
REPORT

OF THE

SUPERVISORY

BOARD

Composition Supervisory Board

The composition of the Supervisory Board was subject to the following changes in 2005: Mr. Levy and Mrs. Kamper Monnas were appointed by the general meeting of shareholders on 7 April 2005 as new members of the Supervisory Board. Mr. Hommen was reappointed for another four year term.

After the closure of the 2005 annual general meeting of shareholders, Mr. Tabaksblat retired as chairman and member of the Supervisory Board. Mr. Tabaksblat had been chairman of the Supervisory Board since 2001 and a member since 1998. The Supervisory Board is greatly indebted to Mr. Tabaksblat for his leadership in the Supervisory Board and major contributions to TNT. Mr. Hommen was elected by the Supervisory Board as new chairman.

At the time of our annual general meeting of shareholders on 20 April 2006 the terms of Mr. Cochrane and Mr. Stomberg will expire; both are available for reappointment and have the support of the central works council.

Composition committees

The following changes in the composition of the committees were agreed by the Supervisory Board in May 2005. Mr. Hommen resigned as chairman and member of the audit committee and joined the nominations committee as chairman and the public affairs committee as member. Mr. Halberstadt resigned from the remuneration committee and joined the audit committee as member. Mr. Halberstadt was elected chairman of the public affairs committee. Mr. Abrahamsen was elected chairman of the audit committee. Mr. Kok resigned from the nominations committee and joined the remuneration committee as member. Mrs. Monnas joined as member of the public affairs committee and remuneration committee. Mr. Levy joined the audit committee as member. For an overview of the current composition of the committees, see page 65.

Induction

The new members of the Supervisory Board, Mrs. Monnas and Mr. Levy, attended a full-day induction programme. Senior management took the new members through the strategic, financial, legal and reporting affairs of TNT. Several members of the Supervisory Board visited operational sites during 2005.

Meetings of the Supervisory Board

In 2005 the Supervisory Board held eight meetings with the Board of Management and eight meetings with the CEO only, most of which were held on the evening preceding the regular meetings. The Supervisory Board held three private sessions with no members of the Board of Management present. These sessions were held just before or after the regular Supervisory Board meetings. The chairman had frequent meetings with the CEO, and from time to time with other members of the Board of Management, in between the Supervisory Board meetings.

The Supervisory Board also held one meeting by telephone conference. Most meetings were attended by the full Supervisory Board; there was no frequent absence of any of the members of the Supervisory Board.

In February 2005, the Supervisory Board discussed our 2004 financial statements and approved the 2004 full year dividend. The Supervisory Board discussed compliance with the best practice provisions of the Dutch corporate governance code, in particular severance arrangements of the members of the Board of Management. The Supervisory Board adopted amendments to the by-laws of the Supervisory Board with respect to the appointment of Supervisory Board members, which followed from the amendments to the large company regime, which entered into force on 1 October 2004.

In the presence of our external auditors, PricewaterhouseCoopers, the Supervisory Board discussed in February 2005 the result of the assessment by the Board of Management of the structure and operation of our internal risk management and control systems pursuant to best practice provision III.1.8 of the Dutch corporate governance code. In the same meeting the Supervisory Board approved our first corporate social responsibility report. Also approved were the proposed amendments to our articles of association, among which the change of the statutory name from TPG N.V. to TNT N.V., subject to approval by the general meeting of shareholders held in April 2005.

In May 2005, the Supervisory Board discussed the 2005 first quarter results; in July 2005 the 2005 half-year results were discussed. The Supervisory Board also approved the divestiture of the majority of the French logistics business in July 2005; in October 2005 the 2005 third quarter results were discussed. In December 2005 the Supervisory Board discussed the 2006 annual operating plan with the Board of Management. The Supervisory Board also reviewed the human resource strategy as well as the company's management development programme and succession planning.

In September 2005, the Supervisory Board accepted the resignation of Mr. Haars as the CFO as of 31 March 2006, and approved his severance arrangement. In December 2005, the Supervisory Board announced the intended appointment of Mr. Van Dalen as his successor. As from 1 April 2006, Mr. Van Dalen will assume his responsibilities as acting CFO. On 20 April 2006 the Supervisory Board will inform the general meeting of shareholders about the intended appointment.

During the year the Supervisory Board discussed various investment opportunities in the express division. The Supervisory Board approved the lease of two Boeing 747 aircraft for the China-Europe route and the acquisitions of TG+ in Spain and Hoau in China, as well as the strategic partnerships with Japan Post and Cosco Group.

Following a meeting with the Supervisory Board in October 2004, the Board of Management executed a thorough review of the strategy of the company. The Supervisory Board allocated considerable time in its meetings in March, April, May, June, July, October, November and December 2005 to discuss the outcomes of the strategic review and to analyse various strategic scenarios and options. The review and

subsequent discussions between the Board of Management and the Supervisory Board led to a refined strategy, approved by the Supervisory Board in December 2005, which was announced on 6 December 2005. The refined strategy encompassed focus on the core competency of providing delivery services by managing transport networks like mail, express and freight management, the intended divestment of the logistics business and a more optimal capital structure.

In its December 2005 meeting, the Supervisory Board evaluated its own performance, working methods, and procedures as well as those of its committees. Also the profile, composition and competence of the Supervisory Board were reviewed. The Supervisory Board reviewed the performance of the Board of Management and its individual members. In his absence, the performance of the CEO was discussed.

Meetings of the committees

In 2005, the audit committee met 10 times and held one meeting by telephone conference. All meetings were attended by the CEO, CFO, internal auditor and external auditor. On a quarterly basis the audit committee held individual private conversations with the CEO, CFO, internal auditor and external auditor. The audit committee discussed our 2004 annual results and the 2005 first quarter, half-year and third quarter results with our external auditor PricewaterhouseCoopers. It also reviewed press releases and analyst presentations related thereto. The audit committee also reviewed compliance with our auditor independence policy and reviewed the reports by our internal auditors. In addition, it reviewed our internal control mechanisms and risk management processes and was regularly updated about the progress of implementation of the requirements under Section 404 of the Sarbanes-Oxley Act. Regular updates were given on integrity matters. The results of an internal survey about the functioning of our external auditors were reviewed and the audit fee proposal for 2005 was approved.

In the first half of the year, the audit committee devoted considerable time to discuss our tax risk profile and was updated on a regular basis about the status of the implementation of the remedial actions announced in March 2004, such as a review of the tax, finance and legal functions. As previously disclosed, we have been preparing an addendum to the report, submitted in August 2004, to the UK Inland Revenue, covering other UK tax matters not addressed in the original report and separately investigating the tax position of certain non-UK subsidiaries. As announced in September 2005, the investigations revealed the likelihood of illegal acts relating to certain past tax matters. On behalf of the Supervisory Board, the audit committee took responsibility for overseeing these investigations and retained an independent law firm to assist in conducting a full, independent investigation and appointed Mr. Kooijman and Mr. Van der Kinderen to lead the work on their behalf. Since then, various meetings were convened to discuss the progress and conclusion of these investigations.

The audit committee and Supervisory Board have received the report of the audit committee's independent counsel, with respect to its investigation into whether illegal acts occurred at TNT, and the responsibility for such acts, in connection with certain past tax matters. The investigation determined that some illegal acts had taken place. The investigation further concluded that the integrity of present and past members of the Board of Management and current senior staff, reporting to the Board of Management, is not in doubt.

The independent counsel, the audit committee and the Supervisory Board discussed several remedial recommendations of independent counsel, including strengthening of controls and procedures and financial and tax staffing. The CEO was briefed by the chairman of the Supervisory Board and the chairman of the audit committee, as well as subsequently by independent counsel on the results of the investigation, including staffing assessments and the remedial recommendations. TNT's external auditor, PricewaterhouseCoopers Accountants N.V., has also been briefed on the investigation in detail by the independent counsel. PricewaterhouseCoopers subsequently discussed those results with the audit committee and Supervisory Board and supports the remedial actions. The Board of Management endorses the remedial actions and has committed to swiftly implement them.

In 2005, the remuneration committee held five meetings including two meetings held by telephone conference. The remuneration committee discussed amendments to the remuneration policy for the Board of Management. Mission-related targets were added to the short term incentive scheme and option grants were replaced by performance share grants in the long term incentive scheme. Both proposals were endorsed by the Supervisory Board and adopted by the annual general meeting of shareholders held on 7 April 2005. Additional matters dealt with were, among others:

- the proposed redesign of the pension provisions for the Dutch members of the Board of Management,
- the severance arrangement of Mr. Haars,
- the employment contract with Mr. Van Dalen, and
- compliance with the Dutch corporate governance code.

The nominations committee held two meetings in 2005. In February 2005, the committee discussed the succession of Mr. Tabaksblat as chairman of the Supervisory Board; in October 2005, the Supervisory Board profile, composition of the Supervisory Board and potential candidates for the successor of the CFO, Mr. Haars, were discussed. A search for a new member of the Supervisory Board with experience in Asia was initiated at the end of 2005.

The public affairs committee met four times in 2005. The committee reviewed and discussed stakeholder analysis in relation to various strategic scenarios. Also the company's corporate sustainability strategy, postal regulatory developments and the status of European postal liberalisation were discussed.

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board.

Data as mentioned in article 142 (3), book 2 of the Dutch Civil Code can be found in the enclosed agenda for the annual general meeting of shareholders to be held on 20 April 2006. In addition, each Supervisory Board member's year of birth, current and former positions, number of shares held and other supervisory board memberships are presented in chapter 7. Also listed are the date and term of first appointment, current term of office and memberships of Supervisory Board committees.

Independence of members of the Supervisory Board

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Dutch corporate governance code. This means that none of the members of the Supervisory Board (or any partner or close relative):

- has been an employee or member of the Board of Management of our company in the five years prior to appointment,
- receives personal financial compensation from our company or an associated company other than the compensation received as member of the Supervisory Board,
- has had an important business relationship with our company or a company associated with it, in the year prior to the appointment,
- is a member of the management board of a company in which a member of the Board of Management is a member of the supervisory board,
- holds at least 10% of the shares in our company,
- is a member of the management board or supervisory board of a legal entity that holds at least 10% of our shares, or
- has temporarily managed our company during the previous 12 months.

Compliance

The Supervisory Board confirms that there were no decisions in 2005 by the Supervisory Board not to comply with its by-laws.

Remuneration policy

For the remuneration policy for members of the Board of Management see chapter 9; for the remuneration of members of the Board of Management and the Supervisory Board over 2005, see note 19 to the consolidated financial statements.

Financial statements

This annual report and the 2005 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board in its meeting of 24 February 2006 in the presence of the Board of Management and the external auditor. PricewaterhouseCoopers' report can be found on page 183.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2005 consolidated financial statements of TNT. The annual general meeting of shareholders will be asked to release the members of the Board of Management from liability for the exercise of the management of the company's affairs and management. The appropriation of profit approved by the Supervisory Board can be found on page 184.

Subject to adoption of the financial statements, a final dividend of €0.41 per ordinary share of €0.48 nominal value will be paid in respect of the 2005 financial year. An interim dividend of €0.22 has already been paid in 2005, so the total dividend per ordinary share in respect of 2005 will be €0.63.

Finally, the Supervisory Board wishes to thank the Board of Management and all employees of TNT for their contributions in 2005.

Supervisory Board
Amsterdam, 24 February 2006