety performance

The primary purpose of measuring health and safety performance is to assess how effective Express is in controlling its risks and in developing a positive health and safety culture. Express' accident investigation procedures are designed to check performance, provide an opportunity to learn from mistakes and improve the health and safety system and risk control.

The definitions and the basis of reporting on the health and safety performance indicators are described in TNT's Group Policy on Accident Reporting. The policy divides accidents into four categories (definitions are available in Annex 3):

- fatal accidents,
- serious accidents,
- lost time accidents, and
- minor accidents.

Fatal accidents

Fatal accidents are divided into workplace fatal accidents, road traffic fatal accidents involving an Express employee and road traffic fatal accidents involving a subcontractor. The accidents involving an Express employee are subdivided into blameworthy and non-blameworthy accidents.

In 2010, Express reported 36 fatal accidents, which resulted in 40 fatalities, compared with 27 fatal accidents resulting in 30 fatalities in 2009. These fatal accidents include both accidents involving Express employees and accidents involving subcontractors.

Workplace fatal accidents — GRI indicators: LT 12 & LA 7

in numbers

		2010	2009
Express Selected	▲	0	0
Innight & Head Office	▲	0	0
Hoau, LIT Cargo, Araçatuba		1	1
Express Total		1	1

Refer to chapter 9 for the definition of 'Express Selected'

The workplace fatal accidents total of 2010 is similar to that of 2009, reporting one workplace fatal accident with one employee fatality.

Blameworthy road traffic fatal accidents — GRI indicators: LT 12 & LA 7

in numbers

		2010	2009
Express Selected	▲	0	0
Innight & Head Office	▲	0	0
Hoau, LIT Cargo, Araçatuba		2	2
Express Total		2	2

Refer to chapter 9 for the definition of 'Express Selected'

Both blameworthy road traffic fatal accidents involving an Express driver took place in China, and resulted in two third-party fatalities.

Non-Blameworthy road traffic fatal accidents

GRI indicators: LT 12 & LA 7

in numbers

		2010	2009
Express Selected	▲	3	3
Innight & Head Office	▲	0	0
Hoau, LIT Cargo, Araçatuba		7	2
Express Total		10	5

Refer to chapter 9 for the definition of 'Express Selected'

A total of 10 non-blameworthy road traffic fatal accidents occurred in 2010, which resulted in 10 third-party fatalities. Compared with 2009, the rise in non-blameworthy road traffic fatal accidents is mainly caused by more accidents in Hoau due to business growth. The majority of investigations conducted after the fatal accidents identified unsafe behaviour of third parties as a contributing factor. Continued focus is therefore on journey and driver management, which is linked to Express' driver training programmes to ensure that Express drivers enhance their defensive driver skills.

For subcontractor road traffic fatal accident information, Express relies on the subcontractors to report fatal accidents involving their drivers and third parties (see also paragraph 'Other stakeholders'). In 2010, Express subcontractors reported 23 road traffic fatal accidents, which resulted in eight subcontractor fatalities and 19 third-party fatalities. In 2009, 19 subcontractor road traffic fatal accidents were reported, which resulted in 10 subcontractor fatalities and 11 third-party fatalities.

Serious accidents

Express believes that monitoring and reporting serious accidents provides insights into accident patterns before accidents become fatal. Serious accidents are divided into workplace and road traffic accidents. Though both indicators remained at the same level as in 2009, Express will continue its efforts in minimising the amount of serious accidents worldwide.

Workplace serious accidents

GRI indicators: LA 7

in numbers

		2010	2009
Express Selected	▲	15	16
Innight & Head Office	▲	0	0
Hoau, LIT Cargo, Araçatuba		1	1 [1]
Express Total		16	17

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Road traffic serious accidents

GRI indicators: LA 7

in numbers

		2010	2009
Express Selected	▲	8	9
Innight & Head Office	▲	0	0
Hoau, LIT Cargo, Araçatuba		4	3 [1]
Express Total		12	12

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Lost time accidents

Lost time accidents (LTA) are reported as an absolute number, but also as a frequency rate to show the relative change. The average number of days lost per accident provides an indication of the severity of the accidents.

SECTION B: CORPORATE RESPONSIBILITY
CHAPTER 8 CORPORATE RESPONSIBILITY PERFORMANCE 2010 CONTINUED

Lost time accidents

GRI indicator: LA 7

in numbers

		2010	2009
Express Selected	▲	1,813	1,805
Innight & Head Office	▲	41	26
Hoau, LIT Cargo, Araçatuba		398	186 [1]
Express Total		2,252	2,017

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

The number of LTAs for Express Selected remained relatively stable. The increase in the Express Total numbers is due to the inclusion of data from LIT Cargo and Expresso Araçatuba and more reliable reporting within Hoau.

Lost time accidents frequency rate

GRI indicator: LA 7

in lost time accidents per 100 FTEs

		2010	2009
Express Selected	▲	2.98	3.04
Innight & Head Office	▲	2.94	1.84
Hoau, LIT Cargo, Araçatuba		2.02	1.30 [1]
Express Total		2.75	2.69

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

The LTA frequency rate for Express Selected decreased slightly in relation to 2009. This continued downward trend demonstrates that the implementation of effective risk controls has a positive impact. The increase in the Express Total rate is due to the inclusion of data from LIT Cargo and Expresso Araçatuba.

Average number of days lost due to a lost time accident

GRI indicator: LA 7

in days

	2010	2009
Express Selected	21	17
Innight & Head Office	11	13
Hoau, LIT Cargo, Araçatuba	34	61 [1]
Express Total	23	21

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Road traffic incidents/collisions

A road traffic incident is defined as a crash or collision involving an operational Express vehicle (company cars are excluded as of 2010). Express categorises road traffic incidents into blameworthy and non-blameworthy incidents.

Blameworthy road traffic incident rate

GRI indicator: LA 7

in number of blameworthy road traffic incidents of operational vehicles per 100,000 kilometres

	2010	2009
Express Selected	0.93	no data
Innight & Head Office	0.00	no data
Hoau, LIT Cargo, Araçatuba	0.39	no data
Express Total	0.76	no data

Refer to chapter 9 for the definition of 'Express Selected'

In 2010, 0.93 blameworthy road traffic incidents per 100,000 kilometre occurred in Express Selected. A comparison with 2009 data can not be displayed due to change in the definition, as this year only operational vehicles have been utilised for the blameworthy road traffic incident rate.

ENVIRONMENT

The impact of its operational activities on the environment is one of the key drivers of the Express CR strategy. Express seeks to limit its impact with respect to:
- the use of natural resources in its operational activities,
- climate change by greenhouse gas emissions, and
- human health by exposure to noise and air pollution.

Carbon management has been identified by Express' stakeholders as one of the most significant environmental obligations. In addition to CO_2 emissions, Express has identified other environmental impacts such as local pollution, noise and waste that impact human health (for example NOx and Particulate Matter (PM10)).

Express' global environmental management system is the main framework that enables it to manage its environmental performance in a structured way. Planet Me is the global environmental programme for Express to raise awareness of climate change and to reduce CO_2 emissions.

ISO 14001 certification

Express has adopted the international standard ISO 14001 to manage its environmental performance.

ISO 14001 certification — GRI indicator: 4.12

in percentage of total FTEs working in certified sites

		2010	2009
Express Selected	▲	89%	86%
Innight & Head Office	▲	35%	36%
Hoau, LIT Cargo, Araçatuba		0%	0% [1]
Express Total		66%	69%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

In 2010, 89% of Express Selected employees worked in ISO certified sites (compared with 86% in 2009). India achieved ISO 14001 certification in 2010 and focused support is being provided to Brazil to attain the standard in 2011.

Carbon management

Ambitious CO_2 management creates opportunities

Express acknowledges its influence on climate change and the improvement of its CO_2 efficiency is therefore an important focal point of Express' environment pillar. Moreover, the transition to a low carbon economy is inevitable and gaining momentum. This reality leads to new demands on Express from various stakeholders, including governments, customers, investors and employees, with stricter regulations and higher expectations.

Customers are actively reducing CO_2 in their supply chain, which implies that CO_2 increasingly influences their purchasing decisions. Transport suppliers that operate carbon efficiently are expected to gain market share. Key stakeholders of Express are increasingly focused on climate change risk management. By managing CO_2 performance Express is focused to meet key stakeholders' expectations. Employees understand the need for CO_2 reduction and are keen to achieve the ambitious CO_2 management plans of Express.

Managing CO_2 has become more important and is required if Express is to stay ahead of tightening regulations in the future and reduce dependency on increasingly expensive fossil fuels. Carbon efficiency clearly goes beyond ensuring the license to operate. It is increasingly becoming a differentiator, a key success factor for Express that creates opportunities for the organisation. Such benefits have already proved successful by the provision of preferred access for electric vehicles to inner city areas.

CO_2 strategy

Express' CO_2 strategy is part of the Planet Me programme. Planet Me is Express' framework for improving the CO_2 efficiency of its global operations.

Besides technological solutions to improve performance of its operations, Express is also focusing on managing its CO_2 emissions by encouraging behavioural change. Engaging with employees is a key method to make the CO_2

strategies effective. Two distinct groups need to be targeted: management (to create role models and build credibility), and drivers (to sensitise them for CO_2 reduction, ensure acceptability, and provide them with advice and technical solutions). Express has successfully targeted these two groups with dedicated initiatives.

Managing CO_2 emissions of subcontractors (Phase II) represents a particular challenge as Express' influence on subcontractors is limited and dependent on local regulations. Therefore, Express works on proving innovative solutions in owned operations first (Phase I).

In 2010, a CO_2 strategy impact cost model was developed to estimate the cash flow impact of TNT's 2020 commitment to improve CO_2 efficiency. These insights are important to guide further strategy development.

Customers increasingly request Express to provide them with transparency on the CO_2 footprint caused by the transportation of their consignments. With 'System CO_2', Express has developed dedicated services to respond to this requirement.

Express has defined strategies aligned with its core operational activities to improve CO_2 efficiency:
- air transport,
- road transport, and
- buildings.

Air transport
Express continues to optimise its operations by improving the fuel efficiency of its air fleet through continuous fleet renewal and the implementation of various operational measures. Furthermore, Express is collaborating with governments to accelerate improvements in air traffic management. Optimising operations and improving air traffic management will deliver tangible reductions in emissions. However, in order to drastically reduce CO_2 emissions, groundbreaking aviation technologies or alternative fuels are needed. Airplanes will still fly on liquid fuels for several decades, but Express believes aviation biofuels are a sustainable solution for the mid term and will actively contribute to influence the sector and create a market for these fuels.

Road transport
Substantial gains in fuel efficiency in road transport will be delivered by deploying the highest environmental standard vehicles and the use of intelligent board computers, in addition to several smaller measures. To achieve drastic reductions in CO_2 emissions, a switch from fossil fuels to alternative fuels is required. For pick-up and delivery operations, electric vehicles are seen as the most promising solution, and have been introduced into fleet operations in several countries. For linehaul operations, focus will be on the use of sustainable biofuels.

Buildings
Express believes that incorporating energy efficiency measures in the design of new buildings, in addition to a number of other minor measures, leads to concrete improvements in CO_2 efficiency. Express is also exploring the deployment of on-site generation of renewable electricity, such as photovoltaic energy, to live up to the energy demand of buildings.

CO_2 target and performance
The provision of accurate and timely CO_2 data is a key requirement for effectively managing CO_2 performance. Express has successfully implemented a monitoring and reporting system that provides operating units with easy access to accurate information on CR performance, including CO_2 metrics.

In 2010, Express published its target to improve the CO_2 efficiency index (CO_2 target) by 40% by 2020, compared to the 2007 baseline year. The CO_2 index combines the operational performance in Express' core operational activities, air transport, road transport and building operations, into one indexed metric. This target is very ambitious, but also realistic as it is based on actual reduction potential. During 2011, the target will be reviewed to ensure that it is still ambitious and reflects the actions that were set in 2010.

The CO_2 target is only credible when it is linked to concrete actions. The CO_2 target therefore comprises various measures in the core operational activities of Express. Some of these measures can be regarded as 'business–as-usual', with measures that are business-driven, while others require deployment of innovative solutions. Nonetheless, the target can only be realised with dedicated efforts in fuel and energy efficiency that have a positive impact on CO_2 performance.

A structured CO_2 management process was introduced in 2010 to translate the 2020 CO_2 target into tangible action plans at operational level. Carbon reduction action plans were developed and agreed at country level. These plans include detailed action steps, the CO_2 impact and budgetary requirements. The action plans are linked to standard processes to ensure implementation of necessary actions. This process provides the basis for planning, tracking and rewarding the implementation of CO_2 reduction action plans.

CO_2 efficiency index performance

In 2010, the Express CO_2 efficiency index reached 92.8 points, which is an improvement of 5.4 index points compared with the 2009 index figure 98.2. Express' CO_2 performance improved by 7.2 index points compared with 2007, the baseline year.

Developments in 2010

Driver behaviour

Express employs and subcontracts more than 10,000 drivers to deliver documents and parcels in communities all over the world. Express' global driver training is focused on raising driver awareness regarding road safety, fuel efficiency, providing continuous feedback on their impact on CO_2 reduction and imparting the best possible skills on the road to limit their impacts on these areas.

Express is always looking for cross-sector initiatives to increase the value of its projects. In the area of environmental management, Express feels that searching for a common solution adds more value to its stakeholders than competitiveness. For the first time ever, transport sector competitors Express and DHL jointly organised and participated in a driving competition called the Drivers' Challenge. This unique event saw pick-up and delivery (PUD) drivers from both multinationals competing for the title of best driving team. The event was inspired by TNT's annual Drive Me Challenge, with the objective to challenge drivers on their level of fuel efficiency, road safety, customer excellence and speed of their completion. Express plans to encourage more industry players to participate in similar driving challenges in the future, in order to jointly work on sector-wide environmental solutions.

Electric Vehicles

Switching from conventional diesel or gasoline fuels to more CO_2 efficient transport fuels can dramatically reduce CO_2 emissions. For pick-up and delivery operations in urban areas, Express identified electric vehicles as one of the most effective ways to minimise the carbon impact. Express operates 51 electric delivery trucks in the United Kingdom and also introduced electric vehicles in other countries, including China and the Netherlands. In Paris, 12 cargo bikes are being used to minimise polluting inner city areas. More pilots are underway and further roll-out is planned for 2011.

Customer reporting

Express customers are increasingly asking for a better understanding of the company's activities in all areas of CR and specifically the CO_2 footprint caused by the transportation of their consignments. In 2011, Express strives to introduce a reliable measurement system based on guidance, methodologies and conversion factors made available by internationally acknowledged organisations such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol. The Express method follows the principles of the Consignment-Level Carbon Reporting Guidelines published by the World Economic Forum. These guidelines are a major step forward in achieving alignment in reporting CO_2 emissions to customers. In the future, it will become important to further develop the current guidelines into a more specific standard for customer reporting. Express fully supports these standardisation efforts.

Express' comprehensive model for estimating CO_2 emissions for major customers is called 'System CO_2'. System CO_2 is a customer information reporting system, which is able to provide insight into the CO_2 footprint of shipments already delivered (CO_2 Report). System CO_2 is also able to predict the CO_2 footprint of potential new businesses in connection with tenders and requests for quotations (CO_2 Quote). The system can also show the impact of planned changes in order to optimise the supply chain. These changes can relate to services, flows, consignments or weights (CO_2 Scenario).

Express will actively engage with customers to share expertise, learn best practices and further define the service offering in the area of CO_2 reduction.

Challenges faced in improving environmental performance

Increased dependence on subcontractors versus managing CO_2 emissions

Express' CO_2 footprint consists for a significant part of subcontracted emissions (57%). Express is keen to improve the CO_2 efficiency of subcontractors as it feels responsible for the complete footprint of the company, including its subcontracted activities. The Express business model is highly dependent on subcontractors and this is likely to increase in the future. It is therefore essential to manage the performance of subcontractors to achieve Express' ambition to reduce CO_2 emissions.

The CR strategy is being executed in two phases. Phase I is focused on CR performance improvement on owned operations, while Phase II is focused on securing accurate and reliable data for its subcontracted operations. Express is exploring various options from voluntary schemes to contractual agreements as part of Phase II of the CR strategy. One of the actions taken by Express to manage subcontracted emissions is to join forces with other transportation companies and several industry leaders to launch an independent, cross-sector European initiative. This is aimed at reducing the environmental impact of road freight transport, similar to the Smart Way programme from the Environmental Protection Agency in the United States. The goal of the initiative is to improve and evaluate the environmental performance of transportation companies by developing and establishing a standardised system for measuring and monitoring emissions.

The Smart Way programme creates value for subcontractors as it helps them to limit their fuel consumption and increase their competitive advantage. In the future, this programme may provide opportunities for financing environmentally friendly technologies and vehicles. The aim is to implement a common monitoring and measuring system that will be managed and governed by an independent body in Europe.

Competition versus cooperation

The above-mentioned initiative exemplifies the importance of cooperation. Express sees great value in working with other transporters and logistics companies as well as its stakeholders, such as commercial enterprises, towards a common solution for improving environmental performance. Cooperation is important to achieve global sustainability goals. However, competition between companies on market share and sensitive business information may slow down the sectors performance.

Long-term versus short-term vision

In the current economic climate and amid the difficulties the company is facing in achieving its short-term objectives, decisions that influence a long-term target, such as managing the CO_2 efficiency, are subject to debate. Express continues to discuss these investment issues with internal and external stakeholders with an objective to focus on the long term.

CO_2 efficiency versus absolute CO_2 emissions

With its target to improve CO_2 efficiency, Express recognises that the absolute worldwide emissions must also be reduced. Reducing absolute emissions is a difficult target to manage and has proved difficult to align with Express' growth strategy. Improving CO_2 efficiency does not automatically lead to a reduction in absolute CO_2 emissions. Business growth will result in more absolute CO_2 emissions as long as the increase in growth is outperforming the CO_2 efficiency improvement. Therefore, the relative CO_2 target should be at such an ambitious level that it will impact the absolute CO_2 emissions as well.

SECTION B: CORPORATE RESPONSIBILITY
CHAPTER 8 CORPORATE RESPONSIBILITY PERFORMANCE 2010 CONTINUED

CO_2 Footprint

The CO_2 footprint, according to the Greenhouse Gas Protocol, can be reported in three categories to make a comparison in the sector possible:

- scope 1: covers all direct emissions generated by sources that are owned or controlled by the company, such as operational vehicles, aviation and heating,
- scope 2: includes all emissions from the generation of purchased electricity consumed by the company, and
- scope 3: refers to indirect emissions that are consequences of the company's activities but occur from sources not owned or controlled by the company.

CO_2 emissions according to the Greenhouse Gas Protocol — GRI indicators: LT 2, EN 3, EN 4 & EN 16

in ktonnes

Emission source	2010 Express selected	2010 Express Total	2009 Express selected	2009 Express Total
Scope 1				
Small trucks and vans	50	94	44	88
Large trucks	152	189	98	139
Other operational vehicles	4	5	3	6
Total operational vehicles	206	288	145	233
European Air Network and Domestic flights	316	316	314	314
Longhaul flights	401	401	207	207
Other flights	20	20	37	37
Total Aviation	737	737	558	558
Heating (gas, heating fuel)	16	16	16	18
Total scope 1	959	1,041	719	809
Scope 2				
District heating	2	2	2	2
Electricity (including electric vehicles)	59	70	67	85
Total scope 2	61	72	69	87
Scope 3				
Company cars	23	24	25	26
Business travel by air	9	11	7	9
Subcontractors	1,389	1,502	1,130	1,367
Total Scope 3	1,421	1,537	1,162	1,402
Total Express own CO_2 footprint (scope 1 and 2)	▲ 1,020	1,113	788	896
Total Express CO_2 footprint (scope 1, 2 and Subcontractors)	2,409	2,615	1,918	2,263

Refer to chapter 9 for the definition of 'Express Selected'

The absolute CO_2 footprint is shown in the Greenhouse Gas Protocol table above. It is based on a larger scope than the CO_2 efficiency index scope. Additional categories for the Greenhouse Gas Protocol are: other operational vehicles (motorcycles, forklifts, airfeeders and shunters); other aviation (charter and passenger flights); company cars; business travel by air; and subcontractors. These additional categories result in relatively low absolute CO_2 emission with the exception of subcontractors.

CO_2 footprint own operations and subcontractors

In 2010, 51% of the total CO_2 emission (own and subcontractors) was related to road transport, 46% was related to air transport and 3% to buildings. Express is reliant on subcontractors in its business activities. Capturing the data related to their activities is one of Express' biggest challenges in environmental reporting. The subcontracted CO_2 emission is calculated based on secondary indicators, such as kilometres driven and costs, because of the unavailability of primary data (fuel consumption) of subcontracted activities. In 2010, 57% of Express' CO_2 footprint was caused by subcontractors.

Express Total CO_2 footprint (own and subcontractors) in ktonnes

The share of subcontracted activities in 2010, based on CO_2 emissions, is 78% in road transport and 39% in air transport. Both road and air transport CO_2 emissions relatively increased by 3% for own operations, compared with 2009. For air transport there is a significant increase of own absolute CO_2 emissions. This is mainly caused by the increase in longhaul flights.

CO_2 footprint company cars and business travel by air

The objective of the company car policy is to improve the CO_2 efficiency of company cars. This is supported by selection criteria when choosing a new car. Fuel efficient company cars are promoted and a one-off financial incentive is provided when selecting a highly efficient company car. In 2010, 109 employees drove a company car with a hybrid engine compared with 86 in 2009 (increase of 27%). The total number of company cars increased by 1% to 4,438.

Express partly offsets CO_2 emissions of company cars and business travel by air. For compensation of the 2010 CO_2 emissions, 1.9 ktonnes of CO_2 will be offset for company cars in the Netherlands and 3.6 ktonnes of CO_2 will be offset for business travel by air booked with the preferred travel agency.

To improve communications and to reduce business travel, Express installed video conferencing facilities worldwide. In 2010, these facilities were installed in 146 locations. The number of registered calls increased to 9,463 calls in 2010.

Operational CO_2 efficiency index performance indicators

The CO_2 efficiency index is based on the operational CO_2 performance indicators of Express' core activities in:

– air transport,
– road transport, and
– buildings.

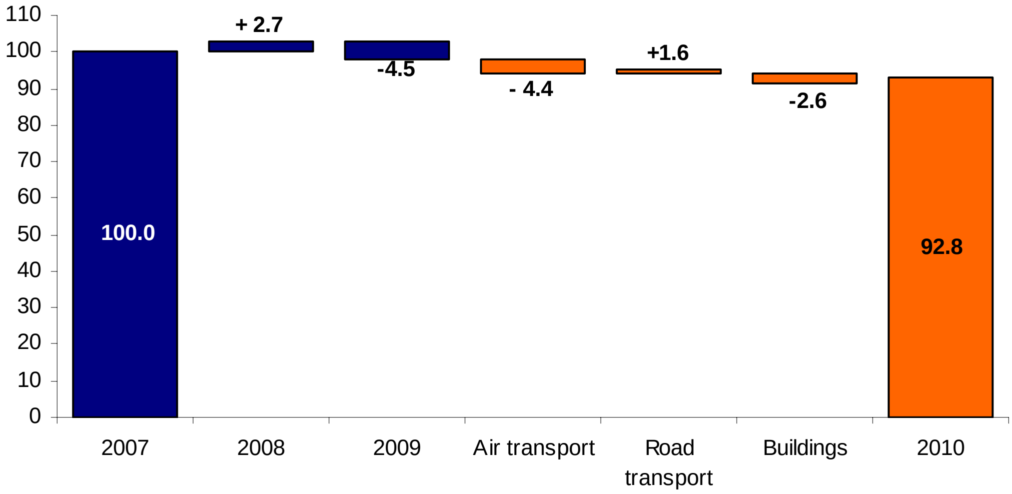
The CO_2 efficiency index does not include subcontractor emissions as there is insufficient data available.

Operational CO_2 efficiency performance indicators

Express Selected — GRI indicators: EN 16

			2010	2009	2008	2007
Network flights (EAN + Domestic)	g CO_2/tonne km	▲	1,544	1,690	1,790	1,700
Longhaul flights	g CO_2/tonne km	▲	532	529	560	527
Small trucks and vans	g CO_2/km	▲	345	344	325	349
Large trucks	g CO_2/km	▲	717	691	648	659
Buildings	kg CO_2/m^2	▲	29.2	37.6	40.1	41.2

CO_2 efficiency index performance per operational activity



Air transport

A major part of the improvements in the CO_2 efficiency index are due to improved efficiencies in air transport (4.4 index points improvement). Improvements are derived from optimisation efforts like airport closures, fleet resizing and renewal, and improved capacity utilisation.

The improvement in network flights is largely driven by higher aircraft utilisation supported by high growth of volumes in the air network.

While the operations in the longhaul flights nearly doubled in terms of absolute CO_2 emissions and freight tonne kilometres, the CO_2 per freight tonne kilometre increased slightly. The longhaul fleet in 2010 included a Boeing 767 freighter, which operated less efficient per freight tonne kilometre compared to the Boeing 747 freighters. The underlying trend is positive, driven by higher load factors and operational efficiency improvements. In 2011, the introduction of three higher fuel efficient Boeing 777 freighters will further improve the CO_2 efficiency of longhaul aviation.

At the end of 2010, Express operated a fleet of 50 aircraft, which can be separated into five operational categories:

- European Air Network (EAN),
- domestic,
- longhaul (intercontinental),
- charter (not included in the CO_2 efficiency index), and
- passenger (not included in the CO_2 efficiency index).

All Express' own aircraft meet the International Civil Aviation Organisation (ICAO) NOx emission standard CAEP/6.

As of 2012, aviation is included in the EU Emission Trading Scheme (EU ETS). The EU ETS includes all flights arriving at or departing from any EU airport and only covers CO_2 emissions. Express complies with EU ETS and monitors and reports data annually. This data must be verified and sent to the competent authority by the end of March, starting in 2011.

Road transport

CO_2 efficiencies in road transport deteriorated, which had a negative impact on the CO_2 efficiency index (1.6 index points deterioration). The efficiency indicator, CO_2 per kilometre, does not reflect all improvement efforts such as better network optimisation and changes in capacity load factors. Express recognises that the efficiency indicator needs to be improved to reflect network efficiencies properly.

Express uses small trucks and vans (mainly for pick-up and delivery operations) and large trucks (mainly for linehaul operations). The CO_2 efficiency of small trucks deteriorated slightly. The number of small trucks and vans increased from 6,054 in 2009 to 7,026 in 2010. More than 2% of this fleet is powered by alternative fuels.

The number of large trucks (mainly linehaul vehicles) increased from 3,865 in 2009 to 4,408 in 2010. More than 1% of this fleet is powered by alternative fuels. The CO_2 efficiencies of large trucks deteriorated, mainly because France and Australia were brought into the reporting scope during 2010, which had a negative impact on the CO_2 efficiency index in road transport.

Buildings

The 2.6 index points improvement on buildings can be attributed to the implementation of carbon management plans at country level and continued focus on energy management, surveys, lighting and control upgrades, electrical equipment replacement, planned maintenance and sustainable electricity usage.

In the future, Express intends to concentrate on continuously improving its energy efficiency. During 2010 the new TNT Centre was under construction and employees will move into the new building in March 2011. This new head office challenges the highest aspirations for sustainable development and will be completely CO_2 neutral. The design achieves more than 1,000 points under the Dutch green building certification GreenCalc+ and a US LEED Platinum design certificate.

Sustainable electricity usage

GRI indicators: LT 4 & EN 4

as a percentage of total electricity usage

		2010	2009
Express Selected	▲	43.7%	31.4%
Innight & Head office	▲	35.9%	28.5%
Hoau, LIT Cargo, Araçatuba		0.0%	0.0% [1]
Express Total		40.6%	29.6%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Energy efficiency buildings

GRI indicators: LT 4 & EN 4

Total energy of electricity, gas, heating fuel and district heating in Mega Joules / m^2

	2010	2009
Express Selected	437	475
Innight & Head office	464	458
Hoau, LIT Cargo, Araçatuba	63	58 [1]
Express Total	343	375

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Express uses different types of facilities around the world, including depots, road hubs, air hubs and offices. Express owns or leases approximately 3.7 million square metres of buildings. The CO_2 efficiency and the energy efficiency of buildings combines all type of energy consumed in buildings and covers electricity, gas, heating fuel and district heating. The total energy use of buildings within Express Total in 2010 was 250.4 million kWh, 8.7 million cubic metres gas, 0.9 million litres heating fuel and 0.07 million GJoules district heating.

Other environmental impact

Other vehicle emissions

The objective of the European emission standards (Euro 4 and 5) is to reduce emissions of:

- particular matters (PM10),
- nitrogen oxides (NOx), and
- carbon monoxide (CO).

European emission standards for small trucks and vans

GRI indicator: LT2

in percentage of total small trucks and vans in European Union countries

	2010	2009
Vehicles complying with Euro 5	22%	0%
Vehicles complying with Euro 4	38%	71%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)[1]	5%	19%
Vehicles older than 5 years	35%	10%

[1] 2009 soot filters placed under this category.

European emission standards for large trucks

GRI indicator: LT2

in percentage of total large trucks in European Union countries

	2010	2009
Vehicles complying with Euro 5	35%	29%
Vehicles complying with Euro 4	17%	13%
Vehicles younger than 5 years (excluding Euro 4 and Euro 5)[1]	17%	31%
Vehicles older than 5 years	31%	27%

[1] 2009 soot filters placed under this category.

In 2010, the composition of the fleet of small and large trucks changed due to the implementation of Euro 5 engine standards. The implementation had an impact on the Euro 4 vehicles, vehicles younger than five years and vehicles older than five years. The fleet profile is expected to continue to change over the next three years, due to the actions identified in Express' carbon reduction plans.

Waste

In 2010, Express continued to focus on waste management, and experienced an increase in waste recycling due to increased recyclable content of the materials used in the supply chain.

Waste

GRI indicators: EN 22 & EN 27

in tonnes per FTE

	2010	2009
Express Selected	0.73	0.65
Innight & Head office	0.39	0.41
Hoau, LIT Cargo, Araçatuba	0.26	no data
Express Total	0.71	0.65

Refer to chapter 9 for the definition of 'Express Selected'

During 2010, Express improved recyclability by 6%, due to ongoing initiatives to reduce waste generation and to reuse or recycle all potential waste material.

Recycling of waste

GRI indicators: EN 22 & EN 27

in percentage of total waste

	2010	2009
Express Selected	64%	58%
Innight & Head office	33%	37%
Hoau, LIT Cargo, Araçatuba	63%	no data
Express Total	64%	58%

Refer to chapter 9 for the definition of 'Express Selected'

Express had 298 tonnes of hazardous waste that required appropriate disposal. Hazardous waste is mainly confined to the maintenance of vehicles and aircraft.

Noise

Noise monitoring and management is part of the environmental management system. Express conducts risk assessments for workplace noise and external noise nuisance in communities living close to operational facilities.

Express is fully committed to striking an appropriate balance between economic growth, social development and the environmental impact of its operations. It continues to invest in reducing the noise impact of its operations and fleet. The Express delivery schedule requires the operation of aircraft at non-standard times, particularly night flights between 11 p.m. and 6 a.m. Express supports the international framework of a balanced approach to aircraft noise management and is working with local and national authorities to promote this approach at EU airports.

Directive 2002/30/EC, known as the 'Airport Noise Management Directive', was adopted in 2003 and establishes rules and procedures with regard to introducing noise-related operating restrictions at EU airports. The Directive requires member states to follow the "balanced approach to aircraft noise management" of the International Civil Aviation Organisation. Member states should first identify the noise problem and then analyse the various measures using four principles, namely:

- reduction of noise at source (i.e. quieter aircraft),
- land use planning and management around airports,
- operating procedures, and
- operating restrictions.

Express Total received 11 noise complaints in 2010, compared with 25 in 2009. Of these, a significant proportion is attributed to noise at depots. In 2010, the United Kingdom reported nine noise-related complaints from local neighbourhood communities. To resolve the issue, local management involved all the relevant parties.

Environmental incidents

Within Express Total, 20 on-site environmental incidents (compared with 14 in 2009) and six off-site environmental incidents (compared with one in 2009) were reported in 2010. The majority of the environmental incidents were caused by minor fuel leakages or spillages, all of which were dealt with appropriately to prevent further environmental impact.

OTHER STAKEHOLDERS

Other stakeholders, such as customers and subcontractors, have a significant influence on the CR performance of Express.

Customers

Customer focus

Express strives to understand its customers, their values, needs and preferences, and aims to respond to them with tailored products and services.

Express believes that total customer focus is a sustainable competitive differentiator and aims to exceed customer expectations by providing distinctive levels of customer care at all contact points. It bases its improvement programmes on quantitative and qualitative customer feedback. This approach ensures that required improvement actions focus on what is most important to customers, rather than focusing on internal measures only.

Customer needs, satisfaction and loyalty levels are therefore important markers that are identified through regular contact and structured surveys. To measure the differentiation elements, Express also conducts benchmarking surveys that allow it to differentiate the most important drivers of customer satisfaction and loyalty. Express encourages its employees to 'go the extra mile' in their service to customers and understands that engaged and motivated employees will deliver an exceptional customer experience, which in turn drives profit.

ISO 9001 certification

Express' objective is to offer its customers excellent service. As such, it adheres to a number of strict quality standards. Express' customer management approach is fully aligned with the ISO 9001 standard. The standard sets requirements for continuous quality improvement at entity level, challenging all entities on the service and quality they provide, and allows for a customised approach in implementing improvements.

ISO 9001 certification — GRI indicators: 4.12, PR 3 & PR 5

in percentage of total FTEs working in certified sites

		2010	2009
Express Selected	▲	87%	86%
Innight & Head office	▲	96%	96%
Hoau, LIT Cargo, Araçatuba		29%	2% [1]
Express Total		74%	71%

[1] No data available for LIT Cargo and Araçatuba

Refer to chapter 9 for the definition of 'Express Selected'

Customer satisfaction

Express aims to exceed customer expectations. Analysis shows that 'satisfied' and 'more than satisfied' customers are more loyal than the lower ranked customer groups. Therefore, Express aims to increase the percentage of 'more than satisfied' customers from within the group of 'at least satisfied' customers. Understanding the mindset of 'less than satisfied' customers and using their feedback helps Express to develop improvement strategies with the goal of improving customer retention.

Express conducts an annual worldwide customer satisfaction survey. In 2010 it received over 30,300 completed surveys from customers across all customer segments. Customer satisfaction (meeting customer expectations) decreased from 93.6% in 2009 to 92.2% in 2010. However, consistent with 2009, 40% of customers rated Express services as exceeding expectations. The overall decrease was seen across all customer classifications. Certain key attributes fell more than others, such as 'speed of answer' and 'ease of contact', yet both still score above 90% in terms of meeting expectations. A key part of the continuous improvement approach in 2011 is the implementation of the 'Lean Improvement' methodology within the countries to ensure that the stated view of the customers drives improvement initiatives.

On-time delivery for Express' international deliveries was 94% in 2010 (95% in 2009). On-time delivery is a controllable performance indicator that can be compared to industry standards. Unprecedented circumstances resulted in the decline in performance, including adverse weather conditions in the first and fourth quarters of 2010, political and social unrest in Thailand, Greece, Spain and France and the flight disruption caused by the volcanic eruption in Iceland. Excluding all these unprecedented circumstances the service performance is estimated to have been 95%.

Subcontractors and suppliers

Express acknowledges the significant ecological and social impact it has on its supply chain and suppliers' local communities. As such, Express is committed to raising its social and ecological standards as well as those of subcontractors and suppliers. Express also acknowledges that its overall footprint is larger than that resulting solely from its own operations as transport subcontractors cause up to 57% of Express' total CO_2 footprint. This is a recognised challenge in improving Express' environmental and social performance.

A distinction is made between subcontractors and suppliers. Subcontractors relate to providers of transport and logistic services. Suppliers are providers of services and materials, and other matters excluding transport and logistic services.

Subcontractors

Express works with its subcontractors in a proactive and innovative manner to deliver products and services, and encourages them to conduct their services in an environmentally friendly and socially responsible way.

Express expects all its subcontractors to be socially responsible and to act in accordance with all prevailing local and international legislation, as well as the TNT Business Principles. Express is committed to managing its operations in a way that complies with all relevant sustainability legislation and standards.

In 2010, Express conducted a survey into subcontracted operations to help to improve the reliability of reported CR information. Express invested in seeking new ways to work with its suppliers and subcontractors to improve the reliability of reported CR information. However, due to the complexity of the subject, Express intends to invest additional time in developing procedures for its subcontracted operations to reduce its subcontractors' social and environmental footprint.

Express believes that developing collaborative efforts within its industry is an effective way to leverage the work of each individual company or organisation to raise supply chain standards. The courier and mail sectors should work together in setting consistent standards and support their subcontractors in implementing these standards more persistently.

Subcontractor road traffic fatal accidents

In 2010, Express reported 23 subcontractor road traffic accidents, which resulted in eight subcontractor fatalities and 19 third-party fatalities. In 2009, Express reported 19 subcontractor road traffic accidents that resulted in 10 subcontractor fatalities and 11 third-party fatalities.

Subcontractor road traffic fatal accidents

GRI indicators: LA 7 & LT 12

in number

	2010	2009
Express Selected	18	14
Innight & Head Office	2	3
Hoau, LIT Cargo, Araçatuba	3	0
Express Total	23	17

Refer to chapter 9 for the definition of 'Express Selected'

For subcontractor road traffic fatal accident information, Express relies on subcontractors to report fatal accidents involving their drivers and third parties. Due to legal obligations and the requirements of local authorities, Express is unable to distinguish between blameworthy and non-blameworthy road traffic fatal accidents. The majority of the subcontractor fatal accidents in 2010 occurred in India, Brazil and China (14 out of 23). Focused support has been provided to India, Brazil and China as these countries present very specific road safety challenges. Continued focus on implementing sustainable improvements and standards should produce positive results in the long term.

Suppliers

Express has a large number of suppliers located around the world. By actively engaging with these suppliers, Express raises awareness of its corporate values. Express identifies and manages the impacts of the supply chain by assessing the sustainability risks of suppliers and sharing best practices with them on mitigating these risks. In 2011, Express will further invest in seeking new ways to work with its suppliers to improve innovation and reliability of reported CR information.

During 2010, Express continued to develop the health and safety, environmental and business principles by working in partnership with organisations to help strengthen the CR approach within the supply chain. Express recognises that the CR efforts, while contributing to sustainable development in general, enhance competitiveness and help to improve the financial performance of the business.

VOLUNTARY CONTRIBUTIONS TO SOCIETY

Express has been an active partner of the United Nations World Food Programme (WFP), the world's largest humanitarian aid agency, since 2002. By committing its knowledge, skills and resources, Express supports WFP in fighting hunger worldwide.

Hunger is the greatest global threat to health, as it claims more lives each year than AIDS, malaria and tuberculosis combined. Approximately one billion people in the world are undernourished, most of them women and children. A third of all child deaths in the developing world are linked to undernutrition. In 2010, the WFP provided food aid to over 90 million people in more than 70 countries.

Moving the World

Express partners with the WFP in a programme known as Moving the World (MtW). Both parties benefit from this partnership: WFP benefits from the knowledge, skills, resources and donations provided by Express, and Express benefits from increased employee engagement and employee and management development. Additionally, the programme reinforces the Express brand and value proposition.

The partnership moving forward

At the end of 2009, Express and WFP committed to take the partnership to new levels. Over the years, WFP's mission has developed from food aid to food assistance, reflected in the WFP Strategic Plan 2008 – 2011, which required the partnership to progress to the next phase.

Evaluating the partnership after the first five years, Express concluded that the partnership and the MtW programme have a strong connection to promoting Express company values, instilling pride in Express employees and expanding the Express brand. However, the programme showed limited correlation with the goals of Express. The result has been the development of a more strategic approach, focused on sharing skills, which is closer to Express' objectives. A flexible two-way approach will maximise synergies and have a positive impact on the depth of the partnership on a local, regional and global level. MtW's mission is to support WFP in achieving their strategic objectives, in more ways than simply donating cash.

Moving the World contribution GRI indicators: EC 8

in € 1,000

	2010	2009
Learning & Development	398	252
Partnership building	825	992
Engagement & Advocacy	945	1,022
Support World Food Programme operations	1,142	847
Management & Office	236	397
Cash Support World Food Programme	650	693
Total	4,196	4,203

In 2010, total expenditure of MtW was over €4 million. Expenditure increased for contributions to learning and development and decreased for general management and office operations, compared with 2009. These changes are the result of a transition period in 2009 due to structural changes in management, which led to an increase in the support of WFP operations. A number of projects (Balady bread and client mapping projects) ran for the entire year.

Moving the World programme pillars

To reflect the new strategy the programme pillars have changed to:

- sharing knowledge and skills,
- emergency response,
- advocacy and engagement, and
- building partnerships.

Common themes have been identified that are priority areas for both WFP and Express. The two organisations will work together to create as much impact and synergy where possible.

Sharing knowledge and skills

Express is always looking for new ways to work towards a more sustainable future. Through its involvement in various projects, Express shares its knowledge and business skills to support improvement in several areas.

Balady bread

The Global Account Management Business Solution team (the GAM team) completed a project within the framework of the WFP partnership to develop a solution for the supply chain of subsidised 'balady' or sourdough bread in Egypt. Express presented the government of Egypt with a roadmap for a new balady bread system that provides good quality bread in the right quantities to the right locations at significantly lower costs.

In Egypt, every day 220 million loaves of subsidised bread are sold. The bread is purchased daily by 56 million Egyptians. The supply chain of balady bread is plagued with unnecessary high administrative costs, wastage, leakages, low bread quality and bad planning.

The government of Egypt and WFP asked the GAM Business Solutions department to develop a solution for the balady bread supply chain. The project was split into several sub-projects led by GAM experts, WFP staff and assisted by national and international experts. The GAM team spent approximately 1,700 hours to develop the solution. The optimised supply chain they designed is estimated to result in annual cost savings of $900 million for the government of Egypt.

This project was a once-in-a-lifetime opportunity to test and expand the Express supply chain management skills while at the same time improving the quality of life for millions of people.

Client Mapping and Interaction

WFP provides services to third parties through partnerships with either the United Nations or various NGOs. It is WFP's objective to be the service provider of choice for the humanitarian community. To be able to achieve that objective a project has been defined that will support WFP in improving their service level. Express sponsored this project by offering a full-time project manager for six months in addition to support for a research agency. This project, named Client Mapping and Interaction, mapped out WFP's clients, their needs and the method that WFP should use to interact with them.

This project was a good opportunity to translate Express' customer experience development skills to a humanitarian context.

Global Experience Programme 2010

An important component of sharing knowledge and skills is investing in future generations. The next generation requires experience to make responsible choices, as they will shape the future. In order to offer students a unique experience in sustainable decision-making, Express selected eight students after an intensive selection procedure. The students have been invited for a six-month humanitarian internship at Fleet Forum, North Star Alliance and WFP. After an extensive preparation at WFP headquarters in Rome in September 2010, the students left for the Gambia, India, Nicaragua and Tanzania. This is the last Global Experience Programme group, as the programme will be terminated due to the organisational changes at TNT.

Emergency response

Express provides WFP with operational support, by contributing skilled people who assist in humanitarian emergencies. Within 48 hours, Express responds to requests from WFP to provide support in aviation, warehousing, transportation, reporting and communications for up to four to six weeks after the disaster. A pool of dedicated and specially-trained employees has been formed as part of the emergency response commitment. Since 2005, 230 employees have been involved in 20 emergency response activities.

2010 was an eventful year, with Express involved in major emergencies in Haiti and Pakistan, adding up to more than 14,000 hours of support. The support activities ranged from staff, fleet and transport management to airside support and customs clearance. A total of two airlifts with a capacity totalling 230 metric tonnes of food items were sponsored to go to Haiti and Pakistan. The costs of these two airlifts were approximately €0.55 million.

Five employees were deployed in the Haiti relief operations after the earthquake, hurricane Thomas and the cholera outbreak.

Advocacy and engagement

As a result of the new strategy, a shift from fundraising to advocacy and engagement has materialised. Raising awareness of hunger, engaging employees in the programme and conducting discussions regarding Express' support to WFP triggers new support activities for the WFP. These range from in-kind support (sharing knowledge and skills in specialist projects) to local advocacy events and fundraising.

To engage more employees, the 'twinning programme', connecting WFP countries and Express countries to support the Food for Education programme by raising funds, has been expanded. It now includes in-kind support to the WFP twinning country, offering more choice to employees on methods to support WFP and ensuring a connection with the Express business. Specialist projects (using Express' knowledge and skills) and emergency response have been added and regional connections have been launched. The first regional connection established is between Express France and WFP West Africa. Fleet Forum and North Star Alliance are also involved with the twinning programme. Both offer a strong connection with Express through road and fleet safety, fleet management and the reduction of the environmental impact of transportations and improvement of truck driver health.

Besides global projects numerous local initiatives have been initiated to raise awareness and financial support for WFP. In 2010, Express employees raised €0.79 million for WFP.

Walk the World seeks to raise awareness of global hunger and to collect money for the WFP Food for Education programme. In 2010, 130,000 people walked in 157 locations in 58 countries, raising enough funds to provide a year of meals for 14,600 school children.

Building partnerships

As an industry leader in CR, Express intends to establish and expand partnerships to support achievement of the Millennium Development Goals (MDGs). Express plays an active role in involving other private sector companies to join these partnerships to make them more sustainable and to encourage other private sector companies to play a role in developing low and middle-income countries.

Fleet Forum

Fleet Forum is a joint initiative of WFP, the International Federation of the Red Cross and Red Crescent Societies, World Vision International, Univicity, Care International and Express.

Fleet Forum's mission is to focus on the role of (road) transport in low and middle-income countries as road transport is a crucial enabler towards the achievement of the Millennium Development Goals. Fleet Forum aims to make road transport safer and more efficient and concentrates on reducing the environmental impact of transport in low and middle-income countries that are on the verge of transitioning into emerging markets.

For Express, participating in Fleet Forum is important as it links directly to its core activities and often pertains to countries where Express has growing operations. For example, in India, the country with the highest number of road accidents, Fleet Forum started a road safety project in 2010. At various locations in India, Fleet Forum trained management and staff of aid and development organisations such as the World Health Organisation and UNICEF on how to change their behaviour to reduce the risk of being involved in a traffic accident. In total, Fleet Forum trained more than 800 people through road safety awareness sessions and management workshops.

Fleet Forum also supported these NGOs as well as local Express vendors with the implementation of a fleet safety management structure. The Fleet Safety Management System, developed by Fleet Forum with the support of large commercial fleet operators such as Express and Shell, aims to embed fleet safety within the culture of the organisation.

North Star Alliance

North Star Alliance, the public-private partnership established by Express and WFP in 2006, started off as a practical industry response to an urgent health problem and has matured into a balanced approach that meets industry, public health and individual needs. North Star works at the crossroads of disease and mobility to ensure that highly-mobile populations, especially long distance truck drivers and related communities, have access to basic health services through a network of health clinics called 'Roadside Wellness Centres' (RWCs).

As of December 2010, 21 RWCs were operating in nine countries in east and southern Africa. North Star RWCs have reached more than 80,000 men and 40,000 women with a variety of health-related services. Since the first RWC opened in late 2005, more than 500,000 male condoms and 10,000 female condoms have been distributed and over 10,000 sexually transmitted diseases have been treated. On average, each RWC treats 25 people a day in addition to the dozens that come in for information and counselling.

North Star is supported by four core partners, Express, WFP, International Transport Workers' Federation and ORTEC, and cooperates with more than 60 international and local organisations.

Chapter 9 Corporate responsibility reporting and assurance

CORPORATE RESPONSIBILITY REPORTING

Corporate responsibility reporting criteria

The corporate responsibility (CR) data are prepared in accordance with the reporting criteria and guidelines of the A+ application level of the Global Reporting Initiative (GRI) G3 and the GRI Logistics and Transportation sector supplement as far as relevant to Express (see Annex 1). Express is a signatory of the UN Global Compact and therefore reports on the 10 principles therein. A bridge between the GRI G3 indicators and the principles of the UN Global Compact is made in the GRI G3 index in Annex 1. In addition, the 2003 AA1000 framework is used for identification of stakeholders and integration of the stakeholder process in the reporting process. Definitions used for key performance indicators (KPIs) are defined in Annex 3. KPIs are selected on the basis of interactive stakeholder dialogue and the issues relevant to Express' operations.

CR data is gathered using a questionnaire. All figures are based, accordingly, on the data provided by the reporting entities in Express, Innight and Head Office (HO) through the CR reporting and monitoring tool. Conversion factors are taken from internationally-acknowledged organisations such as the Intergovernmental Panel on Climate Change, the International Energy Agency and the Greenhouse Gas Protocol.

Corporate responsibility reporting scope

In accordance with TNT's Group Policy on CR Reporting, all companies acquired in any given year are required to report CR data as from the following year. Express entities that are divested (full or partial sale whereby Express no longer retains a direct or indirect controlling interest) are excluded from the CR reporting scope for the entire year in which the divestment took place.

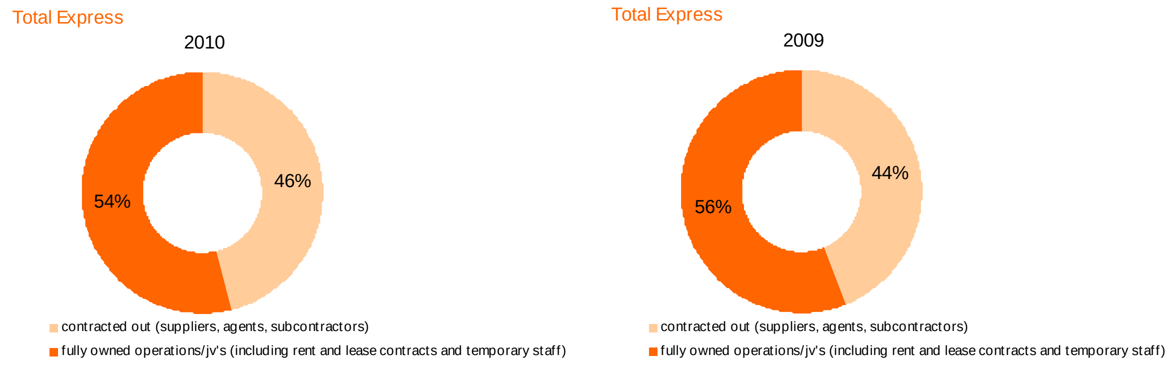
Where 'Express Selected' is stated in this report, it means Express excluding HuayuHengye Logistics Company Limited (Hoau), LIT Cargo and Expresso Araçatuba. These entities are singled out because they are not in scope for external assurance. However, these entities are included in the 'Express Total' CR data for 2010. LIT Cargo in Chile and Expresso Araçatuba in Brazil were acquired in 2009 and so no data was available in 2009, (with the exception of fatal accidents).

To enable readers to benchmark the 2010 CR data with the 2009 CR data, the 2009 reported figures have been restated (India and Brazil are now included in the 2009 Express Selected figures, whereas these entities were excluded last year from the 2009 Express Selected figures). Due to the restated 2009 scope, the external assurance provider is not able to provide reasonable assurance on the 2009 data. In 2010, Mail China was transferred from Mail to Express and therefore the full-year CR figures are included in the Express Selected figures for both the reported 2009 and 2010 figures.

Figures are presented in a relative way (using percentages and ratios) to make it possible for readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed. Figures related to absolute CO_2 emissions are all extrapolated to reflect Express, unless stated otherwise. Extrapolation is done on the basis of FTE coverage or m^2. CO_2 efficiency indicators are also presented relative to the baseline year of 2007 to show progress made towards long-term objectives for CO_2 efficiency improvements. Express defines coverage as the number of full-time equivalents (FTEs) working in entities that report data, divided by the total number of FTEs. The data clarification table in Annex 2 shows the coverage per indicator. Express has taken all reasonable steps to ensure that the CR information in this supplementary report is accurate.

The charts below show the cost structure balance between the fully-owned and majority-owned operations and subcontractors' operations. The costs associated with work contracted out (suppliers, agents, subcontractors) increased from 44% in 2009 to 46% in 2010.

Cost structure balance of operational activities



This supplementary report includes only CR data from entities that are fully-owned or majority-owned and from those joint ventures where Express has a controlling interest with respect to corporate responsibility. The joint ventures in Luxembourg and Switzerland are included in the CR reporting scope, whereas PNG Airfreight and X-air services are excluded. However, Express does rely on a large number of subcontractors to perform daily activities. Express acknowledges its responsibility and therefore reports on the road traffic fatal accidents of its subcontractors, as well as absolute subcontractor CO_2 emissions, which are estimated.

Express CR reporting scope
in number of FTE and headcount

					2009	
		2010 FTE		2010 headcount	2009 FTE	2009 headcount
Express Selected	▲	60,943	▲	61,584	59,449	59,660
Innight & Head Office	▲	1,396	▲	1,564	1,414	1,638
Hoau, LIT Cargo, Araçatuba		19,655		20,717	17,785	19,287
Express Total (in CR reporting scope)		81,994		83,865	78,648	80,585
Out of CR reporting scope		367		393	243	299
Total Express (including joint ventures)		82,361		84,258	78,891	80,884

The number of FTEs and headcount included in 'Out of CR reporting scope' are employees of joint ventures for which no CR data is available.

CORPORATE RESPONSIBILITY ASSURANCE

External CR assurance process

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

As part of the external assurance engagement, PwC also makes use of the capacity of the internal audit department of Express. PwC reviews the findings of all internal audit reports and meets regularly with the management of the internal audit department to discuss any findings. Furthermore, for selected entities, PwC and the internal audit department perform their assurance procedures jointly.

Express' policy is to include acquired companies in the assurance scope three years after the year of acquisition. This policy is intended to ensure that these entities can develop their processes to report CR data to the high standards required by Express, and to give them time to become sufficiently aligned with Express' operational and other systems. Thanks to this approach, India and Brazil are now included in the 2010 assurance scope and the following entities are excluded from the assurance scope in 2010:

- Hoau,
- LIT Cargo, and
- Expresso Araçatuba.

Express' objective is to obtain reasonable assurance on all key performance indicators. In 2010, the assurance scope was extended to include the health and safety indicators on serious accidents and lost time accidents. The CO_2 efficiency index itself is also included in the 2010 assurance scope.

PwC provided reasonable assurance on the following indicators:
- the number of employees and full-time equivalents employed,
- the percentage of Express workforce at certified sites,
- the number of workplace fatal accidents and road traffic fatal accidents (excluding subcontractor fatal accidents),
- the number of serious accidents,
- the number of lost time accidents and the ratio of lost time accidents per 100 FTEs,
- the absolute CO_2 footprint of owned operations (scope 1 and 2),
- CO_2 efficiency index,
- CO_2 efficiency of buildings,
- CO_2 efficiency of fleet, split into small trucks, large trucks, European Air Network flights (including domestic flights) and longhaul flights, and
- the percentage of sustainable electricity.

All data and graphs related to these indicators have been audited and are marked with a triangle (▲). Reasonable assurance is obtained through audit work, while other elements of the report have been reviewed. Review work provides only limited assurance because exhaustive gathering of evidence is not required.

Internal control on CR reporting

An internal control framework has been designed for the CR reporting processes for the capture and reporting of reliable CR data. In 2010, the framework was implemented at head office level. Implementation of identified internal controls at country level was initiated in 2010 and will be completed in 2011. An implemented internal control framework will not only increase the reliability of CR data, but will also enable PwC in its audits to rely more on internal controls and reduce purely data-oriented audit activities.

ASSURANCE REPORT

To the Board of Management of TNT N.V.

REPORT ON THE CORPORATE RESPONSIBILITY CHAPTERS

Engagement and responsibilities

As explained in chapter 9 'corporate responsibility reporting and assurance', we have been engaged by the Board of Management of TNT N.V. ('TNT') to examine the content of chapters 7, 8 and 9 and the annexes in this supplementary report (hereafter referred to as: 'CR chapters') in which TNT renders account of the performance of its Express division related to Corporate Responsibility ('CR') in 2010.

Our examination consisted of the following combination of audit and review procedures:

- audit of all data and graphs related to the following key performance indicators:
  - the number of employees and full time equivalents employed,
  - the percentage of Express workforce at certified sites,
  - the number of workplace fatal accidents and road traffic fatal accidents (excluding subcontractor fatal accidents),
  - the number of serious accidents,
  - the number of lost time accidents and the ratio of lost time accidents per 100 FTE,
  - the absolute CO_2 footprint of owned operations (scope 1 and 2),
  - CO_2 efficiency index,
  - CO_2 efficiency of buildings,
  - CO_2 efficiency of fleet, split into small trucks, large trucks, European Air Network flights (including domestic flights) and longhaul flights, and
  - the percentage of sustainable electricity.
- review of all the other elements of the CR chapters not excluded from our assurance scope.

The Board of Management of TNT is responsible for the preparation of the CR chapters. We are responsible for providing an assurance report on the CR chapters.

Reporting criteria

TNT developed its reporting criteria on the basis of the G3 Guidelines of the Global Reporting Initiative (GRI) as explained in chapter 9 'corporate responsibility reporting and assurance'. These reporting criteria contain certain inherent limitations which may influence the reliability of the information.

The CR chapters do not cover the information for all entities of the Express division as the CR chapters only include data from Express entities that are fully-owned or majority-owned and from those joint ventures where Express has a controlling interest with respect to CR. Detailed information on the reporting scope is given in chapter 9. We consider the reporting criteria to be relevant and appropriate for our examination.

For several indicators the CR chapters are not yet based on full coverage as intended by TNT per its reporting criteria. By including a data clarification table (Annex 2), the coverage of the CR chapters is clarified, showing for each indicator the number of FTEs working in entities that report on that indicator as a percentage of total FTEs. We believe that this limitation with regard to the completeness of the CR chapters and the reasons for it, are acceptable.

Scope and work performed

We planned and performed our work in accordance with Dutch law, including Standard 3410N 'Assurance engagements relating to sustainability reports'.

Audit procedures focus on obtaining reasonable assurance, substantiated by sufficient and appropriate supporting audit evidence. The audited data are marked with a triangle (▲). Review procedures focus on obtaining limited assurance which does not require exhaustive gathering of evidence, therefore providing less assurance than audit procedures. Consequently, we report our conclusions with respect to the audit and review procedures separately. We believe these combined procedures fulfil a rational objective.

We do not provide any assurance on the assumptions and feasibility of prospective information, such as targets, expectations and ambitions, included in the CR chapters.

Audit procedures

With regard to the audited data, among other things we have gathered audit evidence as follows:

- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation,
- assessing and testing the systems and processes used for data gathering, consolidation and validation, including the methods used for calculating and estimating results,
- testing the set-up, existence and the effectiveness of the relevant internal control measures during the reporting period,
- reconciling reported data to internal and external source documentation,
- examining the existence and validity of certificates issued in respect of the management system standards which have been adopted by TNT, and
- performing analytical procedures, relation checks and detailed checks.

Review procedures

Our most important review procedures were:

- assessing the acceptability and consistent application of the reporting policies in relation to the information requirements of TNT's stakeholders,
- reviewing internal and external documentation to determine whether the information in the CR chapters is substantiated adequately,
- validating and testing the model used for estimating the CO_2 emissions of subcontractors,
- evaluating the overall presentation of the CR chapters, in line with TNT's reporting criteria, and
- assessing the application level according to the G3 Guidelines of GRI.

We believe that the evidence obtained from our examination is sufficient and appropriate to provide a basis for our conclusions.

Limitations in our examination

For comparative purposes TNT has restated the 2009 figures to include the information for Express entities in India and Brazil. Because these entities were excluded from our assurance scope last year, we do not provide assurance on the 2009 comparative figures.

The data from the following entities are excluded from our assurance scope: Huayu Hengye Logistics Company Ltd (Hoau), LIT Cargo and Expresso Araçatuba. This is adequately disclosed in chapter 9. We have accepted this limitation in our scope, because providing assurance on data from these acquired entities would not provide a rational objective at this stage as Express is still in the progress of integrating these entities into its business.

Conclusion

Based on our audit procedures

In our opinion, all data and graphs marked with a triangle, as mentioned under 'Engagement and responsibilities', are in all material respects presented reliably and adequately, in accordance with TNT's reporting criteria.

Based on our review procedures

With respect to the other elements of the CR chapters not excluded from our assurance scope, nothing has come to our attention that would cause us to conclude that the CR chapters, in all material respects, do not provides a reliable and adequate presentation of the CR policy of TNT or of the CR related performance of its Express division during the reporting year, in accordance with TNT's reporting criteria.

Amsterdam, 21 February 2011
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
drs. R. Dekkers RA

Chapter 10 Risks

RISK ENVIRONMENT AND RESPONSE 2010/2011

The Express business strategy and the supporting financial and corporate responsibility strategies are not without risk. All strategies automatically attract a certain level of execution risk and strong change management capabilities are needed to manage these risks. The Board of Management believes that these strategies contain manageable execution risks as they are based on TNT Express' core strengths.

In reviewing the business context and competitive position of its business, Express has concluded that the economic outlook for 2011 is still uncertain and it continues to take a cautious view on short-term economic developments.

Express' financial standing as per 31 December 2010 is solid and is based on a balanced and long-term secured funding position. In 2011, it will continue to focus on sustaining its good financial standing by, among other things, strict business performance and cash flow management, which will include continuous optimisation of working capital and capital expenditures.

SPECIFIC KEY RISKS – SHORT TO MID TERM

The risks described in this chapter cover the risks pertaining only to the Express businesses.

Understanding strategic, operational, compliance and financial risks is a vital element of Express management decision-making processes. Express' risk management and control programme is not an end in itself, but a process to support management. No matter how comprehensive 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 the business and business environment from occurring or that its mitigating actions will be fully effective. It is important to note that new, as yet unknown, risks could be identified. However, any of the following known specific key risks could have a material adverse effect on Express' financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this supplementary report. For a full description of TNT risk management, internal control, integrity and compliance framework and to view the Board of Management's compliance statement see chapter 10 of the 2010 annual report of TNT N.V.

SPECIFIC KEY RISKS IN 2011

The Board of Management has reviewed Express' risk profile and confirms that the following specific key risks pertinent to the Express business require focused and decisive management attention in the short to mid term, either due to the continued uncertainty in the macroeconomic environment, increased political involvement and/or the execution of the short to mid term strategy.

Specific Key Risks 2011

Sudden changes in customer preferences or shipping patterns due to e.g. macroeconomic changes could create the need to further rationalise Express' operations and might negatively impact results. Such changes could lead to a significant increase or decrease in volumes, weight per consignment, shifts between premium and economy products and pressure on yield.

Although Express has a significant proportion of its operational costs outsourced, a risk still exists of sharp volume fluctuations and shifts in customer preferences as a result of macroeconomic developments. In particular, the shift in international volumes from premium next-day express to economy express products significantly impacts operations and changes the profit profile. Where the premium product represents a relatively large share of international consignments at a low 7 kg weight per consignment, representing the majority of international revenues, economy products represent only a limited part of total consignments at 70 kg per consignment. A sharp premium or total volume decrease would only provide limited short-term opportunities to cost adaptation in the mostly fixed air network. Express continues, however, to reduce structural and variable costs in order to protect margin and profit levels. Depending on the size and predictability of the fluctuations, the profitability of Express would be significantly influenced if Express is unable to keep up with the speed of onset of this risk.

<u>Failure to prevent a terrorist attack and/or increased anti-terrorism requirements could impose substantial additional security costs on Express and could significantly impact Express' reputation.</u>
Escalating concerns about global terrorism and perceived insufficient levels of aviation security, which could result in a successful terrorist attack, have caused governments and airline operators around the world either to adopt or contemplate adopting stricter disciplines that will increase operating costs for businesses, including those in the transportation industry. For example, in recent years the EU has increased aviation security regulations and airports around the world, have and continue to impose mandatory use of x-ray screening equipment and enhanced screening methods. It is not possible to fully determine the effect that these new rules or changed policies will have on Express' cost structure or its operating results. However, it is reasonable to expect that these enhanced rules and regulations or other future security requirements for air cargo carriers could impose material costs that will have a direct impact on Express.

<u>Express may be unable to use commercial airlines as part of its linehaul needs due to increased regulatory pressure on security.</u>
As a result of aviation security incidents in 2010, such as those reported in Yemen and Greece, accompanied by escalating concerns about global terrorism, many governments have implemented additional emergency measures for security on passenger aircraft and all cargo aircraft, particularly cargo sent to the United States on non-passenger flights. These emergency measures prevent certain types of goods from travelling on commercial passenger airlines. This restricts the movement of these goods to purely all-cargo aircraft, causing potential service delays and increased costs.

The above emergency measures are under review by various governments who hope to introduce new security standards for implementation globally. These new standards may directly or indirectly result in commercial passenger airlines banning the carriage of cargo on passenger flights. This would drastically limit Express' ability to provide current levels of connectivity and service without significant investments.

It is not possible to determine the extent of the development of the additional security measures or the impact they would have on service, revenue and cost. Even though the possibility of a complete ban is considered to be low, it is reasonable to expect that these enhanced security measures may result in partial bans by some airlines or countries that may increase security costs and impact operations and service quality.

<u>The anticipated demerger of Express from TNT N.V. is a complex process involving a significant number of stakeholders and certain residual cross liabilities between the demerged legal entities will continue to exist.</u>
As part of the demerger process, creditors may object and stakeholders may decide not to approve the demerger. Failure of TNT N.V. to successfully complete the demerger within a reasonable time frame may cause distraction to management, retention issues and could give rise to a risk that TNT N.V. is not able to implement its stated strategy in a timely way. If the demerger is successfully completed, certain residual liabilities, such as those related to the Dutch pension scheme, will remain for both Express and TNT N.V. (Mail) for those legal liabilities related to the other entity that existed at the time of the demerger, up to the value of the assets allocated to the entity at the time of the demerger. These residual cross liabilities based on Dutch demerger legislation are secondary in nature, such that these liabilities arise when the other entity fails to settle these liabilities when they become due. The Express business therefore has a residual risk for claims prior to the demerger date that are related to TNT N.V.

ADDITIONAL SPECIFIC AND INHERENT KEY RISKS

In addition to the specific key risks requiring focus and attention in 2011, the Board of Management has identified other risks that 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 Monitoring Committee of the Dutch Corporate Governance Code. The risks are further classified into specific risks and inherent risks facing Express. Specific risks are risks that the Board of Management believes could negatively impact its short to mid term objectives, while 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 in which these risks are presented in no way reflects any order of importance, chance or materiality. The Board of Management believes that this approach remains a comprehensive and prudent method of disclosure.

SECTION C: RISKS
CHAPTER 10 RISKS

Strategic risks
Specific strategic risks

The acquisition and integration of acquired businesses may involve significant challenges (including costs) and could adversely affect Express' revenues, costs and profitability.
Express has entered into and will from time to time continue to enter into acquisitions. Express will strengthen its business through limited acquisitions where appropriate, with a focus on emerging markets. Emerging markets, by their nature, contain higher levels of market and execution risk and expose Express to uncertainty arising from the stability of its emerging platforms.

Acquisition plans in Express 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. In addition to market risks and uncertainties that may have been overlooked or incorrectly forecast, the plans contain risks at key stages in the acquisition process, which may not be mitigated to the full extent possible. Mitigation of acquisition risks in emerging markets is particularly difficult due to the greater uncertainties of these markets. Uncertainties in the acquisition process start with the risk that the optimum target might not be selected are followed by the risk that the deal execution might minimise Express' exposure at the best price, and end with the risk that the execution of the integration might not achieve an optimal result.

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 Express has acquired normally results in a significant challenge and change-related costs. This is particularly true in the context of an emerging market, where integration challenges are often significantly enhanced by cultural, social and infrastructure factors as well as more volatile markets and unstable governments. The uncertainty and cultural 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 of acquisitions is sub-optimal. In addition, the nature of the emerging markets is such that it is difficult to retain qualified management and staff in key positions. This increases the risk that Express' growth strategy may be delayed, or may not be successfully achieved.

If an existing or future integration effort is delayed, or is not successful, Express may incur additional costs and lose revenue, with a resulting adverse effect on profitability. The value of the investment in the acquired company may decrease significantly and may be permanently impaired.

Express derives a significant portion of its revenues from its international operations and is subject to the risks of doing business in emerging markets.
Express has significant international operations and while the geographical diversity of its international operations helps ensure that it is not overly reliant on a single region or country, Express is continually exposed to changing economic, political and social developments beyond its control. Emerging markets are typically more volatile than mature markets, and any downturn in these markets is typically more pronounced than those in the developed world. A downturn in these markets could negatively impact Express' revenues and adversely affect the business, financial position and operations.

Changes in market conditions and/or relationships with joint venture partners may require Express to revise its strategies, which could adversely affect it's profitability.
Changes in market conditions may lead Express to revise the strategies in which joint ventures are concluded. Revised strategies may lead Express to demerge these businesses or terminate these joint ventures. The resulting employment reduction or other significant restructuring costs could impact Express' profitability.

Measures taken to reduce costs, including employee redundancies, may be delayed and/or may not achieve the results intended and could adversely affect Express' reputation, revenues and profitability.
The cost saving targets and initiatives are based on assumptions and expectations that may not be valid. Restructuring of operations and other cost-reducing measures may not achieve the results intended and may incur restructuring and other costs and charges to Express. In addition, restructuring costs are based on expectations about, for example, the voluntary leave of employees. If those expectations are not valid, this may incur additional restructuring cost. All these changes from expectations on savings and restructuring costs will affect Express' profitability.

SECTION C: RISKS
CHAPTER 10 RISKS

The loss of key suppliers, particularly in the subcontractor and commercial linehaul sectors, due to insolvency or bankruptcy in a worsening macroeconomic environment, or significant further decline in volumes, could have a significant impact on Express' cash flows and operational capabilities.

Express' business model is dependent upon the extensive use of subcontractors and other key suppliers. Bankruptcy of key subcontractors and other suppliers could result in operational disruption and Express' ability to offer its full range of delivery solutions.

Express may decide to exit certain businesses or markets in the future, which could result in additional costs related to closure of operations, impairment of goodwill or other contractual liabilities.

In the future, Express may choose to change its strategy and either fully or partially exit certain businesses or markets due to, for example, to changes in strategic focus, unattractive market conditions, aggressive competitor pricing policies or other protectionist behaviour by governments. A full or partial exit could result in additional costs due to the closure of operations, the impairment of goodwill and other contractual liabilities.

Intensifying competition in the Express market may put downward pressure on prices and could have an adverse effect on Express revenues and profitability.

Express competes with many companies and services on a local, regional, European and international level. Express' 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. Express expects competition to intensify in the future in all its core business areas. Targeted, aggressive actions by competitors may negatively impact prices. Express' Vision 2015 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 down prices for Express' services and thus cause its revenues and profitability to decrease.

Operational risks
Specific operational risks

Express' operations and earnings are subject to risks related to the impact of natural disasters, extreme weather events and climate change regulation.

In April 2010, Express' operations were impacted by the closure of European air space following the volcanic eruption in Iceland. During this time, Express was able to curtail the impact on the business by switching networks from air to road, thus maintaining service across Europe. The risk of similar future events is impossible to predict and TNT continues to invest in continuity plans to address these events as and when they arise.

In the final weeks of 2010, operations were significantly disrupted by extreme adverse weather conditions that closed many airports across northern and western Europe, created significant delays in both air and road operations and impacted both revenue and earnings in 2010.

Global concern about climate change could lead to governmental action(s) and/or regulation(s) that require the company to improve the management of emissions from its air and road fleet. As such, there is a risk to future operations and a compliance risk for existing facilities and Express' fleet, if Express is not able to demonstrate adequate emissions management. Realisation of these risks could have an adverse impact on operational performance and Express' financial position.

At a national, regional and global level, climate-related regulation remains uncertain, with various levels of maturity. An amendment in the regulatory environment that affects Express stems from the inclusion of the aviation sector in the EU Emission Trading System (EU ETS), effective as of January 2011. At present, there are no regulations driven by climate considerations which directly affect Express' road transport activities. However, many local governments are imposing regulations to limit both the volume of vehicular traffic and emissions associated with inner city distribution. A comprehensive analysis of Express' fleet has revealed that exposure to this risk is limited, due to the high environmental performance of the current fleet. The most significant risk identified stems from Express' subcontracted operations. The Express Management Board is developing corrective actions to mitigate this risk. Express is also reassessing its business model for the possible introduction of carbon pricing and continues to test new technologies that can help continue to make its operations cleaner.

Rising fuel and energy prices as a result of climate regulation and depletion of resources will also affect Express' profitability. Increases in fuel prices as a direct consequence of climate regulation are expected to be limited in the foreseeable future (they are currently mainly driven by market forces). Electricity prices may see further increases as a result of more stringent regulation of power utilities under the EU ETS scheme. With its CR strategy and initiatives, Express aims to continuously improve the carbon efficiency of its operations and to use non-fossil energy sources wherever feasible. In this way, Express addresses the risk of increased prices for fossil fuel or energy sources.

Express depends on a number of infrastructure facilities for which TNT has limited or no comparable back-up facilities. In the event of operational disruptions at one or more of these facilities, Express' revenues, profitability and business operations would be affected.
A portion of Express' infrastructure is concentrated in single locations for which there are either limited or no comparable back-up facilities, or very expensive back-up scenarios in the event of a disruption of operations. An example of this is its air express hub in Liège, Belgium. The operation of Express' facilities is prone to a number of risks, including power failures, the breakdown, failure or substandard performance of equipment, the possibility of work stoppages or civil unrest, natural disasters, catastrophic incidents such as aeroplane crashes, fires and explosions, and normal hazards associated with operating a complex infrastructure. If there were to be a significant interruption of operations at one or more of Express' key facilities and operations could not be transferred or could only be transferred at very high costs to other locations, Express might not meet the needs of its customers, and business and operating results would be adversely affected.

Impacts from climate change may affect this infrastructure and could potentially disrupt Express' services. Furthermore, Express employees living in risk-prone areas could potentially be affected by extreme weather events. Although Express has operations in geographical areas that are more susceptible to the potential consequences of climate change, the direct implications for Express' operations are expected to be limited in the short to mid term.

Incidents resulting from the transport of hazardous materials and confidential consignments or a major incident involving sorting centres, warehousing facilities and air or road fleet may adversely affect Express' revenues, profitability, reputation and share price.
Express transports hazardous materials for a number of customers in the automotive, biomedical and chemical industries. The hazardous consignments include airbags, batteries, paint, blood samples, medical substances, dry ice and chemicals. Express may also transport hazardous or dangerous goods without notification of the nature of the goods transported. Express faces a number of risks by transporting these materials, such as personal injury or loss of life, severe damage to and destruction of property and equipment, and environmental damage. 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, Express transports confidential and sensitive consignments on behalf of some of its customers. Express does not always know the confidential and sensitive nature of these consignments and customers may choose to enter consignments into Express' network without registering the consignment, with the result that they cannot be tracked and traced.

If a significant incident occurred involving the handling of hazardous materials or if confidential consignments were misplaced or lost, Express' operations could be disrupted and the company could be subject to a wide range of additional measures or restrictions imposed on it by local or government authorities as well as potentially large civil and criminal liabilities. This could negatively affect Express' revenues and profitability. A significant incident, particularly a well-publicised incident involving potential or actual harm to members of the public, could also damage Express' reputation.

As an owner and operator of a large air and road fleet, Express is involved in activities that 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 Express' aircraft or vehicles could cause significant loss of life and property and could adversely affect Express' revenues, profitability, reputation and share price.

Express may not accurately forecast future infrastructure requirements, which could result in excess or insufficient capacity and negatively affect Express' revenues and profitability.
In order to maintain market position and future growth, Express must make ongoing investments in infrastructure such as aircraft, trucks and depots. Infrastructure investments are based on forecasts of future capacity requirements. Forecasts for future requirements might not be accurate, since they are based on a large number of factors, including factors beyond the direct control of 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 Express underestimates its future capacity requirements, customer needs may not be met, and Express could lose business, market share, revenues and profits. If Express overestimates future needs, or if major contracts are cancelled by customers, it may experience costly excess capacity and this could adversely affect profitability.

Express' reputation could be negatively impacted by increased fatalities as a result of road traffic accidents.
Express operates a transparent policy of reporting all accidents that result in fatal injuries as part of its comprehensive corporate responsibility programme. It is evident that in spite of significant investment in health and safety, driver training and awareness, the number of accidents that result in fatalities continues to be an issue. Express' acquisitions in emerging markets have seen a significant increase in the number of such accidents. Adverse weather conditions, as well as a general increase in road traffic, have also contributed to this. Going forward, continued focus on embedding and sustaining the Express health and safety management system will be enforced by management, but there remains a risk that Express' reputation could be damaged if an increase in fatal accidents occurs in both Express' mature and emerging platforms.

Inherent operational risks

Express faces risks related to health epidemics and other outbreaks of contagious diseases, including pandemic influenza.
Another global pandemic of influenza like the pandemic of influenza type A(H1N1) declared by the World Health Organisation on 11 June 2009 could adversely affect Express' business. These outbreaks of contagious diseases and other adverse public health developments would have a material adverse effect on Express' business operations. They could impact Express' ability to ship consignments or otherwise make deliveries of products originating in affected countries, as well as causing temporary closure of offices or other facilities. Such closures or shipment restrictions could severely disrupt Express' business operations and adversely affect its financial condition and results of operations. Since 2006, Express has implemented measures to develop written preventive procedures and contingency plans to mitigate the effects of any future outbreak of pandemic influenza and other epidemics, but the epidemiology of the current virus and the reactions of local, national and regional governments are difficult to gauge, which could mean that the current plans do not address all possibilities.

Strikes, work stoppages and work slowdown by Express' employees and the terms of new collective labour agreements could negatively affect its revenues and profitability.
The success of Express' business is dependent upon avoiding strikes, work stoppages and work slowdown by Express' employees. Industrial action by large trade unions or even relatively small yet key groups of employees could seriously disrupt Express' operations. Industrial action may occur for reasons unrelated to collective labour agreements with a particular trade union or group of employees. For example, Express' employees may refuse to cross picket lines established by other trade unions of other companies if a strike, work stoppage or work slowdown occurs, and Express' revenues and profitability could be adversely affected.

Express' business may be negatively affected by the terms of collective labour agreements that Express concludes with its employees. These terms could include increases in compensation and employee benefits, less flexible work processes and conditions than those of Express' competitors, limitations on future workforce reductions and other factors that make Express' workforce less mobile. Express' profitability could suffer if Express is not able to conclude collective labour agreements on satisfactory terms with its employees.

A significant privacy breach could adversely affect Express' business and it may be required to increase spending on data security.
The provision of service to Express' customers and the operation of its network involve the storage and transmission of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. Breaches in physical and/or logical security could expose Express, its customers or the individuals affected, to a risk of loss or misuse of this information, resulting in litigation and potential liability for the company, as well as the loss of existing or potential customers, damage to the Express brand and reputation, or disruptions in operations. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Investigations into the transportation sector relating to anti-trust regulations, including regulations dealing with price fixing and other anti-competitive behaviour, could result in Express having to cooperate with governments and/or regulators as part of an industry-wide process and, if Express were found to have acted in breach of these laws, fines and other administrative sanctions could be imposed.
Recent investigations into price fixing and/or anti-competitive behaviour by some companies may result in an increased focus on the transportation sector by regulators. The company may be required from time to time to cooperate with law enforcement agencies in various jurisdictions as part of a wider industry investigation. Such actions could distract management from the day-to-day running of the business and could also negatively impact Express' reputation by association.

SECTION C: RISKS

CHAPTER 10 RISKS

Legal and regulatory risks

Specific legal and regulatory risks

Express is exposed to various global and local legal and regulatory risks that may have a material adverse effect on the results of operations and on Express' revenues and profitability.

Express operates around the globe and provides a worldwide service with facilities in many countries. As a result, the company is confronted with complex legal and regulatory requirements in many jurisdictions, usually of a protectionist nature. These include tariffs, trade barriers, limitations on foreign ownership of assets and share capital and requirements relating to withholding taxes on remittances and other payments. In many of the jurisdictions in which Express operates, in particular emerging markets such as China, India, Brazil, Russia and the Middle East, aspects of the developing legal system (including Express' inability to enforce contracts, the absence of an independent and experienced judiciary, and similar factors such as the necessity to use nominee constructs) create an uncertain environment for investment and business activity. These risks and complexities will increase in the pursuit of the strategic objectives to expand operations to new markets. Express' overall success as a global business depends, in part, on its ability to succeed in different economic, social, political and legal conditions. Express may not succeed in developing and implementing policies and strategies that are effective in the locations where Express' business is conducted. Failure to do so may have a material adverse effect on business operations and on Express' revenues and profitability.

Express is in the business of transporting goods that are subject to specific restrictions and regulations.

Express provides transportation services to many different industry sectors and countries, some of which may be subject to specific export controls, customs, regulations, disclosures and denied parties regulations. In addition, Express is occasionally required to provide information requested by government organisations that are investigating carriage of certain restricted or regulated consignments to and from certain denied or restricted parties. The complex systems, IT and controls applied by Express may be insufficient to ensure all consignments comply with applicable regulations in all jurisdictions. This can lead to investigations and operational measures that can impact operations and could adversely affect revenues and profitability. In case of any violations of applicable rules of regulations, Express may be subject to fines and other administrative sanctions, as well as contractual liabilities.

Inherent legal and regulatory risks

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

As part of its strategy, Express occasionally seeks alliances with or acquires shares in companies, or seeks to divest part of its business. Any approval of a joint venture, an acquisition or divestment of shares or a business by competition authorities may contain certain restrictions or conditions with respect to the intended transaction.

Expess may be unable to implement a transaction as contemplated, to be in compliance with any restrictions or conditions imposed by the Directorate General of Competition of the European Commission or national competition authorities. These restrictions or conditions may negatively affect Express' revenues and profitability. If Express 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 Express; 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 Express flexibility in operating its business and negatively affect costs and profitability.

Express 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 Express' 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 Express, whether national or international regulators, competition authorities or third parties will raise material issues with regard to compliance or non-compliance with applicable laws and regulations, or whether other regulatory activities will have a material adverse effect on Express business, revenues and profitability.

Express operates various types of aircraft throughout Europe and between Europe and Asia. As a result, Express is required to comply with a wide variety of international and national laws and regulations. In some of the markets in which Express 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 communities. Express relies on night-time operations at its 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 Express' key facilities, such as Liège, would likely harm business.

In addition, as the provider of time-sensitive delivery services, Express needs to secure adequate and effective flight slot times from airport coordination (or other local) authorities in all the countries and airports Express operates into and out of. The timing or limited availability of these slots could have an impact on the efficient operations of the 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 in the event that Express is obliged to purchase slots from third parties to maintain its service levels.

Some governments have imposed stringent new security measures on air carriers that could result in additional operating costs. Express' 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 Express' ability to perform services to meet customer needs or may increase the costs of providing these services.

<u>The legal concept of limited liability for loss of or damage to goods carried by Express is increasingly being challenged and this may result in increased exposure to claims.</u>
Express transports goods under the conditions of the international conventions regarding 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 Express' liability in the event that Express 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 Express to more and increased loss and damage claims. Express has covered this additional exposure in its insurance arrangements. However, if this trend continues it could definitely result in significantly higher insurance costs and thus in increased financial exposure, and so adversely affect Express' profitability.

<u>Determination that subcontractors are to be considered Express employees could affect Express' current business model, causing operating expenses to rise and net income to suffer.</u>
In various jurisdictions, Express uses subcontractors to perform aspects of its operations, 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 Express are to be regarded as Express' own unregistered employees. If these allegations were upheld by a court, the company 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.

<u>Employee and even (sub)contractor and supplier misconduct could result in financial losses, the loss of clients and fines or other sanctions imposed by the national and local governments (and other regulators) of the countries in which Express does business.</u>
Express has implemented a robust Integrity Programme intended to protect it against risks relating to fraud and other improper activities. However, notwithstanding its Integrity Programme, the company may be unable in all cases to prevent its employees from engaging in misconduct, fraud or other improper activities that could adversely affect Express' business and reputation. Misconduct could include the failure to comply with applicable laws or the TNT Business Principles, a breach of confidentiality, or breach of contract with clients. As a result of employee misconduct, Express could incur fines and penalties imposed by governments in the countries in which it does business. Furthermore, Express' customers could file claims and/or terminate the contract for breach thereof. Any such fines, penalties or claims could, depending on their magnitude, lead to adjustments to the financial statements and result in liabilities that could reduce profitability. In addition, negative publicity in relation to employee misconduct could negatively affect Express' reputation, harm its ability to recruit employees and managers and reduce revenues.

Similar risks apply with regard to misconduct by Express' (sub)contractors and suppliers. In recent years, courts and regulators have increasingly held companies liable for acts of their independent (sub)contractors and suppliers. In view of this trend, Express has among other things communicated the TNT Business Principles to its (sub)contractors and suppliers and is providing training to help ensure compliance. However, notwithstanding such communication and training activities, Express may nevertheless experience potential liabilities in connection with its (sub)contractors and suppliers' activities, under certain circumstances, if those (sub)contractors and suppliers engage in conduct in violation of the TNT Business Principles and/or applicable laws. In addition, the application of the Integrity Programme to certain (sub)contractors and suppliers may be affected by the fact that in certain jurisdictions, authorities have instituted actions against Express alleging that subcontractors or their employees engaged by Express are to be regarded as Express' own unregistered employees.

Financial risks

Specific financial risks

Express' ordinary shares have not been previously listed and are subject to market fluctuations.

The price of Express' ordinary shares may be volatile in the initial period because the supply of and demand for Express' ordinary shares need to stabilise. The share price may also be materially affected by a number of factors, including factors relating to the 29.9% shareholding by TNT N.V. (Mail), and factors specific to Express, its competitors and the express services industry.

A downgrade in credit rating of Express may increase financing costs and harm its ability to finance operations and acquisitions, which could negatively affect revenues and profitability.

A downgrade in Express' credit rating may increase its financing costs and harm its ability to finance its operations and acquisitions, which could negatively affect revenues and profitability. Developments and trends in the global economy can have a material adverse effect on the financial condition and/or results of operations and cash flows, which may in turn result in a downgrade in credit ratings. Such deterioration may, for example, be impacted by developments and trends in the global economy. Due to the demerger, Express needs to apply for its own, independent credit ratings. Express is currently in the process of applying for such separate credit ratings, which are expected to be completed before the contemplated demerger date.

Express is exposed to currency and interest rate fluctuations that could have an adverse effect on its financial condition and results as well as on the comparability of Express' financial statements.

Parts of Express' 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.

In 2010, for example, around 46% of revenues and around 38% of asset book value were held in countries outside the euro zone. As Express 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 Express' results and financial condition in any given reporting period and may affect the comparability of Express' financial statements from period to period.

The Board of Management has adopted and approved a policy that requires all Express companies to manage their foreign exchange risk against the functional currency. Express companies are required to hedge material balance sheet exposures via the use of foreign exchange derivatives with the Treasury department, whereby a financing company operated by the Treasury department, as 'in-house bank', trades these foreign exchange derivatives back-to-back with external banks.

Currency exposures can be evaluated at revenue, earnings and balance sheet level.

At present, no net investment hedges are outstanding. However, significant acquisitions and local debt are usually funded in the currency of the underlying assets. These form a natural hedge against foreign currency cash flow and earnings risks.

Part of Express' borrowings and financial assets incur floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on Express' results and financial condition in any given reporting period.

It is company policy to limit the maximum interest cost exposure over a seven-year period as a specific percentage of EBITDA with a statistical 95% level of confidence.

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

SECTION C: RISKS
CHAPTER 10 RISKS

A decline in the value of the euro could reduce the value of any (indirect) investment in Express 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 dollar equivalent of the euro price of the future Express euro-denominated shares, Express' non-listed American Depositary Receipts (ADRs) and the US dollar value of any cash dividends. If the value of the euro relative to the dollar declines, the market price of future Express 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 euros on Express' future ADRs.

In more general terms, if an investor has a functional currency other than the euro, their investment expressed in their own functional currency is similarly exposed to a decline of the euro against that other currency.

Changes in markets, useful lives of assets and Express' 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 Express to recognise additional impairment charges. Among other things, events in the markets where Express conducts its businesses, including current trading, macroeconomic developments, significant declines in stock prices, market capitalisations and credit ratings of market participants, as well as Express' ongoing review and refinement of its business plans, are elements included in these regular reviews. In addition, Express recognises increased depreciation and amortisation charges if it is determined that the useful lives of Express' fixed assets are shorter than originally expected.

Inherent financial risks

The multinational nature of Express' business could expose the company to uncertainty in effective tax planning and regulatory reviews and audits.

Multinational companies of Express' size are exposed to varying degrees of uncertainty related to tax planning and regulatory reviews and audits. Express accounts for its income and other taxes on the basis of its own internal analyses, supported by external advice. Express continually monitors its global tax position, and whenever uncertainties arise, 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, Express' 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, Express believes that self-insurance is the best method to motivate operational units to address the underlying causes of these losses. Express; total self-insured frequency claims are structured via an in-house captive insurance company and capped on an annual basis via reinsurance. In 2010, Express' total annual retention cap on these losses was €5.5 million.

Express' '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. Express 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 adjusting Express' insurance protection to address the ever-changing legal and regulatory environment in which it operates, and all insurance policies are therefore tailor-made to Express; unique requirements. Current insurance arrangements also need to support strategic developments and the changing risk profile of Express.

Annex I Global Compact and GRI G3 Index

GLOBAL COMPACT

As a signatory of the UN Global Compact, Express reports on the 10 principles therein. In the Global Reporting Initiative (GRI) G3 index table the GRI indicators on which Express reports are linked to the numbers corresponding to the 10 principles mentioned below.

Human rights	
1	Businesses should support and respect the protection of internationally proclaimed human rights.
2	Businesses should make sure that they are not complicit in human rights abuses.
Labour	
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
5	Businesses should uphold the effective abolition of child labour.
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Environment	
7	Businesses should support a precautionary approach to environmental challenges.
8	Businesses should undertake initiatives to promote greater environmental responsibility.
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	
10	Businesses should work against corruption in all its forms.

GRI G3 INDEX

This GRI Index table is based on the G3 guidelines of the GRI. This index includes the core indicators of the G3 and complementary sector supplement indicators. The table below includes Express' management approach per theme. Additionally a reference is made to the 10 Principles of the Global Compact which are mentioned in a table in the next section. Express believes that the A+ level is applicable to this report. This has been validated by GRI and the external assurance provider.

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
Strategy and analysis				
1.1	CEO statement	Introduction and financial and corporate responsibility highlights, pp.5 and 6, and annual report TNT N.V., Chapter 1, pp. 6 - 9	Fully reported	
1.2	Key impacts, risks, and opportunities	Chapter 2, pp. 10 - 16, Chapter 6, pp. 96 – 98, and annual report TNT N.V., Chapter 1, p. 6 - 9	Fully reported	
Organisational profile				
2.1	Name of the organisation	Chapter 1, p. 7	Fully reported	
2.2	Products, and/or services	Chapter 1, pp. 7 - 9, and Chapter 2, pp. 10 - 12	Fully reported	
2.3	Operational structure	Chapter 1, p. 7	Fully reported	
2.4	Headquarter location	Introduction and financial and corporate responsibility highlights, p. 1, and Chapter 1, p. 7	Fully reported	
2.5	Countries in operations/ TNT geographic spread	Chapter 1, pp. 7 - 9, Chapter 2, pp. 10 - 12, and Chapter 5, pp. 63, 85 and 86	Fully reported	

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
2.6	Nature of ownership	Introduction and financial and corporate responsibility highlights, p. 1, and Chapter 1, p. 7	Fully reported	
2.7	Markets served	Chapter 1, pp. 7 - 9, and Chapter 2, pp. 10 - 12	Fully reported	
2.8	Scale of the organisation	Chapter 5, p. 63, and Chapter 4, p. 22	Fully reported	
2.9	Significant operational changes	Chapter 1, p. 7, annual report TNT N.V., Chapter 2, pp. 10 - 13, and Chapter 5, pp. 23 - 25	Fully reported	
2.10	Awards received	Annual report TNT N.V., Chapter 15, p.199	Fully reported	
Report profile				
3.1	Reporting period	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.2	Previous report	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.3	Reporting cycle	Introduction and financial and corporate responsibility highlights, p. 1	Fully reported	
3.4	Contact point for questions	Annual report TNT N.V., Chapter 15, p.200	Fully reported	
Report scope and boundary				
3.5	Content definition	Chapter 9, pp. 132 - 134	Fully reported	
3.6	Boundary of the report	Chapter 9, pp. 132 - 134	Fully reported	
3.7	Limitations on the reporting scope	Chapter 9, pp. 132 - 134	Fully reported	
3.8	Reporting basis	Chapter 9, pp. 132 - 134	Fully reported	
3.9	Data measurement techniques	Chapter 9, pp. 132 - 134	Fully reported	
3.10	Re-statements of information	Chapter 9, pp. 132 - 134	Fully reported	
3.11	Significant changes from previous reports	Chapter 9, pp. 132 - 134	Fully reported	
GRI content index				
3.12	GRI content index	Annex 1, p. 147	Fully reported	
Assurance				
3.13	Assurance	Chapter 9, pp. 135 and 136	Fully reported	
Governance				
4.1	Governance structure	Annual report TNT N.V., Chapter 13, pp. 195 - 201	Fully reported	
4.2	Indicate relation between chair of the highest governance body and executive officer	Annual report TNT N.V., Chapter 13, pp. 195 - 201		
4.3	Independence of Board of Management	Express does not have a unitary board structure. Express has a large company regime and is therefore required to adopt a two-tier system of corporate governance.	Not reported	
4.4	Shareholder feedback mechanisms	Annual report TNT N.V., Chapter 13 pp. 181 - 182, Chapter 15, pp.194, 196 and 197	Fully reported	
4.5	Executive remuneration and performance	Annual report TNT N.V., Chapter 11, pp. 157 - 164	Fully reported	
4.6	Conflict of interest at the Board of Management	Annual report TNT N.V., Chapter 13, p. 180	Fully reported	
4.7	Board of Management expertise on sustainability	Annual report TNT N.V., Chapter 13, pp. 176 and 177	Fully reported	
4.8	Mission and value statements	Annual report TNT N.V., Chapter 2 pp. 10 - 13	Fully reported	
4.9	Board of Management governance	Annual report TNT N.V., Chapter 13, pp. 176 - 187	Fully reported	

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
4.10	Evaluation of the Board of Management	Annual report TNT N.V., Chapter 11, pp. 157 - 164	Fully reported	
Commitment to external initiatives				
4.11	Precautionary principles	Annex 1, p. 147	Fully reported	
4.12	External charters, principles or initiatives	Chapter 7, pp. 102 and 103, Chapter 8, pp. 108, 109, 111, 112, 115 and 116	Fully reported	
4.13	Associated memberships	Chapter 7, pp. 102 and 103	Fully reported	
Stakeholder engagement				
4.14	List of stakeholders	Chapter 7, p. 100	Fully reported	
4.15	Stakeholder identification	Chapter 9, p. 132	Fully reported	
4.16	Stakeholder engagement	Chapter 7, pp. 100 - 102	Fully reported	
4.17	Stakeholders' key issues	Chapter 7, pp. 100 - 102	Fully reported	
Economic performance indicators				
DMA	Objectives & results	Chapter 4, pp. 24 - 29		
DMA	Responsibility	Annual report TNT N.V., Chapter 10, pp. 151 - 156		
DMA	Policy	Annual report TNT N.V., Chapter 10, p. 151		
DMA	Monitoring	Annual report TNT N.V., Chapter 10, pp. 151 - 156, and Chapter 12, p. 166		
EC1	Direct economic value	Chapter 4, pp. 24 - 29, Chapter 5, pp. 34 and 35, and annual report TNT N.V., Chapter 15, p.196	Fully reported	
EC 2	Financial implications of climate change	Chapter 10, pp. 140 and 141	Partially reported *	7
EC 3	Benefit plan	Chapter 4, pp. 25 and 28, and Chapter 5, p. 58	Fully reported	
EC 4	Financial governmental assistance	TNT does not receive significant financial assistance from governments. Annual report TNT N.V., Chapter 13, pp. 176 and 177	Fully reported	
EC 6	Local suppliers	Chapter 8, p. 126 and 127, and Chapter 9, p. 133	Partially reported *	
EC 7	Local recruitment	Express has country procedures in place for the hiring people and will always recruit the best person for the position and this maybe in the local community or outside and is dependant on the job profile required.	Partially reported *	6
EC 8	In kind or pro bono engagement	Chapter 8, pp. 128 - 131	Fully reported	
Environmental management approach				
DMA	Objectives & results	Chapter 7, pp. 99 - 103, and Chapter 8, p. 115		
DMA	Responsibility	Annual report TNT N.V., Chapter 13, pp. 176 and 179		
DMA	Policy	Chapter 7, pp. 99 and 100		
DMA	Monitoring	Chapter 8, pp. 115 - 118		
DMA	Environmental performance indicators	Chapter 8, pp. 115 - 124		
EN 1	Volume of materials used	Chapter 8, pp. 120 - 124	Partially reported *	8
EN 2	Recycled materials	Chapter 8, pp. 123 and 124	Fully reported	8, 9
EN 3	Direct primary energy consumption	Chapter 8, p. 119 and 120	Partially reported *	8
EN 4	Indirect primary energy consumption	Chapter 8, p. 119 and 120	Partially reported *	8
EN 8	Water withdrawal	Express' core business does not require significant water use. Indicator therefore not material for Express	Not reported	8

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
EN 11	Land assets in sensitive areas	Express does not own land assets in sensitive areas	Fully reported	8
EN 12	Biodiversity within lands owned	Express does not own land in protected areas or areas with high bio diversity	Fully reported	8
EN 16	Greenhouse gas emissions	Chapter 8, p. 119	Fully reported	8
EN 17	Other indirect greenhouse gas emissions	Chapter 8, p. 119	Fully reported	8
EN 19	Ozone-depleting substance emissions	The emission of ozone-depleting substances within Express is very limited and not measured. Due to limited materiality Express has no plans to measure this in the future	Not reported	8
EN 20	NOx, SOx emissions	NOx and SOx emissions are not measured. Express strives to reduce these emissions by increasing the number of Euro 4 and Euro 5 vehicles. Express is considering measurement methods by 2016. Chapter 8, p. 123	Partially reported	8
EN 21	Water discharge by quality and destination	Express' total water discharge is limited to domestic sewage. This indicator is not material for Express	Fully reported	8
EN 22	Waste by disposal method	Chapter 8, pp. 123 and 124	Partially reported *	8
EN 23	Significant spills	Chapter 8, pp. 123 and 124	Fully reported	8
EN 26	Environmental impact mitigation	Chapter 8, pp. 115 - 118	Fully reported	7, 8, 9
EN 27	Packaging materials	Chapter 8, pp. 123 and 124	Fully reported	8, 9
EN 28	Non compliance sanctions	Chapter 8, p. 124	Fully reported	8
Labour practices and decent work performance indicators				
DMA	Objectives & results	Chapter 7, pp. 99 - 103, and Chapter 8, pp. 108 and 109		
DMA	Responsibility	Annual report TNT N.V., Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 7, pp. 99 and 100		
DMA	Monitoring	Chapter 8, pp. 106 - 114		
LA 1	Breakdown of workforce	Chapter 5, p. 63, and Chapter 9, p. 133	Partly reported *	
LA 2	Employee turnover	Chapter 8, p. 107	Partially reported *	6
LA 4	Collective bargaining agreements	Within Express the entities are responsible for the collective labour agreements. The percentage of employees covered by a collective labour agreement is not measured at Express level, but information is available at entity level.	Partially reported *	1, 3
LA 5	Minimum notice periods	Chapter 8, p. 108	Fully reported	3
LA 6	Monitor health and safety programs	Chapter 8, pp. 110 - 114	Fully reported	1
LA 7	Occupational health and safety and absenteeism	Chapter 8, pp. 107 and 110	Fully reported	
LA 8	Education to assist workforce	Chapter 8, pp. 107 and 108	Fully reported	1
LA 10	Training per employee	Chapter 8, p. 108	Partially reported *	
LA 13	Employee diversity & governance	Chapter 8, pp. 109 and 110	Partially reported *	1, 6
LA 14	Remuneration by gender	Chapter 8, p. 110, and annual report TNT N.V., Chapter 11, p. 160	Partially reported *	1, 6
Human rights performance indicators				
DMA	Objectives & results	Chapter 7, pp. 99 - 103		
DMA	Responsibility	Annual report TNT N.V., Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 7, p. 99 and 100		
DMA	Monitoring	Chapter 8, pp. 108 and 109		

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
HR 1	Human rights clauses in investment	Annual report TNT N.V., Chapter 10, pp. 154 and 155	Fully reported	1,2,3,4,5,6
HR 2	Supplier screening on human rights	Chapter 8, pp. 126 and 127	Fully reported	1,2,3,4,5,6
HR 4	Discrimination	Express reports on the reported breaches or suspected breaches of any law, regulation, TNT business principles or other company policies and procedures (including discrimination). and Chapter 8, p. 108 and 109, and annual report TNT N.V. Chapter 10, pp. 154 and 155	Partially reported *	1,2,4,6
HR 5	Association and collective bargaining	Express recognises the risk for freedom of association in non-OECD countries. Express certifies all entities outside OECD countries to SA 8000. Chapter 8, pp. 108 and 109	Partially reported *	1,2,3
HR 6	Child labour	Express recognises the risk for freedom of association in non-OECD countries. Express certifies all entities outside OECD countries to SA 8000. Chapter 8, pp. 108 and 109	Partially reported *	1,2,5
HR 7	Forced labour	Express recognises the risk for freedom of association in non-OECD countries. Express certifies all entities outside OECD countries to SA 8000. Chapter 8, pp. 108 and 109	Partially reported *	1,2,4
Society performance indicators				
DMA	Objectives & results	Chapter 7, pp. 99 - 103		
DMA	Responsibility	Annual report TNT N.V., Chapter 10, pp. 154 and 155, and Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 7, pp. 99 and 100, and annual report TNT N.V., Chapter 10, pp. 154 and 156		
DMA	Monitoring	Annual report TNT N.V., Chapter 10, pp. 154 and 156		
SO 1	Impact on communities	Chapter 8, pp. 124 and 128 - 131	Fully reported	
SO 2	Corruption risks	Annual report TNT N.V., Chapter 10, pp. 154 and 155	Fully reported	10
SO 3	Anti-corruption training	Annual report TNT N.V., Chapter 10, pp. 154 and 155	Fully reported	10
SO 4	Actions against corruption	Annual report TNT N.V., Chapter 10, pp. 154 and 155	Fully reported	10
SO 5	Lobbying	Chapter 7, pp. 102 and 103	Fully reported	1,2,3,4,5,6,7, 8,9,10
SO 8	Regulatory non-compliance sanctions	Chapter 8, pp. 122 - 124, and Chapter 10, pp. 140 and 141	Fully reported	
Product responsibility performance indicators				
DMA	Objectives & results	Chapter 2, pp. 10 - 12, and Chapter 8, p. 125		
DMA	Responsibility	Annual report TNT N.V., Chapter 13, pp. 176 and 177		
DMA	Policy	Chapter 7, pp. 99 - 100		
DMA	Monitoring	Chapter 7, pp. 99 - 100, and annual report TNT N.V., Chapter 10, pp. 154 - 156		
PR 1	Product life cycle	Chapter 2, p. 10	Fully reported	1
PR 3	Product information	Chapter 2, pp. 10 - 12	Fully reported	8

Nr	G3 Indicator	Disclosure page number / reference	Extent of reporting	Global Compact Principles
PR 6	Communication programmes	Express' marketing communication does not conflict with generally accepted ethical or cultural standards, neither is a vulnerable group targeted.	Not reported *	
PR 9	Product non-compliance	Chapter 6, p. 96	Fully reported	
Sector supplement indicators				
LT 1	Ship registry	This indicator is not relevant. Express does not own ships.	Fully reported	
LT 2	Fleet composition	Chapter 1, p. 8, and Chapter 8, pp. 120 - 123	Fully reported	
LT 3	Environmental reduction	Chapter 8, pp. 115 - 118	Fully reported	
LT 4	Renewable direct energy sources and energy efficiency	Chapter 8, p. 122	Fully reported	
LT 5	Renewable indirect energy sources and energy efficiency	Chapter 8, p. 122	Fully reported	
LT 6	Traffic congestion	Chapter 2, pp. 10 - 12	Fully reported	
LT 7	Noise management and abatement	Chapter 8, pp. 123 and 124	Fully reported	
LT 8	Environmental impact of real estate	Chapter 8, p. 122	Fully reported	
LT 9	Work patterns of mobile worker	Chapter 8, pp. 109 - 114	Fully reported	
LT 10	Personal communication	Chapter 7, p. 102, and Chapter 8, pp. 109 and 110	Fully reported	
LT 11	Substance abuse	Chapter 8, pp. 109 - 114	Fully reported	
LT 12	Road fatalities per kilometres driven	Chapter 8, pp. 112 and 113	Fully reported	
LT 13	Ship safety inspections	This indicator is not relevant. Express does not own ships.	Fully reported	
LT 14	Mail accessibility	Chapter 2, pp. 10 - 12	Fully reported	
LT 15	Humanitarian Programmes	Chapter 8, pp. 128 - 131	Fully reported	
LT 16	Labour providers	Chapter 8, pp. 126 and 127	Partially reported *	
LT 17	Continuity of employment	Chapter 8, pp. 106 and 107	Partially reported *	

* These indicators have been found to be partially immaterial or immaterial for Express' operations; for the purpose of this integrated report it was decided to report in a way that was better suited to Express' operations and suits the expectations of its stakeholders.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **TNT** has presented its report "Annual Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

18 February 2011, Amsterdam

A+
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because TNT has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 9 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

GRI G3 application levels

Report Applicaiton Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4 , 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

Annex 2 Data clarification table

The data clarification table clarifies the coverage of each indicator as presented in the CR chapters of the supplementary report. For each indicator the coverage is expressed as percentage of FTEs of the total number of FTEs that should ideally report within the defined reporting scope.

	Express Selected		Express Total	
FTEs reporting on:	2010	2009	2010	2009
Workforce				
Headcount	61,584	59,660	83,865	77,096
Full time equivalent	60,943	59,449	81,994	75,159
EMPLOYEES				
Training hours				
Training hours	90%	92%	91%	91%
Fatal accidents				
Workplace fatal accidents	100%	100%	100%	100%
Blameworthy road traffic fatal accidents (with an Express employee involved)	100%	100%	100%	100%
Non-blameworthy road traffic fatal accidents (with an Express employee involved)	100%	100%	100%	100%
Blameworthy road traffic incidents				
Blameworthy road traffic incident rate	100%	no data	100%	no data
Serious accidents				
Serious accidents	100%	100%	99%	98%
Lost time accidents				
Number of lost time accidents	100%	100%	100%	100%
Lost time accidents frequency rate	100%	100%	100%	100%
Diversity				
Gender profile	100%	100%	100%	100%
Gender profile of management	99%	92%	99%	94%
Employees with a disability	82%	79%	85%	82%
Employees with a disability (in percentage of headcount)	82%	78%	85%	81%
Absenteeism				
Absenteeism	100%	98%	100%	98%
Turnover and promotion				
Voluntary turnover	100%	100%	99%	98%
Internal promotion	100%	100%	99%	99%
ENVIRONMENT				
Operational vehicles				
Number of small trucks and vans (<7.5 tonnes)	100%	100%	100%	100%
Number of large trucks (> 7.5 tonnes)	100%	100%	100%	100%
CO_2 efficiency small trucks and vans (> 7.5 tonnes)	100%	91%	100%	93%
CO_2 efficiency large trucks (< 7.5 tonnes)	100%	85%	100%	88%
	Express Selected		Express Total	
FTEs reporting on:	2010	2009	2010	2009

Aviation				
CO_2 efficiency Network flights (EAN + Domestic)	100%	100%	100%	100%
CO_2 efficiency long haul air	100%	100%	100%	100%
Buildings				
CO_2 efficiency buildings	100%	100%	100%	100%
Energy efficiency buildings	100%	100%	100%	100%
Sustainable electricity usage	100%	100%	100%	100%
Company Cars				
Number of company cars	99%	98%	99%	98%
EU standard for trucks (only EU countries)				
Small Trucks	100%	93%	100%	93%
Large Trucks	100%	97%	100%	97%
Waste				
Total waste per FTE	88%	84%	69%	67%
Percentage of waste separated for recycling	76%	71%	59%	56%
Hazardous waste in tonnes	81%	89%	63%	70%
Noise complaints				
Noise complaints	100%	100%	79%	79%
Environmental incidents				
On-site environmental incidents	100%	100%	79%	79%
Off site environmental incidents	100%	100%	79%	79%
OTHER STAKEHOLDERS				
Subcontractors				
Subcontractor road traffic fatal accidents	100%	100%	100%	100%

Annex 3 Glossary and definitions

AA1000 framework
The AA1000 framework is a generally-applicable standard for assessing, attesting to and strengthening the credibility and quality of organisations' sustainability reporting and the underlying processes, systems and competencies. The standard is issued by AccountAbility, an organisation that promotes accountability for sustainable development. The AA1000 Assurance Standard principles are based on three key elements: responsiveness, completeness and materiality.

Absenteeism
Total days absence versus potential working days, calculated at year-end.

All training hours
All training hours are the number of hours spent on training by the total of employees on payroll (including social responsibility training hours) during the reporting period (both on-and off-job and both internal and external programmes).

Biofuel
Biofuel (also called agrofuel) can be broadly defined as solid, liquid, or gas fuel consisting of or derived from biomass. Biofuel consists of CO_2 that has recently been extracted from the atmosphere as a result of growing of plants and trees and therefore does not influence the CO_2 concentration in the atmosphere over a longer period of time. This is in contrast to fossil fuels, such as natural gas or crude oil, which are stored over billions of years so that their combustion and subsequent emissions do influence CO_2 levels in the atmosphere.

Blameworthy road traffic incident
A road traffic incident is defined by Express as a crash or collision involving an Express vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered blameworthy if an Express driver is at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Blameworthy road traffic fatal accident
A blameworthy road traffic fatal accident is where an Express employee or third party is fatally injured, which means that the employee or third party died because of the accident of any person driving a company-owned or operated vehicle. This indicator does not include blameworthy road traffic fatal accidents caused by subcontractors. Accidents that occur in company-owned or leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered blameworthy when the Express driver is at fault.

Business travel
Business travel refers to all business-related air flights.

Carbon dioxide emissions
Carbon dioxide emissions relate to the gas formed during the combustion of fossil fuel. Carbon dioxide (CO_2) is referred to as a greenhouse gas.

Civil society
As part of our stakeholder dialogues, the civil society cluster includes academic and research institutes, financial and investment service organisations, government agencies, industry associations and international organisations, NGOs and trade unions.

CO_2 efficiency
CO_2 efficiency expresses the efficiency of Express' business in terms of CO_2 emissions, i.e. the CO_2 emitted per service provided, per letter or parcel delivered.

CO_2-neutral
Carbon-neutral is where the net CO_2 equivalent emissions from activities are zero.

Community investment
World Food Programme including costs for knowledge transfer, hands-on support, raising awareness and funds for WFP and cash donations. Planet Me investments are aimed at reducing CO_2 emissions of Express' activities and its employees.

Company cars
Company-owned or leased vehicles made at the disposal of an Express employee for commuting and business travel. This category also includes hired vehicles used for business expansion reasons (not replacement vehicles hired for vehicles under repair).

Corporate governance
The OECD (see reference below in this glossary) defines corporate governance as the system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants such as the board, managers, shareholders and other stakeholders, and defines the rules and procedures for making decisions. In doing so, it also provides the structure through which company objectives are set, the means of attaining those objectives and monitoring performance.

Corporate responsibility
Corporate responsibility is the umbrella term for the obligation a company has in considering the social (corporate social responsibility) and environmental (sustainability) impact of its activities and to go beyond this obligation in the treatment of economic, environmental and social activities to sustain its operations, financial performance and ultimately its reputation.

Customer satisfaction
Customer satisfaction is a indicator of the number of customers that confirmed through external channels such as correspondence, surveys, focus groups, trade bodies and so forth that they were (un)satisfied or more overall with the service provided in the reporting period.

Disabled employees
Disabled employees are employees on payroll whose medical condition is recognised by the relevant authorities as a disability.

Dow Jones Sustainability Indexes
Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes to track the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers and other stakeholders with reliable and objective benchmarks for managing sustainability portfolios. For further information see www.sustainability-indexes.com.

Employee engagement
Employee engagement relates to the number of employees (employed by Express for 3 months or more) who stated in the employee engagement survey that they were engaged or more than engaged by Express as an employer.

Environmental incident
An environmental incident is an incident that has led to the pollution of soil, water or air. This includes failures, breakdowns, floods, spillages, leaks, leakages and so forth. The environmental incidents are divided in on- and offsite incidents. Onsite incidents occurred on depots, hubs, offices and other locations owned, leased, rented or operated directly by Express. Offsite incidents occurred away from depots, hubs, offices and other locations owned, leased, rented or operated directly by Express.

European emission standards
Euro 4 and Euro 5 are mandatory European emission standards (EU directives) applicable to new road vehicles sold in the European Union that define levels of vehicular emissions like NOx and particulate matter (PM).

European Union Emission Trading Scheme (EU ETS)
In January 2005, the European Union Greenhouse Gas Emission Trading Scheme (EU ETS) commenced operation as the largest multi-country, multi-sector greenhouse gas emission trading scheme worldwide. The concept of emission trading can be summarised as the obligation for large emitters such as energy producers to monitor and report on CO_2 emissions and to buy or sell when surpassing the agreed emission allowance. This scheme will become applicable to aviation as of 2012.

Full time equivalents (FTEs)
FTEs is the total number of hours worked by the headcount divided by the local number of contract hours (e.g. 40 p/w or 196 p/m).

Global Reporting Initiative (GRI)
The GRI is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally-applicable sustainability reporting guidelines for voluntary use by organisations that report on the

economic, environmental and social dimensions of their business. The GRI incorporates participation of business, accountancy, investment, environmental, human rights and research and labour organisations from around the world. Starting in1997, the GRI gained independence in 2002, is an official collaborating centre of the United Nations Environment Programme, and works with the United Nations Global Compact. For more information, see www.globalreporting.org.

Greenhouse Gas Protocol
The Greenhouse Gas Protocol Initiative (GHG Protocol) was established in 1998 to develop internationally-accepted accounting and reporting standards for greenhouse gas emissions from companies.

Hazardous waste
Hazardous waste is waste that could prove harmful to human health or the natural environment.

Headcount
Headcount is the number of own employees on the payroll in active duty working for fully-consolidated companies.

Internal promotion
The number of Express employees appointed to vacancies in management positions at the end of a reporting period. This refers to the number of actual appointments, not the number of FTE positions.

International Organization for Standardization (ISO)
The ISO is a network of national standards institutes from 146 countries working in partnership with international organisations, governments, industry, business and consumer representatives. The ISO is the source of ISO 9000 standards for quality management, ISO 14000 standards for environmental management and other international standards for business, government and society. For further information see www.iso.org.

Investors in People (IiP)
Developed in 1990 by a partnership of leading businesses and national organisations, Investors in People helps organisations to improve performance and realise objectives through the management and development of their staff. For further information www.investorsinpeople.co.uk.

ISO 9001 (quality management)
The ISO 9000 standards cover an organisation's practices in fulfilling customers' quality requirements and applicable regulatory requirements while aiming to enhance customer satisfaction and achieve continual improvement of its performance in pursuit of these objectives.

ISO 14001 (environmental management)
The ISO 14001 standard is an international standard for controlling environmental aspects and improving environmental performance, minimising harmful effects on the environment and achieving continual improvements in environmental performance.

Key Performance Indicators (KPIs)
KPIs are measurements that focus on achieving outcomes critical to the current and future success of an organisation. These indicators should deal with matters that are linked to the organisation's mission and vision, and are quantified and influenced where possible.

Lost time accident
For the purpose of CR reporting lost time accidents are defined as the number of employees that are absent from work as a result of a work related accident for at least one day in the reporting period, excluding the day that the accident occurred.

Management positions by gender
Management positions are defined as the number of females/males employed in management positions or above (i.e. with responsibilities for other employees (including subcontractors) or with budget responsibility).

Minor accident
Accidents where an Express employee is injured due to a work related accident, which requires first aid assistance, but there are no lost working days as a result.

Noise complaints
Noise complaints are the number of written or documented verbal expression of grievance and/or dissatisfaction from external parties received during the reporting period relating to noise caused by an operation on- or off-site.

Non-blameworthy road traffic incident
A road traffic incident is defined by Express as a crash or collision involving an Express vehicle. A vehicle incident can also result into an accident to be reported if the employee is also injured or dead. Road traffic incidents are considered non-blameworthy if an Express driver is not at fault. A road traffic incident excludes superficial damage to windscreens or paintwork, damage due to environmental conditions, vandalism, animals and theft.

Non-blameworthy road traffic fatal accident
A non-blameworthy road traffic fatal accident is where an Express employee or third party is fatally injured. This means that the employee or third party died because of the accident of any person driving a company-owned or operated vehicle. Non-blameworthy road traffic fatal accidents that occur in company-owned or -leased vehicles during weekends, non-working days or on the way to and from the office are also counted. An accident is considered non-blameworthy when the Express driver is not at fault. Non-blameworthy road traffic accidents at subcontractors are not included.

Non-OECD countries
Please refer to the definition below for the OECD. Non-OECD countries in which Express has operations include Argentina, Bahrain, Brazil, Bulgaria, Cambodia, China, Cyprus, Egypt, Fiji, Hong Kong, India, Indonesia, Jordan, Kenya, Kuwait, Latvia, Lithuania, Malaysia, Namibia, Philippines, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, United Arab Emirates and Vietnam.

NOx
NOx (NO and NO_2) refers to nitrogen oxides. Nitrogen oxides are produced during combustion, especially at high temperature.

On-time delivery
Delivery of a consignment within the timeframe set for the service in question.

Organisation for Economic Co-Operation and Development (OECD)
The Organisation for Economic Co-Operation and Development (OECD) comprises 34 member countries that share a commitment to democratic government and the market economy. Member countries – sometimes referred to as OECD countries – represent the world's most developed countries. For further information see www.oecd.org.

OHSAS 18001 (occupational health and safety management)
OHSAS 18001 is a standard for occupational health and safety management systems. It is intended to help organisations control occupational health and safety risks and was developed in response to widespread demand for a recognised standard for certification and assessment. OHSAS 18001 was created through collaboration of several of the world's leading national standards bodies, certification organisations and consultancies. For further information see www.ohsas-18001-occupational-health-and-safety.com.

PACI (Partnering Against Corruption Initiative) Principles
The PACI's mission is to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. The PACI places the private sector in a unique position to guide governments' and international organisations' strategies and policies on anti-corruption and has built strong relationships with the key players and institutions from the global anti-corruption landscape. For more information go to www.weforum.org/en/initiatives/paci.

Planet Me
The Planet Me Programme was initiated in 2007 with a vision for Express to become a zero emission transport company. The programme is divided into three initiatives:
- Code Orange includes eight initiatives that the company is implementing to reduce the impact the company has on the environment,
- Choose Orange will make employees more aware of their contribution to reducing their impact on the environment, and
- Count Carbon focuses on internal processes to manage, measure and reportCO_2 emissions.

PM10
Particulates, alternatively known to as particulate matter (PM), fine particles and soot, are tiny subdivisions of solid matter suspended in a gas or liquid. The notation PM10 is used to describe particles of 10 micrometers or less.

Road traffic fatal accident
A road traffic fatal accident is one where an Express employee or third party is fatally injured such that the employee or third party died because of the accident and where any person driving a company-owned or company-

operated vehicle is involved. Road traffic fatal accidents which occur in company owned or leased vehicles during weekends, non-working days or on the way to and from the office are included also.

Road traffic serious accident

A road traffic serious accident is defined as a physical injury to an Express employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related road traffic accident.

SA 8000 (social accountability management)

SA 8000 is a standard issued by human rights organisation Social Accountability International (SAI). The standard is designed to maintain just and decent working conditions throughout a supply chain. It is based on international workplace standards in the International Labour Organization conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child. It covers child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, discipline, working hours, compensation and management systems. For further information see www.sa-intl.org.

Subcontractor road traffic accident fatalities

A subcontractor road traffic accident fatality occurs when a subcontractor or other third party is fatally injured by a person driving a subcontractor-owned or -hired vehicle, which is operated on behalf of Express.

Sustainable energy

Sustainable energy is energy from 'green' or 'renewable' sources such as solar, wind, geothermal, biomass, hydroelectric and ocean energy purchased during the reporting period for power and lighting of all company locations (where this can be established from utility suppliers' invoices or other means). It does not include nuclear energy.

Transport safety training hours

Transport safety training hours are the number of hours spent by the total of employees on payroll on transport safety training during the reporting period (both on and off the job training and both internal and external programmes).

Verified Emission Reductions (VERs)

A unit of greenhouse gas emission reductions that has been verified by an independent auditor, but that has not yet undergone the procedures and may not yet have met the requirements for verification, certification and issuance of Certified Emission Reductions (in the case of the Clean Development Mechanism, provided by article 12 Kyoto Protocol) or Emission Reduction Units (in the case of Joint Implementation, provided by article 6 Kyoto Protocol) under the Kyoto Protocol.

Voluntary turnover

Voluntary turnover is the number of Express employees on permanent contract (full-time or part-time) who resigned from the company of their own free will. This includes all resignations but not redundancies, dismissals, retirement or transfers.

Working hours

The definition of working hours is based on the total number of individually-calculated hours adjusted for overtime, leave or similar deviations.

Workplace fatal accident

The death of an Express employee due to a work-related accident or the death of a third party whilst working at a Express facility.

Workplace serious accident

A workplace serious accident is defined as a physical injury to an Express employee or third party where the injured person(s) is admitted to hospital for more than 24 hours due to a work related workplace accident.

World Economic Forum

The World Economic Forum is an independent international organisation committed to improving the state of the world. It provides a collaborative framework for the world's leaders to address global issues and engage its corporate members in global citizenship. For further information see www.weforum.org.