

2009



TNT Express Press Pack

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TNT Express at a glance

A world leading integrator

TNT Express is one of the world's four largest transport integrators and the number one in Europe. Worldwide, it moves an average of 4.4 million parcels, documents, and pieces of freight a week to more than 200 countries and made €6.6 billion in revenue in 2008. TNT Express continually optimises its air and road networks in Europe, Australia, Asia, South America, and the Middle East, connecting international routes to domestic road networks. TNT Express employs 75,000 people, runs 26,600 trucks, and flies a fleet of about 40 aircraft. It operates 2,376 depots and sorting centres.

A part of TNT

TNT Express is one of the two divisions of TNT, a Dutch company with a worldwide presence. The other division, TNT Post, offers postal services in the Netherlands, the UK, Germany, Italy, Belgium, Austria, the Czech Republic, and Slovakia. What was once the state postal service of the Netherlands has evolved into a privately owned, customer-centred company. TNT Post provides the postal public service in the Netherlands with a next-day delivery rate of over 96%, a European record. It is also one of the most profitable postal operators with a RoS of 14.9% in 2008 out of revenues of €4.2 billion.

TNT had 2008 combined revenues of €11.152 billion and an operating income of €982 million. At the end of March 2008, the company employed about 163,000 people. TNT is publicly listed on Euronext Amsterdam.

Competing in challenging times

TNT's business environment has become much tougher and less predictable since 2008. Customers ship less in a slow economy and they increasingly trade premium air services for more economical road services. Volatile oil prices add to the uncertainty.

TNT is nonetheless pursuing its strategy to focus on networks, while adapting to the new demands. The immediate focus is cutting costs without sacrificing customer service, and adjusting networks to deal with lower volumes. TNT Express thus aims to achieve €170-210 million of savings in 2009-2010. On the mid-term, the Express division intends to consolidate its leading position in Europe, while expanding in China, India, Southeast Asia, South America, and the Middle East.

TNT Express has many strengths to build on. First, customer budget constraints make its set of road networks around the world even more appealing. Second, the company has broadened and harmonised its product offering to cover more industries and customer types, including freight shippers. Third, TNT's distinctive attention to (and penetration of) domestic and regional markets helps mitigate the decline in intercontinental flows.

Geographic focus

TNT Express is a global player delivering shipments to over 200 countries, with fully owned operations in 64 countries. Despite the challenging economic conditions, TNT Express is continuing to see growth in several markets. This is largely due to its focus on intra-regional and domestic markets as well as on intercontinental business flows. In fact, the biggest express delivery markets are domestic. Currently, less than 10 percent of volumes shipped in express delivery networks move between continents.

TNT believes that building local and regional strength is the best way to capture the long-term growth in China, India, Southeast Asia, South America, and other emerging economies. TNT thus pioneered the shift by international express companies toward interior China, India, and Brazil when others focused on exports and imports. Building road infrastructures inside these countries and connecting them to international routes forms the core of TNT's growth strategy. To this end, TNT occasionally acquires local road-delivery companies and transforms them into scheduled network operators.

Number one in Europe

TNT Express was created in Australia in 1946. Today, the company's home market is Europe (roughly 75% of its €6.6bn revenues). TNT is the B2B market leader in Europe¹ (excluding intercontinental traffic) with an 18 percent market share, followed by DHL (16%), UPS (9%) and La Poste of France (7%).

Europe still offers room for expansion. The consolidation of the market is far from finished, with countless small players making up 43% of the total. TNT is well placed to gain market shares over these competitors through its broad product portfolio, focus on customer experience, and far-reaching European road network.

TNT Express strives to strengthen its European position by improving the efficiency of its networks. This means replacing selected air routes with road routes, while maintaining service levels. The number and locations of hubs and depots, the pickup and delivery rounds, the composition of the air fleet, are also being reviewed to cut costs without cutting quality.

Meanwhile, TNT Express continues to expand its coverage in emerging European economies. In the first half of 2009, it started a new road service to Belarus, Moldova, Macedonia, and Albania. In 2008, the Express division opened a road connection to Ukraine, a road-air connection to Cyprus, and a road-ferry connection to Malta, all with high weight capabilities (up to 1,000kg for palletised items).

TNT Express is also active in Russia, where it has 800 employees and 13 depots. TNT's Russian domestic network reaches 11,000 towns over 11 time zones. In 2009, the company introduced an economical, day-definite domestic freight delivery service between 80 Russian cities. This complements the existing 'premium' domestic and international express services.

¹TNT estimates the European B2B market to be roughly €21 billion in 2007 (excluding intercontinental). TNT defines its core market as follows: time-certain, next day, and fastest by air or road day-certain delivery for B2B consignments transported through a scheduled network, with door-to-door track-and-trace of individual items/consignments.

Expanding into China

The Chinese transport market offers huge growth prospects for TNT. Besides competing on the international express market, the company is building a domestic network to benefit from China's strong and resilient domestic demand. Despite the recent drop in exports, economists say GDP growth could achieve 8% in 2009.

TNT's international express network in China comprises 34 branches and 3 air gateways in Beijing, Shanghai, and Guangzhou. TNT offers a direct B747-400 freighter service between Shanghai and Europe four times weekly. The return flight from Liege to Shanghai includes a stopover in Singapore. In addition, TNT connects China to Vietnam, Thailand, Cambodia, Malaysia and Singapore by road, using its integrated Asia Road Network.

TNT has also become a leading player in the Chinese domestic market. The company introduced a nationwide, day-certain road delivery service in February 2009. It is now setting up new, modern road hubs, such as in Wuhan, central China. Domestic operations are carried out through TNT-Hoau, a trucking company that TNT bought in 2007. The acquisition has given the group ownership of the largest private road transportation network in China: 2,000 vehicles, 56 domestic hubs, and 1,260 depots that enable to link 500 cities.

These complementary networks allow TNT to offer a broad choice of services to, from, and inside China, from international air express to domestic road distribution. TNT employs 12,000 people in the People's Republic of China.

Catching India's growth

Despite the economic slowdown, economists from the IMF project India's economic growth at 4.5% in 2009. In India, too, TNT has developed a domestic road network that connects to an international air network. To that end, the company acquired a leading road transportation firm, Speedage, in 2006. Following a successful integration of Speedage into its Indian operations, TNT Express now employs 2,200 people in India and delivers documents and parcels to 550 cities. It also plans to develop freight services.

On the road to leadership in South America

The South American domestic express market was estimated at about €2.2 billion in 2007. Before the economic slowdown, it showed double-digit growth rates, two to three times that of the GDP. TNT aims to become the express delivery leader in South America, with a longer-term view to developing intercontinental volumes. To achieve this ambition, the company has increased its regional presence in recent years.

The purchase of Mercúrio in January 2007 has given TNT the number one position in the €1.3 billion Brazilian domestic market for express services. TNT Mercúrio (as renamed in 2008) has 6,300 employees, 1,500 vehicles, and 91 depots. The bolt-on acquisition of Expresso Araçatuba in April 2009 provides a complementary coverage in the North and Central-West



regions of Brazil, as well as a bridgehead to Argentina and Bolivia. Expresso Araçatuba has about 2,200 employees, 40 depots and 1,000 vehicles.

The 2009 acquisition of LIT Cargo, one of Chile's leading domestic express companies, has given TNT a nationwide road network in the country. LIT Cargo, which employs 1,500 people, brings a highly automated express parcel network, comprising of 55 depots and 496 vehicles. The company serves several key vertical markets, such as automotive, pharmaceuticals and high tech.

These acquisitions have allowed TNT Express to set up an integrated South American road network, which connects 30 cities in Brazil, Chile, and Argentina.

A selected approach to the US market

TNT Express offers its customers international express delivery services to and from the United States and Canada. The company has a nightly transatlantic flight to New York (a B-767 operated by ABX Air) and makes next-day deliveries in 17 large North American metropolitan areas, including New York, Washington D.C., Chicago, Los Angeles, Houston and Toronto. To carry out these activities, TNT Express operates three international air gateways in New York, Los Angeles, Miami, and 15 depots.

TNT Express, however, has no direct presence in the U.S. domestic express market. The division cooperates instead with leading American companies, such as Con-way Freight, to deliver freight (up to 7,000 kg per consignment) everywhere in the country. For lighter shipments, TNT mostly uses its own infrastructure, which covers over 70% of its pickup and delivery requirements.

TNT is looking to develop its international express freight business to and from North America, leveraging its road network capabilities around the world.

A broad range of delivery solutions

TNT Express has developed a broad range of delivery solutions based upon regular and extensive customer and market research. These solutions cater for any need of its customers and help retain them through difficult times. On top of standardised time or day-definite services across the globe, TNT Express provides customised solutions known as “special services.” It also has industry expertise in tailoring solutions for sectors such as automotive, healthcare, lifestyle, hi-tech, telecom and electronics market, equipment and machinery, building and construction, printing and publishing and wind energy.

Whatever the product, perhaps more important is the way TNT focuses on its customer relationships. TNT Express executes a global customer experience strategy ensuring all customer touch points – from drivers to administration teams – deliver customer value before, during, and after any transaction. More than 70% of the Express division’s employees have a “customer facing” role, even if they are handling customer parcels in warehouses. They thus receive customer service training. This has in turn ensured high levels of customer loyalty and increased customer “share of wallet.”

A comprehensive and unified global product portfolio

TNT offers customers worldwide the same domestic and international express delivery services, with identical names and features allowing for simplicity of use and consistency in service offering. These core express services include:

9:00 Express: an international, time-guaranteed delivery service before 9:00 A.M. the next, or earliest possible working day, to major cities in more than 40 countries

10:00 Express: an international, time-guaranteed delivery service before 10:00 A.M. the next, or earliest possible working day, to major cities in more than 50 countries

12:00 Express: an international, time-guaranteed delivery service before 12:00 A.M. the next, or earliest possible working day, to major cities in more than 70 countries

12:00 Economy Express: a time-guaranteed express delivery service by noon on a specified date to major cities in more than 25 European countries

Express: an international delivery service on the next or next best working day to almost anywhere in the world

Economy Express: a successful day-definite, economical delivery service for less urgent shipments to almost anywhere in the world

Sameday delivery services: for urgent shipments, TNT Express’ Sameday service offers dedicated delivery to key locations and business centres in the country and worldwide

Special Express: a tailor made express solution, which offers special pick-up and delivery at times specified by customers

Air and Road Freight Services: flexible alternative for large, heavy and unusual shipments with no restrictions on size and weight

Special Handling services: delivery of shipments that require the 'extra' special attention, e.g. dry ice packed goods or dangerous goods

Import Services

Express Import: collection of shipments on the customer's behalf in over 165 countries, custom clearance, and delivery to the client's doorstep.

Customised special services

"Special services" are transport solutions tailored to individual customer needs, regardless of their shipment, schedule, or destination demands. Just as with haute couture, they can cost more than standard services, since they are on-demand and unique to each customer. Special services account for 17 percent of the Express division's revenues. TNT prides itself for offering the largest range of special services in the industry. Moreover, these special services are available globally. They come under several categories:

Time critical services

A range of national and international on-demand delivery services in the shortest possible time, the same day, during a public holiday or outside standard hours.

Freight services

For large, heavy, or unusual goods, TNT offers personalised air, sea, and road freight services, with door-to-door, door-to-airport, or door-to-port options.

Special handling services

If the load needs special handling – it can go as far as transporting pandas from China to Spain –, TNT provides secure transport, temperature controlled vehicles, and delicate handling. The typical use is for moving time and temperature-sensitive clinical samples and supplies.

Fashion

TNT Fashion provides supply-chain solutions, such as forwarding, logistics, and distribution, for the fashion and lifestyle industry, in particular European retailers.

Industry Solutions

TNT has experience in most vertical markets and offers tailored services for healthcare, hi-tech & computing, telecoms & electronics, automotive, industrial and textile & fashion industries. Moreover, TNT has “Global Account Management” teams who leverage specific experience and expertise for about 60 global customers in the eight broad industry sectors.

B2C developments

TNT is known as a world leading business-to-business express distribution company. However, over the last few years customers have increasingly requested TNT to also make residential deliveries as companies change their business models to capitalise on the dramatic growth of e-commerce. The trend is indisputable and the significant growth in the B2C market is forecast to continue. To meet this growing demand, TNT is reviewing its operations and systems to meet customers' requirements with the same quality and reliability of service that they have come to expect from TNT for their B2B deliveries.

Doing well without logistics

TNT sold its logistics division in 2006 to focus on its network activities: express and mail. The company found few synergies between express and logistics. In addition, the logistics unit's margins had slipped from 6 percent in the late 1990s to below 4 percent.

The divestment of logistics proved wise. Firstly, the Express division did not lose any customer because of it. Secondly, TNT used the net cash proceeds of €1.2 billion to invest in itself through share buybacks and acquisitions.

Global networks and operations

TNT Express' operating resources at a glance

	at 31 Dec. 2008	at 31 Dec. 2007
Number of employees	75,537	75,032
Countries served	200	200
Number of consignments (in thousands)	230,431	228,199
Number of tons carried	7,451,803	7,390,779
Number of depots and hubs	2,376	2,331
Vehicles (including leased or subcontracted ones)	26,610	26,760
Aircraft (including leased or subcontracted ones)	46	47

Source: TNT's Annual Report 2008

Road expertise

Unlike its competitors, TNT moves as many packages as possible by road, using its fleet of more than 26,600 vehicles. Road transportation is more economical than air cargo, yet fast, efficient, reliable, and less polluting. Moreover, it allows TNT to handle larger and heavier consignments (up to 1,000 kg per piece and 7,000 kg per consignment in Europe), while offering day or even time-certain door-to-door deliveries, with full track-and-trace functionality.

Across Europe, TNT has 750 trucks on international routes every day, connecting 523 depots in almost 40 countries. TNT's 1,200 international drivers drive the equivalent of around the world more than 56 times a week. The Express division's main international road hub is located in the Dutch town of Duiven, close to the German border.

TNT is transferring this unique expertise to Southeast Asia, India, the Middle East, and South America. Its 5,000 mile-long 'Asia Road Network', which connects Singapore, Malaysia, Thailand, Cambodia, Vietnam and the South of China, offers a cost-effective, yet fast alternative to air transport and sea freight. Similarly, TNT has set up a 3,000-kilometres long South American road network, which goes from São Paulo to Santiago de Chile and beyond.

Adjusting the European air network

For urgent shipments across larger distances, TNT uses its fleet of cargo planes (46 aircraft as at the end of 2008) or buys freight capacity from third-party airlines. The company's air network connects Liege, Belgium, to about 70 European destinations in 30 countries. Intercontinental routes are generally served through partner airlines. An exception is TNT's own 747-400 freighter service from China to Europe. The Express division is in the process of adjusting its

European air network to lower air volumes. During 2009, the older and less efficient aircraft will be retired.

Every night, the cargo planes converge on TNT's main international air cargo hub, established since 1998 in Liege: 100,000 square meters of sorting and stocking space, 100,000 pieces of consignments (670 tons) shipped nightly to European destinations, 1,300 employees. The hub operates 24 hours a day, six days a week. Its location allows TNT to reach two-thirds of its European customers' facilities within four hours by road.

Investing in information technology

Delivering real time on shipping information requires solid information technology (IT). TNT also uses innovative technology to offer customers personalised shipping tools to book and manage their shipments. This helps customers save time and money.

For example, the efficient use of digital signature technology allows TNT Express to offer secured electronic invoices in over 30 countries, including most EU Member States, Australia, Singapore, Hong-Kong, South Africa, Kuwait, and the United Arab Emirates. For customers, TNT's e-invoicing service reduces paper-processing costs and improves the accounts payable management process.

TNT has also put considerable efforts into upgrading the IT systems of the companies it acquired. In India, for instance, it meant connecting all the 168 offices of Speedage to TNT's global IT system Global Link. Since 2008, customers shipping goods by road within India have thus been able to track their consignments in real time, 24 hours a day.

TNT's information and communications services team, which employs over 500 people in Atherstone (UK), provides IT systems and services to TNT's entire Express division. It operates servers, computers, and communications networks used both internally and by customers. More than 60,000 customers use TNT's website every year (300 internet hits per second).

Given the breakneck changes in IT, TNT prefers to be an early evaluator rather than an early adopter of new technologies, which may lack maturity. The company implements several RFID (radio frequency identification)-based solutions. The IT infrastructure is in place to put RFID tags on more packages once the technology has proved mature, reliable, and cost effective enough.

A valuable strategy

The strategy of TNT's Express division pays off, as shown by its long-term revenue growth and operating margin. Customer and employee satisfaction are also key indicators.

Revenue and operating margin performance

The economic downturn has affected TNT's financial performance, slowing down the revenue growth and putting pressure on profitability. In 2008, TNT's Express division had revenues of €6.65 billion (up 1.6%) and an operating income of €376 million, or 5.7% of its revenues.

TNT Express nonetheless outperformed its competitors in the recent years, with a compounded annual growth rate (CAGR) of more than 10% between 2004 and 2007. The operating margin – at 9.1% of revenues in 2007 – comes in a good second.

Winning and growing customers

TNT strives to exceed the expectations of its customers by providing distinctive levels of customer care. The company builds strong relationships with its customers through regular personal calls and visits. It is worth noting that, despite the economic slowdown, TNT Express has not lost any major customer.

In 2008, 38% of its customers rated its service as exceeding expectations, while 92% considered the service as meeting expectation (source: TNT Express' annual survey of customers, 30,000 completed questionnaires).

TNT Express in January 2007 won the first “European Business Award” for the most customer-focused company in Europe. This prize is supported by several companies including CMS, AXA, Grey EMEA, Siemens, Société Générale and The Wall Street Journal Europe. TNT Express won the prize in the “Customer Focus” category, which recognises companies that “best demonstrate that they have the customer at the heart of their business and deploy and manage their resources to most effectively meet the needs of their customer base.”

Over 75,000 employees worldwide

Propelled by organic growth and acquisitions, the number of employees working for TNT Express rose from 48,000 to over 75,000 between 2005 and 2009.

From Germany to Korea, the company has won many national HR awards. In addition, TNT Express has been recognised as an “Investor in people” worldwide since 2000. Created in the UK in 1990, the standard is managed by the British government and various companies. It demonstrates increased commitment to training and developing employees.

Taking responsibility

Taking responsibility is an integral part of TNT's practices. The company's efforts have gained external recognition. A member of the Dow Jones Sustainability Index, TNT not only leads the "industrial transportation" sector and the "Industrial Goods and Services" super sector, but also boasts the highest score of all companies included in the index¹.

All TNT's Express operations, except for the recently acquired Hoau (China), Mercúrio (Brazil), Araçatuba (idem), and Lit Cargo (Chile), are certified to five standards: Investors in People (training and employee development), ISO 9001 (quality), ISO 14001 (environment), OHSAS 18001 (health and safety) and SA 8000 (labour standards and personnel rights in non-OECD countries).

TNT's corporate social responsibility policy is best expressed by two programmes: TNT's partnership with the United Nations World Food Programme (WFP) and "Planet Me," the group's answer to global warming.

Working to reduce CO₂ emissions

Pledging to cut one's CO₂ emissions is often heard these days. However, when you are one of the world's largest road and air transport companies, this is no small promise. The transport industry alone produces one fifth of the world's carbon emissions. In 2008, TNT produced one million tons of CO₂, roughly the same as in 2007.

TNT strives to improve transparency on the company's carbon footprint, reduce CO₂ emissions from its operations, and stimulate the group's employees to do the same in their private lives. To this end, TNT in 2007 launched a company-wide initiative called "Planet Me." It comprises CO₂ reduction measures in the company's eight most important operational areas: aviation, buildings, business travel, company cars, partnering with customers, operational fleet, procurement, and investments. "Planet Me" also stimulates employees to use less energy at home and on the road.

The Express division fully takes part in this effort. Examples of actions include:

- Optimising the company's road networks to drive less kilometres and avoid driving empty trucks or vans.
- Training drivers and managers alike to safe and economic driving.
- Using electric vehicles. For instance, TNT Express UK runs 50 zero-emission electric vehicles for its UK, inner-city operations. The battery-driven 7.5-ton Newton trucks from Smith Electric Vehicles are exempt from the London congestion charge. They incur no road tax and it costs just GBP 25 a week to recharge the battery, as opposed to GBP 110 spent

¹Source: SAM Research, "The Sustainability Yearbook 2009", 4 September 2008

on fuel for a diesel vehicle. TNT expects these trucks to outperform the operational life of their diesel equivalent, returning a seven-year operating life.

- Testing vehicles running on bio-fuels, hybrids, biogas and hydrogen related technologies. For instance, TNT Express Australia introduced 10 Hino hybrid trucks in April 2008.
- Working with the aircraft industry and airports to mitigate emissions from air transport. TNT Express is working with the Liege airport to optimise the planes' departures. Nonetheless, only groundbreaking aviation technologies can allow significant reductions of aviation emissions.

Fighting hunger and supporting emergency relief logistics

TNT has supported the United Nations World Food Programme (WFP), the world's largest humanitarian aid agency, since 2002. Each year, WFP provides food to some 90 million people in 80 countries. Over the past five years, TNT has contributed €29.4 million to WFP operations, not including TNT employees' contribution of €9 million. In 2008, TNT's total in-kind, cash contribution and employee fundraising reached €7.8 million.

TNT's contribution includes knowledge transfer, awareness campaigns, and fundraising projects. Moreover, the company provides hands-on support (transport, warehousing, and personnel) to WFP in countries hit by disaster. In 2008, TNT helped respond to emergencies in Myanmar, Haiti, and India (Bihar). The same year, the Group also performed transport optimisation projects in Mali and Ethiopia.

In addition, TNT has agreed with UPS and Agility Logistics to deploy joint "Logistics Emergency Teams" in countries hit by major natural disasters, if requested by the United Nations Global Logistics Cluster, a group of humanitarian agencies led by WFP.



Marie-Christine Lombard, Group Managing Director, TNT Express

A French national, Marie-Christine Lombard heads the Express division of TNT. She is also a member of TNT's Board of Management.

Since her appointment as Group Managing Director of TNT Express in January 2004, the division has shown important increases in sales and profit. In 2008, TNT's Express division had revenues of €6.65 billion and an operating income of €376 million.

Marie-Christine Lombard holds an MBA from the prestigious French business school Essec. She joined the express services industry in 1993 as Chief Financial Officer of France's Jet Services. Between 1997 and 1999, she led Jet Services as Managing Director. After TNT Express acquired Jet Services in 1999, she became Chairman and Managing Director of TNT Express France, which she made one of TNT's most successful business units. In 2004, she was named Group Managing Director of TNT Express. She was presented with the insignia of Chevalier from the National Order of the Legion of Honour in France in November 2005.

Before joining the express services sector, Marie-Christine Lombard built experience in the American retail business. She then worked about ten years for Chemical Bank and Paribas Bank. Successively based in New York, Paris, and Lyon, she developed a wide international business experience in managing major multinational accounts, corporate finance, and mergers and acquisitions.

Marie-Christine Lombard was born and grew up in Paris. She has two children.

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