

With TNT support and mentoring, her professional development has contributed to local customer service excellence.

Anne Kurian Customer Service Supervisor
TNT Express | India





THE EXPRESS

DIVISION

EXPRESS DIVISION DESCRIPTION

GENERAL

Our express division consists of two business segments: express and freight management.

Our express business provides on-demand door-to-door express delivery services for customers sending documents, parcels and freight. We offer regional, national and worldwide express delivery services, primarily for business-to-business customers. The express services we provide and the prices we charge to customers are primarily classified by transit times, distances to be covered and sizes and weights of consignments. We offer our comprehensive range of products to all customers, which we divide into small and medium enterprises, major account and global customers, with each of these being managed by dedicated teams and processes. We build strong relationships with our customers through regular personal calls and visits, as well as a wide range of communications media. Our express business includes our innight business. Our innight business provides innight distribution services in most

of Europe. Deliveries can be picked-up late in the afternoon or early in the evening for delivery during the same night.

Our freight management business provides air and sea freight transportation by acquiring cargo space from airline and shipping firms. We offer a range of time-definite products from priority to economy air freight to mixed goods and full container sea freight. Our freight management operations consolidate cargo from a number of customers which allows us to secure favourable rates from airlines and shipping companies, while at the same time matching the customer cargo with the shipping routes that yield the lowest price while meeting delivery deadlines. A range of technology allows our customers to book shipments, monitor goods in-transit and exchange information related to shipments.

In 2005, our express division earned revenues of €6,109 million. The express division accounted for 60.6% of our group operating revenues and 41.8% of our group operating income.

The following table sets forth operating revenues for the express and freight management businesses in our express division for the past two years:

Year ended at 31 December

Express division operating revenues	2005		2004 ¹
	US\$	€	€
Express	6,317	5,334	4,923
Freight management	934	789	279
Inter-segmental revenues	(17)	(14)	
Total operating revenues	7,234	6,109	5,202
as % of total operating revenues TNT		60.6	57.2

(in millions, except percentages)

¹ Comparative figures have been adjusted to reflect the transfer of innight services from our discontinued logistics business to express in 2005.

EXPRESS BUSINESS STRATEGY

Our ambition is to be the leader in day- and time-certain, door-to-door transport for our business-to-business customers and to have the widest geographical coverage.

We are a global express player. Our strategic intent is to:

- be number one in Europe in national, intra-European and Asia-Europe express flows,
- build uplift capacity from China to fuel our European network and establish an intra-China network,
- be number one in the Rest of the World emerging markets, and
- be number one in special services: a range of flexible and value added solutions that are complimentary to the network services. These services are tailored to the customers' requirements and range from time critical and freight transportation through to special handling, storage and distribution, and outsourced services.

To achieve this, our objectives are to:

- achieve profitable revenue growth through volume acquisitions at optimised pricing,
- maintain a balanced customer portfolio (large, medium, small and adhoc customers),
- focus on product performance,
- improve cost effectiveness,
- ensure quality in all key areas,
- connect strong domestic businesses to provide high-quality and cost-effective intra-European services,
- secure outstanding levels of customer satisfaction,
- develop leading-edge support technologies that provide added value for customers,
- strengthen the TNT brand and increase top-of-mind awareness of the comprehensive range of reliable on-demand express delivery services provided by the company, and
- recruit, develop and manage our employees towards the highest standard of customer care.

EXPRESS BUSINESS OVERVIEW

In 2005, despite mixed worldwide economic conditions, including particularly weak economies in our key domestic European markets, our express business produced a strong performance driven by our international businesses, offering the right products, disciplined pricing management and an efficient sales process.

The primary factors behind our express business profit improvements in 2005 were strong international volumes supported by a more balanced customer portfolio, growth in our global accounts, continued positive revenue quality yield, improved network optimisation and careful cost management. Revenue quality yield is one of our key measures and it is calculated as (1) the average of the percentage change in revenue per consignment compared to the previous year and (2) the percentage change in revenue per kilogramme compared to the previous year. Our employees furthered our mission through strict adherence to our commercial policy, a focus on serving business-to-business customers and consistent expresswide deployment of our uniform best practice processes.

Technology continues to be essential in achieving our business strategy. We continue to standardise our processes throughout our global organisation, and this standardisation is being supported by the development and implementation of common processes on a standard IT platform. We plan for our common sales and customer service systems to support a single "face" to the customer through harmonisation of our international and domestic processes. We continue to develop a common back office system using the integrated solutions of SAP and have implemented the system in most of the major business units including in the Benelux, France, Italy and the United Kingdom, which represent 64% of our express business revenue.

In 2005 we continued to exploit the comprehensive range of cross-functional data available in our datawarehouse to provide consistent and timely management reporting and analysis of our key performance indicators. This has enabled in-depth measurement and analysis of our operational service performance and sales activities, which facilitates continuous improvement and adoption of best practice in our business.

One of our objectives in 2005 was to maintain high quality technology for use by our customers. Our most recent regular customer survey demonstrated a high degree of satisfaction with the technology and functionality of the solutions provided, with customers stating that their key reasons for this satisfaction were ease of use, speed of use and simplification of business activity. We also gained consistently high scores for customer technology in our regular customer loyalty surveys.

In 2005 we undertook a number of benchmarks of our technology effectiveness and efficiency. In all cases these showed excellent results, indicating that we remained effective in all aspects of information and communication systems.

Further demonstration of this was our IT organisation's (Express ICS) winning the European Quality Award of the European Foundation for Quality Management in 2005.

In January 2006, we completed the acquisition of TG+, which is the third largest industrial parcel operator in Spain, and which has revenues of around €100 million. In total this network employs approximately 2,600 people (about 960 directly employed by TG+) and operates 57 depots (22 directly owned by TG+) throughout the country, which add up to approximately 135,000 square meters, with more than 900 pick-up and deliveries drivers, and a fleet of 140 linehaul trucks connecting the depot network.

We believe that TG+ will expand and strengthen our domestic express business and fuel our international express business in Spain, a strategic and fifth largest market in Europe with high growth potential. At the same time, we believe TG+ will further drive growth of our leading position in the premium express delivery market in Europe by providing better coverage in Spain.

We are actively looking into further business opportunities and potential acquisitions to expand our express operations in Europe and Asia. As announced on 6 December 2005, we are in advanced negotiations for the acquisition of Hoau, China's leading domestic freight and parcel operator.

Express Europe

The Express Europe business provides regional, national and pan-European express services as well as time-sensitive door-to-door products that deliver consignments between Europe and the rest of the world. Our extensive integrated road and air networks have given us a strong position in the European market and are an important strategic asset with dense coverage in 33 European countries. We expanded our European network in 2005 and continued to introduce uniform best practice approaches throughout the organisation.

In Europe, we provide on-demand expedited door-to-door delivery services that involve carrying documents, parcels and freight for our European customers. The shipments are collected by a fleet of vehicles that make either scheduled stops or on-demand collections upon receipt of customer telephone or internet requests. Shipment and consignment details are sent to the nearest depot in our network. Details of each shipment are entered into our track-and-trace systems either through scanning, data entry or electronic data interchange methods. The customer can then access the information through internet or proprietary customer interface technology. Each shipment is then sorted by destination and consolidated with other customers' consignments. Depending on its destination, each shipment is then linehauled to a domestic road hub, an international road hub or one of our airports, generally within two hours of arrival at the depot.

We transport intra-European shipments from the collecting depot by road or on one of the aircraft owned or leased by

us from an origin airport to our main air express sorting hub in Liège, Belgium. Where transit times allow, shipments that do not travel by air are carried by truck to one of our 10 main European road hubs. We then unload and sort the shipments and consolidate them with other consignments for each destination and then put them on outbound linehauls for movement to the delivery depot. We move domestic consignments within major European countries from the collection to the delivery depot, either directly or via a domestic hub.

At the delivery depot we sort the shipments and then load them on the appropriate delivery vehicle. Proof of delivery is entered into the Global Link or other computer system that is updated at every point in the process. This enables us to notify the customer when the consignee has received the shipment. Through these integrated road and air networks we are able to offer a range of fast and reliable express delivery services in most European countries. Our track-and-trace systems, including the Global Link system, enable us to offer an automated proof-of-delivery service, and customers can access the information through internet or proprietary customer interface technology.

In the pan-European segment of the market, our competition comes from global providers with international networks. Parcel alliances and public postal operators are trying to penetrate the pan-European market by buying interest in parcel and express companies to create international air and road express networks. Trends in the industry indicate that express companies are seeking to extend their services further into the conventional freight markets in an effort to exploit the capacity of their networks. For these reasons, it is likely that the major express operators will increasingly look for opportunities in liberalised post markets and in the wider freight markets.

We expect that the overall international market, particularly the intercontinental routes, should grow at faster rates than European domestic markets. The market in Europe has undergone a period of intense consolidation in recent years and now has five other major players: Deutsche Post (DHL), FedEx Corp. (FedEx), Geopost-Groupe (La Poste), Royal Mail Plc (GLS) and United Parcel Service Inc. (UPS). However, the market is still much more fragmented than that of the United States, and there are still several large regional operators.

We have a more extensive express delivery road network in Europe than any of our competitors. We continue to enhance our European air and road networks to be able to offer the most reliable service to our customers. With respect to our European network, we added Palermo and Cagliari as new airport connections in September and October 2005, respectively, but closed Naples and Turin in April and July 2005, respectively. We further expanded our already dense network coverage by introducing new co-load airport connections in Skopje, Belgrade and Sarajevo during 2005.

Following our announcement in 2004 of our plan to introduce a further five Boeing 737-300 aircraft to our European air

network, we introduced two aircraft in each of 2004 and 2005 and a further one will be added in 2006. The five aircraft, leased for five years from GE Capital Aviation Services, will replace chartered aircraft currently operating in our express air network. We also entered into another agreement in June 2005 with GE Capital Aviation Services for two additional leased Boeing 737s. These aircraft are due for delivery in 2006.

INVESTMENTS

In 2004, we announced a €36 million investment plan for our Liège air hub, which is intended to improve transit times for our customer base and increase the percentage of consignments delivered on-time and in perfect condition. We originally planned for this project to be completed at the end of 2005, but as a result of the modifications made to the existing hub in 2005, the available capacity has been increased and this has allowed us to delay the implementation of the next stage. The project is progressing well with a total amount spent on 31 December 2005 of €14 million, mainly attributed to capacity-increasing modifications inside the existing hub to guarantee service during construction of the new facility. Meanwhile, the preliminary work for this new facility is ongoing to allow for construction of the new extension to the hub building in the first quarter of 2006. The planned investment is intended to:

- accommodate growth in the number of airport destinations and sorting splits,
- remove time consuming, non-ergonomic manual processes,
- provide extra capacity,
- reduce damaged shipments,
- allow later departures and earlier arrivals, and
- increase staff productivity.

In 2005, we announced a €14 million investment plan for our Duiven road hub of which we have spent €7 million by 31 December 2005. The building of the extended hub has been completed and is expected to be fully operational by March 2006. The investment is intended to:

- increase hub sortation space by 3,500 square metres,
- double the sorting capacity to cope with future growth,
- improve transit times,
- improve facilities for staff, and
- improve security.

Express Rest of the World

The Express Rest of the World business provides door-to-door express delivery of documents, parcels and freight worldwide in all areas outside Europe and from these areas to Europe. We also are building our position in Asia and have further improved service levels between Europe and Asia. Our worldwide coverage extends to more than 200 countries.

In China, we have built an extensive network consisting of 25 company-owned locations and 50 agency franchises which together serve over 600 cities. We intend to differentiate

from other major integrators by developing and capitalising an extensive road network in China. The network is planned to be significantly enhanced in 2006 as we are in advanced negotiations for the acquisition of Hoau, China's largest privately owned transportation network offering comprehensive road coverage among 1,100 locations in China.

We have announced plans to increase our uplift capacity between China and Europe through the addition of two Boeing 747 aircraft that are due to be delivered in December 2006 and June 2007 respectively. Each new aircraft to be delivered by Boeing will provide 100 tonnes of capacity and will facilitate our strong growth in the region.

Our Express Rest of the World business line operates in a similar way as our Express Europe business line, but relies primarily on airlift by commercial passenger airlines for linehaul transportation links. However, in many of these countries our global express services are augmented by domestic and regional express delivery services.

The regional road network in the Middle East continues to grow strongly and represents an increasing share of our business in that region. In December 2005 we launched a similar regional road network for Asia covering Singapore, Malaysia and Thailand. We expect the network to expand into adjoining countries in 2006.

On 1 February 2006, we announced the launch of domestic services in India, which we believe will make TNT the first multinational brand in India to offer international and domestic services using an integrated air and road network. In preparation for the launch, TNT increased its presence in India from 17 to 50 locations during 2005. We intend to continue expansion in 2006, by the end of which we expect to operate out of 144 locations. In line with the group strategy of being the leader in emerging markets, TNT aims to be the leading integrated player in the Indian market.

In Australia, the underlying operations improved year-on-year, continuing the turnaround of this business. Revenues were impacted by the carry-over effects of business integration issues and industrial disputes in 2004, however cost control remained strong and yield improvements continued through appropriate pricing action and targeted new tariffs. In line with divisional strategy, the sales organisation was reviewed and refined in 2005, leading to strong sales results in the latter part of the year.

In North America, we carry international express shipments primarily to and from the Northeast and West Coast regions. Building on our own delivery network in the Northeast business corridor, we have introduced improved next-day delivery services to nine major business centres, including New York, Washington D.C., Chicago and Toronto.

Express Rest of the World primarily competes with the three major carriers, which are UPS, FedEx and Deutsche Post

(DHL). All of these carriers are pursuing aggressive expansion strategies in China and other emerging markets.

EXPRESS BUSINESS MARKET TRENDS

We believe that the following are the main competitor and market developments affecting the express business.

The express sector experienced further merger and acquisition activity in 2005. Additionally, it has been transformed geographically through the rapid expansion in developing markets, the global relocation of manufacturing bases and the liberalisation of other markets. Mature markets showed slower growth. The soaring oil prices of 2005 affected the industry, where the extra fuel costs were either passed on to customers or eroded business profitability. Finally more attention seems to be given to customer needs with many operators placing extra emphasis on customer service initiatives as a way to differentiate themselves.

Acquisition strategies that involve very targeted purchases have enabled some larger players to build and strengthen their express delivery networks in key domestic markets. The purchase of TG+ by TNT in Spain and Lynx Express by UPS in the United Kingdom are prime examples. A similar strategy has also enabled some players to expand their international networks, extending coverage from mature markets to those that are rapidly developing. The purchase of smaller players in Eastern Europe by players with a strong presence in Western Europe is evidence of this.

These acquisition strategies have been fuelled by increased volumes and revenues in growth markets, namely Asia and Eastern Europe. Major express players have been actively enhancing and modifying their international networks in order to harness this growth and balance the flows into and out of these growth areas. Direct network links between China and Europe, China and North America and links between India, Asia and the Middle East have reflected these geographic shifts.

Western European countries have continued to relocate their manufacturing bases to Asian markets and Eastern European countries. Expansion of the automotive components and high-tech industries in the Czech Republic and Slovakia, developments in the pharmaceutical industry in the Baltics and outsourcing to India and Asia have all had their impact and the express industry has responded accordingly.

China has continued to dominate the Asia region in terms of activity and growth where we estimate the growth in the express industry has been 30% on average over the past five years. As the Chinese market continues to liberalise, however, the focus is moving from international to domestic activities. On a still increasing basis, foreign companies relocate or set up new facilities in China, particularly in the automotive, pharmaceutical and high-tech sectors. New facilities are set up to serve export markets, particularly the Asia region, but also to satisfy the growing demand from domestic markets. As a result, integrators have begun initiatives that will see

the investment of millions of dollars in the development of domestic networks, acquisition of local players and the construction of "super-hubs" on the China mainland.

With approval for the privatisation of Japan Post, a minor revolution in Japan's very lucrative express and parcels sector has commenced. In addition, Japan's economy has been showing clear signs of recovery. Korea and Vietnam are beginning to demonstrate that they will also be key in the long term development of the express and parcels industry in Asia. Vietnam in particular is opening up its postal market and easing the business environment for foreign firms. With the concerns over the long term viability of China's economic development, a larger footprint in Asia will be necessary to secure success.

Other fast expanding markets are India, Russia and the Middle East. India is considered to be one of the best growth opportunities for express in the developing world. Growing international trade, massive investment in infrastructure, increasing levels of disposable income and strong manufacturing and retail sectors have combined to produce a dynamic market environment in India. Russia's international business outlook has benefited from the recent bilateral agreement with 29 WTO members, including the EU, although it remains a country with a difficult business environment. The Middle East market is expected to grow, with double digit increase in freight volumes to and from the region, growing economies, the reconstruction of Iraq, and the diversification of investment away from oil.

With mature express markets (United Kingdom, Germany, etc.) showing slowed growth and at times stagnation there is a move to investing in the more dynamic developing economies and an increased focus on opportunities that can be leveraged from the liberalisation of the postal industry. Affiliations between postal and parcel operators and the expansion of "express alternatives" (cost competitive, day specific delivery) is also changing the face of the market. These developments have signalled a diversification of possible service and customer needs.

There has also been an indication of an expansion in focus for many express operators towards the business to consumer sector. Customers and their needs have been featuring more heavily in the longer term strategies of major players. Proposed investment in retail networks, drop-off and collection points by some express players demonstrate a clear attempt to capture a larger audience, demonstrate a more visible presence and a move to increasing opportunities for customer interactions. A very clear trend towards improving customer service in the express industry was apparent, be it in the form of improved customer experiences on customer websites, or large scale, sometimes expensive, customer-centric advertising campaigns. However, even with this very apparent move towards improving the customer experience, above all the most important issue for express service customers is still exceptional service quality.

FREIGHT MANAGEMENT BUSINESS OVERVIEW

In August 2004, our global freight management capabilities were established through our acquisition of Wilson, a freight management business comprising primarily air and sea freight transportation. Freight management is an attractive stand-alone business which has economic resilience. In general, freight management operators do not own assets to provide transportation services because they acquire cargo space from airline and shipping firms. The asset-light profile of freight management provides flexibility to adjust to changes in volumes. We expect that the addition of freight management capabilities and expertise will enable us to offer our knowledge, skills and value added activities to a larger potential customer base while at the same time providing existing customers with a broader service offering.

The acquisition of Wilson was a major step in becoming a global freight management company. Wilson was rebranded into TNT Freight Management as of 1 July 2005. The global network operates from 130 offices in 28 countries with a significant presence in the Nordic region. We plan to continue to grow our freight management capabilities organically and increase the density of our operations in the Americas and Asia. The retention rate following the acquisition of Wilson is very high and the turnover rate in operational management was negligible.

Freight Management Nordics

In this region (Sweden, Denmark, Finland and Norway) we offer, in addition to air and sea freight services, services tailored to the demands of the marine industry. We provide freight management services to sailing fleets, shipping companies and ship management companies. The global fleet of merchant and cruise ships is expanding, which combined with limited shipyard capacity, provides opportunities for freight management operators with marine industry experience. We have a broad client base including customers in the automotive, airline, consumer goods, electronics and marine industries.

TNT Freight Management has a significant presence in Sweden and Denmark, which are markets dominated by a few global freight management companies. Our strong position in these markets results in significant capacity allocations from suppliers, particularly airlines. The majority of our business is in exports, however, air and ocean import volumes from Asia, particularly China, were strong in 2005.

Freight Management Europe

In this region (Europe excluding Nordics) we offer sea-air combined services in addition to air and sea freight services. The sea-air combined service is a time saving and cost saving transport mode for import shipments from 14 countries in the Far East and South-east Asia. This mode of transportation is faster than sea freight and less costly than airfreight. We have a broad client base including customers in the automotive, pharmaceuticals, consumer goods, electronics and marine industries.

Airfreight from Asia continues to increase, which has also resulted in growth in the sea-air service. Business with several large new customers was started in 2005. This new business has complex traffic flows involving suppliers in multiple European countries. Competition in this region comes primarily from freight management companies with large global networks.

Freight Management Asia/Pacific

Our operations in this region are primarily related to air export. Volume growth from China was a significant factor in 2005, and this trend is expected to continue. New business was obtained from customers in the pharmaceutical and consumer goods industries. We received a trading licence for our Shanghai office that allows it to arrange shipments

directly with air and sea carriers rather than through agents. We will continue to pursue trading licences for other areas within China.

Freight Management Americas

Operations in this region have strong flows from both the Nordic and Asia/Pacific regions. New business was obtained from customers in the automotive and retail business (department store and food store). Competition is high in this region particularly from global freight management companies with dense networks in the United States. We will continue to look for opportunities to expand our network coverage in the United States. We will also continue developing our capabilities in Brazil, as this economy is expected to continue expanding.

EXPRESS DIVISION FINANCIAL REVIEW

The following table sets forth the financial performance of our express division for the past two years:

Year ended at 31 December

Express division financial overview	2005		variance %	2004 ¹ €
	US\$	€		
Express	6,317	5,334	8.3	4,923
Freight management	934	789	182.8	279
Inter-segmental revenues	(17)	(14)		
Total operating revenues	7,234	6,109	17.4	5,202
as % of total operating revenues TNT		60.6		57.2
Total operating expenses	(6,660)	(5,624)	16.7	(4,821)
Total operating income	574	485	27.3	381

(in millions, except percentages)

¹ Comparative figures have been adjusted to reflect the transfer of innight services from our discontinued logistics business to express in 2005.

EXPRESS BUSINESS

The following tables set forth the financial performance of our express segment for the past two years:

Year ended at 31 December

Express business operating revenues	2005		variance %	2004 ¹ €
	US\$	€		
Express Europe	5,151	4,349	7.6	4,041
Express Rest of the World	1,166	985	11.7	882
Total operating revenues	6,317	5,334	8.3	4,923
as % of total operating revenues TNT		52.8		54.1

(in millions, except percentages)

¹ Comparative figures have been adjusted to reflect the transfer of innight services from our discontinued logistics business to express in 2005.

Year ended at 31 December

Express business operating expenses	2005		variance %	2004 ¹ €
	US\$	€		
Cost of materials	255	215	43.3	150
Work contracted out and other external expenses	3,029	2,557	6.5	2,401
Salaries and social security contributions	1,950	1,647	4.0	1,583
Depreciation, amortisation and impairments	201	170	4.3	163
Other operating expenses	321	271	8.0	251
Total operating expenses	5,756	4,860	6.9	4,548

(in millions, except percentages)

¹ Comparative figures have been adjusted to reflect the transfer of innight services from our discontinued logistics business to express in 2005.

Year ended at 31 December

Express business operating income	2005		variance %	2004 ¹ €
	US\$	€		
Total operating income	561	474	26.4	375
as % of express operating revenues		8.9%		7.6%

(in millions, except percentages)

¹ Comparative figures have been adjusted to reflect the transfer of innight services from our discontinued logistics business to express in 2005.**Express business operating statistics¹**

Year ended at 31 December

	2005	2004	2003	2002
Number of consignments (in thousands)	179,275	176,429	170,782	170,310
Total number of tons carried	3,520,109	3,378,863	3,203,138	3,149,161
Average of number of working days	253	260	250	250
Number of depots/hubs	882	857	836	854
Number of vehicles ²	19,747	19,023	18,308	18,008
Number of aircraft ²	43	42	43	43

¹ The express business operating statistics do not include statistical data of our innight services.² A substantial number of vehicles and aircraft are not owned by us but leased or subcontracted.

During 2005, our express business realised higher operating revenues and improved earnings as a percentage of operating revenues due to a strong performance in our international business attributable to our attractive product offering, disciplined yield management and an efficient sales process.

We continued to grow our profit margin, which was achieved through the implementation of standard commercial policies, cost control, including increased network utilisation, while maintaining service levels and the ongoing review of our revenue quality yield against cost inflation.

Some of the other key performance indicators used to monitor our express business include on-time delivery, customer satisfaction and employee satisfaction.

EXPRESS BUSINESS OPERATING REVENUES

Operating revenues of our express business for 2005 increased by €411 million (8.3%) compared to 2004. The organic growth in operating revenues of our business was €376 million (7.6%). The 2005 acquisition of Door-to-Door d.o.o. and

Asinus d.o.o. in Slovenia had a positive effect of €7 million (0.1%) on operating revenues and foreign exchange effects had a positive effect of €28 million (0.6%), mainly due to the strengthening of the Australian dollar, Polish zloty, Brazilian real and various Asian currencies against the euro.

The increase in operating revenues was primarily due to strong growth in European air and road volumes, as well as an increase in European revenue quality yield of 4.0%.

Express Europe operating revenues for 2005 increased by €308 million (7.6%) compared to 2004. The organic growth in operating revenues was €300 million (7.4%). Most business units contributed to the increase in operating revenues despite the mixed economic conditions. In particular, Germany, Benelux, Italy, Spain, Turkey and the Scandinavian and Eastern European countries contributed to the majority of the growth in operating revenues. The 2005 acquisition of Door-to-Door d.o.o. and Asinus d.o.o. in Slovenia had a positive effect on operating revenues of €7 million (0.2%) and foreign exchange fluctuations had a positive effect of €1 million.

Express Rest of the World operating revenues for 2005 increased by €103 million (11.7%) compared to 2004. This was achieved through the €76 million (8.6%) organic growth in operating revenues from operations, primarily in China, Taiwan and the Middle East, and from positive foreign exchange effects of €27 million (3.1%), mainly due to the strengthening of the Australian dollar, Brazilian real, Korean won, Chinese renminbi and Taiwan dollar against the euro.

EXPRESS BUSINESS OPERATING EXPENSES

Operating expenses of our express business for 2005 increased by €312 million (6.9%) compared to 2004. This was driven mainly by the strong international volume growth, the expansion of our business in China, Eastern Europe and India and the high costs of fuel for our aircraft, linehaul and pick-up and delivery vehicles. Cost of materials increased by €65 million (43.3%) primarily due to the higher fuel costs incurred in all business units. Work contracted out and other external expenses increased by €156 million (6.5%). This included the cost of linehaul and pick-up and delivery, which have increased to service the higher volumes and to improve the service quality and also included the higher fuel costs from commercial linehaul and subcontractors. Salaries and social security contributions increased by €64 million (4.0%) due to the additional number of full-time equivalents including the acquisition in Slovenia and expansion of our activities in India, salary increases for existing employees, and severance and redundancy payments. Depreciation, amortisation and impairments increased by €7 million (4.3%) due to the additional capital expenditure, particularly the expansions to the European air and road network hubs and the development of the SAP back office system. Other operating expenses

increased by €20 million (8.0%) due to increased advertising and consultant costs.

EXPRESS BUSINESS OPERATING INCOME

The express business operating income for 2005 increased by €99 million (26.4%) compared to 2004.

The improvement in operating income was primarily due to good volume growth, particularly in the international business across all customer segments, good cost control, including increased utilisation of the European networks, and continued yield improvements. Our domestic businesses recorded lower levels of growth due to stagnation in a number of key European economies. Almost all our express business units achieved improvements in their operating income. Improvements were most significant in the Benelux countries, Germany, the Scandinavian countries, Turkey, Switzerland, Spain, Austria, Czech Republic and Poland. The organic growth in operating income for 2005 increased by €94 million (25.1%) compared to 2004. The positive impact of foreign exchange fluctuations amounted to €5 million (1.3%).

Overall operating income as a percentage of express business operating revenues increased to 8.9% for 2005 compared to 7.6% in 2004. Excluding the transfer of the innight business from logistics, the return on sales was 9.2% for 2005 compared to 7.9% in 2004.

FREIGHT MANAGEMENT BUSINESS

The following tables set forth the financial performance of our freight management segment for the past two years:

Year ended at 31 December

Freight management business	2005		2004
	US\$	€	€
Total operating revenues	934	789	279
as % of total operating revenues TNT		7.8	3.1
Cost of materials			
Work contracted out and other external expenses	(745)	(629)	(223)
Salaries and social security contributions	(111)	(94)	(31)
Depreciation, amortisation and impairments	(20)	(17)	(7)
Other operating expenses	(45)	(38)	(12)
Total operating expenses	(921)	(778)	(273)
Total operating income	13	11	6
as % of total operating revenues		1.4	2.2

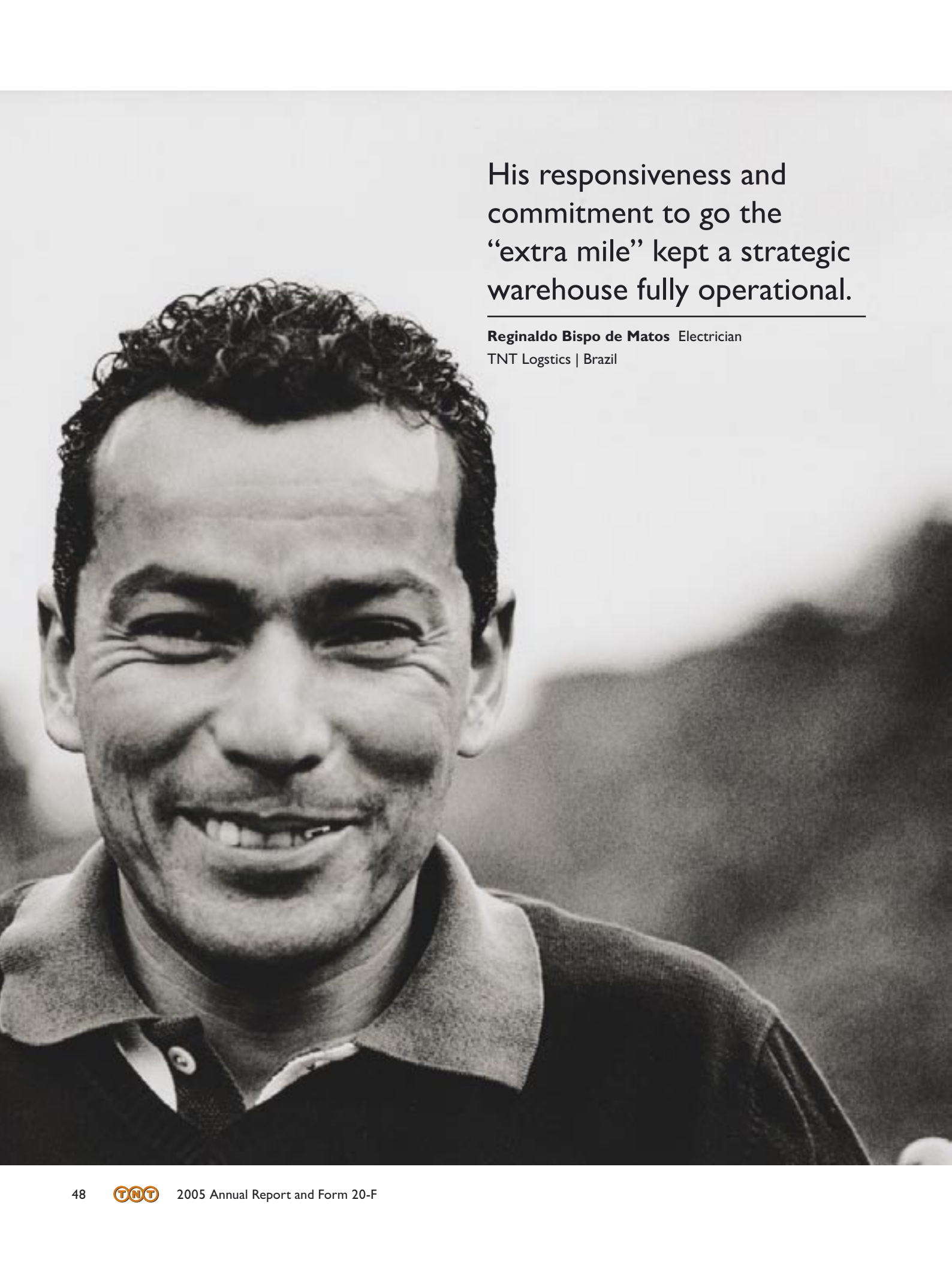
(in millions, except percentages)

FREIGHT MANAGEMENT BUSINESS OPERATING REVENUES

Due to the acquisition of Wilson in August 2004, operating revenues and operating income for 2005 and 2004 are not comparable. Operating revenues organically grew in all regions with the exception of the Americas. Growth in both air and ocean volumes contributed to the increase in operating revenues. The revenues from Freight Management Nordics were positively impacted primarily by ocean volumes in Sweden, although all units in this region experienced an increase in operating revenues. The revenues from Freight Management Europe were positively impacted by new business. The revenues from Freight Management Americas were adversely affected by the loss of one customer in North America and negative foreign exchange effects in South America. The revenues from Freight Management Asia/Pacific were positively impacted, primarily by growth in the Hong Kong and Australia units.

FREIGHT MANAGEMENT BUSINESS OPERATING EXPENSES

Freight management operating expenses have remained generally consistent as a percentage of revenues between 2004 and 2005. Freight management's major expense is related to transportation services provided by airlines and shipping firms. The slight decrease in depreciation, amortisation and impairments as a percentage of revenues is attributable to the Wilson trademark, which was fully amortised as of 30 June 2005. The slight increase in salaries and social contributions and other operating expenses as a percentage of revenues is attributable to integration expenses.



His responsiveness and
commitment to go the
“extra mile” kept a strategic
warehouse fully operational.

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