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Street scene, Shanghai

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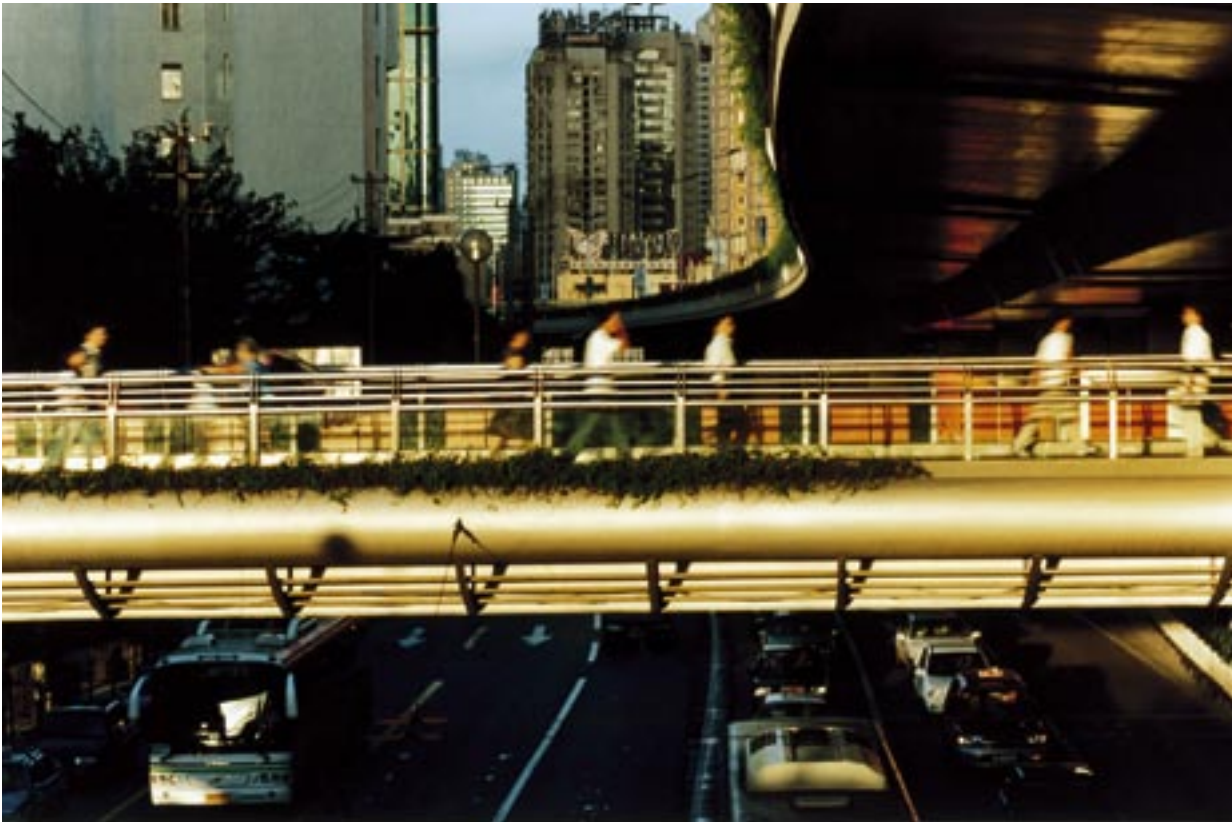
This annual report constitutes TPG N.V.'s annual report for 2004 in accordance with Dutch regulations. It also forms the basis of our annual report on Form 20-F for the year ended 31 December 2004 for the US Securities and Exchange Commission.

This annual report has been sent in hard copy form to shareholders who have requested to receive a copy and can be viewed on our website, [www.tpg.com](http://www.tpg.com). The information on our website, however, does not form part of this report.

TPG N.V. is a public limited liability company registered in the Netherlands with listings on the Amsterdam, New York, London and Frankfurt stock exchanges.

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# Introduction



Pedestrian bridge, Shanghai

**TO GUIDE YOUR READING OF THIS DOCUMENT,  
PLEASE FIND BELOW A SUMMARY OF EACH CHAPTER'S  
CONTENTS.**

**CHAPTER 1** contains a letter from our CEO Peter Bakker to his fellow shareholders and all other readers discussing – among other things – why we at TPG take our work personally.

**CHAPTER 2** presents some high-level information on our company, including a group financial review and prospects.

**CHAPTERS 3 THROUGH 5** deal with our mail, express and logistics divisions, respectively. Each chapter contains a business overview, the division's strategy, an operational overview and a financial overview. Chapter 3 on mail also gives a summary of the regulatory environment in which our mail business operates. (More comprehensive information on the regulatory environment can be found in Chapter 13.)

**CHAPTER 6** discusses corporate governance, an area where we have been very active in 2004. This chapter gives an overview of our procedures and the checks and balances that govern the way we manage our company.

**CHAPTER 7** contains the report of our Supervisory Board.

**CHAPTER 8** sets out our remuneration report. It comprises our remuneration policy and the detailed compensation plan for our Board of Management and Supervisory Board.

**CHAPTER 9** deals with corporate social responsibility. Here our code of business principles, as well as our sustainability policy and humanitarian efforts, are outlined.

**CHAPTER 10** cautions against forward-looking statements and presents an overview of risk factors concerning our business.

**CHAPTER 11** gives some other financial information on the company, in particular with regard to cash flow, liquidity, capital resources and critical accounting policies.

**CHAPTER 12** holds our financial statements and other information as required by article 392, part 9, book 2 of the Dutch Civil Code.

**CHAPTER 13** deals with our regulatory environment.

**CHAPTER 14** contains various pieces of additional information, including our relationship with the State of the Netherlands and a description of the rights attached to our shares.

**CHAPTER 15** provides information of interest to our shareholders, including with respect to the performance of our shares.

**FINALLY, CHAPTER 16** contains a cross-reference table specifying where the various items required by Form 20-F can be found in this document.

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# From the CEO



TPG Board of Management

Dear fellow shareholders and other readers,

Our business is all about delivering. A letter to a friend across town. Business parcels to the other side of the world. Component parts to an assembly line. Container shipments across the sea. Whatever the cargo, we ensure that goods and documents reach their destinations reliably and efficiently. Delivering is our core competence. But we take it a step further.

In everything we do, we aim not only to deliver, but to deliver more. More service for our customers. More opportunities for our employees. More value for our shareholders. And more benefits for our world. And we can deliver more because we have great people. It is through their work and dedication that our company exists.

#### **OUR GROUP STRATEGY FOR LEADERSHIP**

In the beginning of 2004 we introduced a strategy for our group, setting out a clear direction and ambitions. Our mission statement identified our key stakeholders and became the basis for a push to further enhance what we believe is our leading position. One element of our strategy is a move to one brand – TNT – for all our businesses. This move is a clear signal of our commitment to being one company with a comprehensive strategy and shared objectives.

Together, the TNT strategy and all its elements add up to what I have come to call the TNT house. This house represents all that TNT stands for and all that we aspire to achieve.

Our house is underpinned by a solid foundation – our three divisions, Mail, Express and Logistics. The next layer of building blocks is formed by the five areas of our TNT-I programme (announced last year as “TPG-I”): human resources, shared services, key account management, information and communication services and procurement. Next come our three growth initiatives: postal consolidation, China and freight management.

In between the building blocks is the mortar that binds our house and makes it strong: our mission, standards, corporate governance, social responsibility endeavours and our brand. Covering the house are our four critical success factors: satisfied customers, engaged employees, shareholder value and work for the world.

#### **BUILT ON A FIRM FOUNDATION**

So what is the state of the TNT house? I'll start with the foundation. Overall, our three divisions produced strong results in 2004. They weathered the mixed economy and delivered margin improvements across the board, resulting in an operational cash flow of €1 billion. This healthy development enabled us to buy back around 4% of our stock when the State of the Netherlands decided to reduce its holding in our company to around 19%.

The cost flexibility programme we launched in our mail division in 2001 helped employees there to do exceptional job countering 1.5% decline in addressed mail volumes in the Netherlands in 2004. In fact, the volume decline was actually higher than 1.5%;

in 2004, a few additional working days due to holidays falling on weekends, for instance, masked a higher rate of decline. Nonetheless, our mail operating margin reached an outstanding 22.2%.

After years of discussions, the Dutch parliament approved the Postal Vision in 2004, setting forth a clear path towards liberalisation of the Dutch mail market. The plan calls for the Dutch mail market to continue to welcome competition, with full liberalisation from 2007, assuming that the mail markets in the United Kingdom and Germany are also liberalised by that date.

Looking to 2005, although there is no guarantee, I expect organic growth in European Mail Networks to increase further, compensating for the continuing volume decline in the Netherlands. This development should lead to our overall mail revenues remaining stable, though we do not expect our mail margin to remain at the high level of 2004.

Express continued its impressive record of positive quarterly yields, reaching an operating margin of 7.9%. Operationally, the division has delivered great results, with all business units across all geographies contributing. In the coming year, I hope to see further improvement of the operating margin as we move towards our target of a 10% operating margin by 2007.

We are pushing forward with our strategic aim to build the number-one express company in Europe. Further investments in the TNT Express European air hub in Liège, Belgium, as well as in our European road network will expand our capabilities. We will continue to strengthen our domestic positions in a number of countries through acquisitions.

By restoring its margin to 3.7% – excluding the contribution of the Wilson Logistics Group, which we acquired in August 2004 – Logistics also contributed to our good results in 2004. The successful implementation of the Transformation through Standardisation programme helped our logistics employees overcome the difficulties of 2003. We've made good progress in turning around logistics operational performance, bringing three of the four loss-making business units back into the black. The one unit where the turnaround has not yet taken hold is France.

In 2005 I foresee continued operating improvements and we need to find a solution for France, as well as an ongoing push for standardisation across the entire logistics division. We must get better still at turning our now-significant scale into a positive trend. We are hopeful that revenue growth will be high, mainly driven by the Wilson acquisition.

#### **TNT-I**

Three of the five TNT-I projects entered implementation phases in 2004, and these will create the first concrete results this year. We are targeting extra revenues through key account management. The procurement team is set to book its first wave of savings through streamlined purchasing initiatives, and we have begun standardising our human resources management across our global business.

But, to me, TNT-I is more than a programme intended to achieve extra revenues and cost savings through closer cross-divisional cooperation. It is evidence of the fact that our company is one, with a shared vision and mission, and shared standards. We are one company, 162,000 people strong, striving for leadership in our industry.

And how better to express our aim to be one company than by moving all parts of the group to one brand. We compete on a global level, and operating under one brand will let us make the most efficient use of our marketing budget, as well as to show one face to our customers, who increasingly look to us for multi-country, full-service contracts.

The re-branding will have the biggest impact in the Netherlands, where our company has been part of everyday life for more than two centuries. Exchanging TPG Post red for TNT orange will take some getting used to by both our customers and our employees. The changeover will be gradual, from 2006, to limit costs and to allow time for all our stakeholders to become comfortable with the change. And one thing I can promise: The re-branding will not change the heart of our company. We will continue to be what we are – a great mail, express and logistics company, delivering more through great people.

#### **OUR THREE GROWTH INITIATIVES**

The top floor of our TNT house is dedicated to growth. Growth brings energy and excitement and new opportunities for our talented and ambitious employees and our shareholders alike. We believe we made great progress in all three strategic growth areas in 2004 – postal consolidation, China and freight management.

2004 saw the overture of postal consolidation in Europe when the Danish government offered for sale up to 25% of Danish Post. We have entered a non-binding bid and are currently awaiting the next steps in the process. We intend to grow our mail activities organically in all European countries. Alliances are also possible ways to accelerate this growth, but the risk and controls in any deal must be secured in an attractive way.

China is at the top of my agenda. I made six working visits there in 2004, meeting with customers and government officials. In September, the entire Board of Management spent a week in Shanghai, where we opened our new China head office. The country is an economic powerhouse with enormous potential, but to realise its potential and remain competitive, it needs logistical skills to feed and sustain its incredible growth. We feel honoured to help meet these needs, both through our activities and through the TNT China University, which opened in November 2004. In the coming years we hope to help train thousands of students to begin meeting that country's exploding need for skilled logistics professionals.

China is also the arena in which the TNT-I approach comes into its own. TNT China is taking the lead for the whole company, addressing the market with a unified TNT product offering in mail, express and logistics – and reaping the fruits of this approach.

In 2004 we took an important first step in freight management with our acquisition of Sweden-based Wilson Logistics Group. I extend a hearty welcome to the 2,300 employees of Wilson,

our new colleagues. I trust you will feel at home in our TNT family.

Our customers, particularly those in Asia, are increasingly demanding integrated logistics solutions, which include freight management. Wilson gives us global capabilities in this area, and we will continue looking to strengthen our freight management presence in the United States and in China.

#### **MAKING OUR HOUSE A POWERHOUSE FOR SOCIETY**

The TNT strategy goes beyond our goal to achieve industry leadership. We also aim to achieve social leadership. And just like the TNT house, this goal is built on the solid foundation of our three divisions and the strength of our global TNT brand. Next to those elements come two pillars: transparency & integrity and corporate sustainability.

When assembled together, all these elements fuel our good reputation and that, in turn, fuels our company pride. While it may seem like a rather intangible factor, I happen to believe that pride is perhaps the highest ideal a company can strive for. When we achieve the capacity to instil pride in our employees and inspire our customers and shareholders, then, I believe, we will contribute to a better world and gain social leadership.

#### **MAKING OUR HOUSE SUSTAINABLE**

In the area of corporate sustainability 2004 marked a year of progress for us. We are publishing our first corporate sustainability report over 2004. You can find it on our website at [tpg.com](http://tpg.com) (although our website does not form a part of this annual report), and we will continue to report on our progress in certification. Our aim is to be as open and transparent as possible about our sustainability efforts.

Part of our sustainability effort is our partnership with the United Nations World Food Programme (WFP). We use our core competencies and business skills to support WFP in five areas: joint logistics supply chain, private sector fundraising, emergency response, transparency and accountability, and school feeding support. In addition to these projects, more than 40,000 people participated in our first global Walk the World fundraising event in 2004. And at the end of the year, we were able to help WFP in its work to help those affected by the disastrous tsunami in Asia.

Our work with the World Food Programme has benefited us as well, not least because it has made our employees more proud of our company. For us in the service industry, customer satisfaction depends on the dedication and quality of our people and their willingness to go the extra mile. Employee engagement is therefore a key performance indicator for us, and our surveys show that our partnership with WFP plays a vital role in strengthening this important measure.

#### **MAKING OUR HOUSE TRANSPARENT**

In addition to the operational challenges in our divisions that I have already mentioned, our group as a whole faces challenges: 2005 will be the year we strive to become fully compliant with the Sarbanes-Oxley Act. This is a big undertaking that will affect our entire company, and we aim to get this right.

In response to our review of tax issues in the group, we will continue to formalise, strengthen and adapt, our internal lines of

communication and the functioning and monitoring of the tax, legal and financial reporting functions around the group.

Another important development will be the switch to the new International Financial Reporting Standards, which on 1 January 2005 became applicable to all listed companies in the European Union. We expect to inform all stakeholders about the changes in our financial statements as a result of the new IFRS in an official announcement on 27 April 2005. As always, we maintain our commitment to the transparency of our financial statements and risk factors, and we aim to continue improving their quality.

**TNT HOUSE WILL BRING NEW ENERGY IN 2005**

As we work together to grasp all of the opportunities and meet all these and other challenges that lay ahead, I am certain we will be inspired with new energy to keep building and improving our TNT house. I thank all my TPG and TNT colleagues for the magnificent job they did in 2004. With your help and support, I am confident that 2005 will also be successful.



Peter Bakker,  
CEO

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## Presentation of Information and Exchange Rates

Unless otherwise specified or the context requires otherwise, "us", "we", "our" and the "company" refer to TPG N.V. and all its group companies as defined in Article 2:24b of the Dutch Civil Code.

References to "dollars", "US dollars" and "\$" are to United States dollars, references to "euro" and "€" are to the currency introduced at the start of the second stage of the Economic and Monetary Union pursuant to the Treaty establishing the European Economic Community as amended by the Treaty on the European Union. Our financial statements are reported in euro. Prior to 1 January 2001 our financial statements were denominated in Dutch guilders. In this annual report we have translated these financial statements into euro using the irrevocably fixed conversion rate applicable since 1 January 1999 (€1 = NLG 2.20371).

Comparative financial statements reported in euro depict the same trend as would have been presented if TPG N.V. had continued to present financial statements in Dutch guilders. The amounts relating to periods prior to the introduction of the euro will not be comparable to the amounts reported by other companies that were restated from currencies other than the Dutch guilder.

Our financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP), which differ in certain respects from accounting principles generally accepted in the United States (US GAAP). For a description of the differences between Dutch GAAP and US GAAP that affect the reconciliation of our Dutch GAAP net income and shareholders' equity to those under US GAAP, see note 29 to our consolidated financial statements.

US dollar amounts presented are unaudited and have been translated solely for your convenience from euro into US dollars at an exchange rate of \$1.3538 per €1.00, the noon buying rate in The City of New York on 31 December 2004 for cable transfers as certified by the Federal Reserve Bank of New York. We do not represent that the US dollar amounts presented in the US dollar convenience translations or any amounts translated from euro into any other currency could have been converted from euro at the rates indicated.

## SELECTED FINANCIAL DATA

The selected consolidated financial income statement data for each of the years in the three-year period ended 31 December 2004 and the selected consolidated financial balance sheet data for each of the years in the two-year period ended 31 December 2004 have been derived from our audited financial statements and the related notes included in chapter 12 of this report. The selected consolidated financial data for earlier years have been derived from our audited financial statements not included in this report.

We have acquired a number of companies and businesses during the years to which the following financial data relates, which limits the comparability of our year-on-year figures.

### Income statement data

	Year ended at 31 December					
	2004		2003	2002	2001	2000 <sup>1</sup>
	US\$	€	€	€	€	€
<b>Amounts in accordance with Dutch GAAP:</b>						
Net sales	17,038	12,585	11,785	11,662	10,979	9,810
Total operating revenues	17,105	12,635	11,866	11,782	11,218	9,936
Total operating expenses	(15,516)	(11,461)	(11,099)	(10,724)	(10,201)	(9,115)
Total operating income	1,589	1,174	767	1,058	1,017	821
As % of total operating revenues	9.3	9.3	6.5	9.0	9.1	8.3
Income before income taxes	1,485	1,097	675	950	924	761
Net income	903	667	300	599	585	473
Net income per ordinary share (in cents) <sup>2</sup>	190.8	140.9	63.1	126.1	123.2	99.1
Net income per diluted ordinary share (in cents) <sup>3</sup>	190.5	140.7	63.1	126.1	123.0	99.1
Dividend per share paid in the year (in cents)	67.7	50.0	43.0	39.0	37.0	36.0
Dividend per share declared in the financial year (in cents) <sup>4</sup>	77.2	57.0	48.0	40.0	38.0	36.0
Issued share capital	311	230	230	230	230	217
<b>Amounts in accordance with US GAAP:</b>						
Net sales	17,039	12,586	11,786	11,656	10,979	9,810
Total operating income	1,611	1,190	738	1,159	932	716
Income before income taxes	1,497	1,106	666	1,049	839	661
Net income	967	714	332	717	484	408
Net income per ordinary share (in cents) <sup>2,5</sup>	205.6	151.9	69.9	150.9	101.9	85.5
Net income per diluted ordinary share (in cents) <sup>3,5</sup>	205.4	151.7	69.8	150.9	101.9	85.5

(in millions, except percentages and per share data)

1. Restated to reflect changes in our accounting principles.

2. In 2004 based on an average of 473,387,568 ordinary shares (2003: 475,082,945; 2002: 475,021,075; 2001: 475,008,754; and 2000: 477,146,660).

3. In 2004 based on an average of 473,980,133 diluted ordinary shares (2003: 475,356,130; 2002: 475,022,482; 2001: 475,084,174; and 2000: 477,146,660).

4. For 2004 on a proposed basis.

5. In 2004 based on an average of 469,955,054 ordinary and 470,547,635 diluted ordinary shares. This relates to the second tranche of our share repurchase from 5 January 2005, which for US GAAP reporting has been accounted for as of 29 September 2004 (see note 29 to our consolidated financial statements).

Selected financial data

	Year ended and position at 31 December					
	2004		2003	2002 <sup>1</sup>	2001 <sup>1</sup>	2000 <sup>2</sup>
	US\$	€	€	€	€	€
<b>Amounts in accordance with Dutch GAAP:</b>						
Total assets	11,212	8,282	7,915	8,266	8,454	7,596
Group equity <sup>3</sup>	3,769	2,784	2,986	2,979	2,613	2,199
As % of total liabilities and group equity	33.6	33.6	37.7	36.0	30.9	28.9
Provisions	1,675	1,237	817	1,036	1,173	1,311
Long-term liabilities	2,228	1,646	1,661	1,661	1,789	577
Short-term liabilities	3,540	2,615	2,451	2,590	2,879	3,509
<b>Mail financial data</b>						
Total operating revenues	5,280	3,900	3,915	4,005	3,896	3,706
Depreciation and impairments of PP&E <sup>4</sup>	152	112	104	102	99	86
Amortisation and impairments of other intangibles	24	18	16	6		
Earnings from operations <sup>5</sup>	1,171	865	820	804	781	713
Amortisation and impairments of goodwill	43	32	54	30	19	24
Total operating income	1,128	833	766	774	762	689
As % of total mail operating revenues	21.4	21.4	19.6	19.3	19.6	18.6
Total assets <sup>6</sup>	3,172	2,343	2,078	2,181	2,342	1,805
<b>Express financial data</b>						
Total operating revenues	6,357	4,696	4,251	4,175	3,910	4,145
Depreciation and impairments of PP&E <sup>4</sup>	179	132	123	122	111	108
Amortisation and impairments of other intangibles	35	26	23	15	7	1
Earnings from operations <sup>5</sup>	505	373	276	246	157	156
Amortisation and impairments of goodwill	69	51	53	54	52	55
Total operating income	436	322	223	192	105	101
As % of total express operating revenues	6.9	6.9	5.2	4.6	2.7	2.4
Total assets <sup>6</sup>	4,304	3,179	3,192	3,250	3,257	3,445
<b>Logistics financial data</b>						
Total operating revenues	5,525	4,081	3,735	3,610	3,353	2,179
Depreciation and impairments of PP&E <sup>4</sup>	119	88	104	88	81	49
Amortisation and impairments of other intangibles	11	8	5			
Earnings from operations <sup>5</sup>	207	153	24	157	190	110
Amortisation and impairments of goodwill	85	63	227	70	68	19
Total operating income	122	90	(203)	87	122	91
As % of total logistics operating revenues	2.2	2.2	(5.4)	2.4	3.6	4.2
Total assets <sup>6</sup>	3,736	2,760	2,645	2,835	2,855	2,346
<b>Amounts in accordance with US GAAP:</b>						
Total assets	11,312	8,356	8,119	8,490	8,388	7,398
Group equity <sup>3</sup>	3,575	2,641	3,163	3,128	2,653	2,340
As % of total liabilities and group equity	31.6	31.6	39.0	36.8	31.6	31.6
Provisions	1,676	1,238	804	1,091	1,066	1,250
Long-term liabilities	2,170	1,603	1,678	1,681	1,789	577
Short-term liabilities	3,891	2,874	2,474	2,590	2,880	3,231

(in millions, except percentages)

1. Figures for 2001 and 2002 have been restated to reflect the transfer of Innight services from express to logistics.

2. Restated to reflect changes in our accounting principles.

3. From 1 January 2003, dividends proposed, but not yet declared, have been presented as a component of equity instead of as a liability. Balances for earlier dates have been adjusted for purposes of comparison.

4. PP&E = property, plant and equipment.

5. We define earnings from operations as operating income excluding the amortisation and impairment of goodwill. See "Earnings from operations" in chapter 2.

6. Identifiable assets used jointly for the divisions have been allocated based on estimated usage.