





“If at first you don’t
succeed, make sure
you do the next
time round!”

PALOMA ROMERO-SALAZAR

TNT Express Madrid – Financial Director
49 years old, married, 2 children

TNT EXPRESS MADRID

The Spanish are renowned for their love of life and positive nature, and Paloma could only be Spanish. With her ever-ready smile, her interest in those around her and carefully composed appearance, it's easy to imagine her at society events in Barcelona or Madrid. Yet there is another side to Paloma that makes her so good at her job. She is extremely reliable and down-to-earth. She listens, evaluates and only then will she respond. Thing is, Paloma is a financial expert. She and her team have incorporated a major new company into the TNT fold, including 70 new depots, putting TNT Express well and truly on the map in Spain. Not something you want to do without a clear head.

Paloma: "I will certainly remember 2005 and 2006 as they were the busiest of my career so far. But also the most interesting. Early 2005, TNT decided to purchase the third largest domestic company in Spain, TG+. The Spanish Transaction Team, which I was part of, and a team at Head Office in Hoofddorp worked day and night to organise the merger. After an initial failure, we succeeded second time round in January 2006 thanks to the team's great enthusiasm and teamwork. Teamwork is the true driver in business, I think."

"The issues we faced, at least in my area, were that there were few existing resources, reporting standards were not aligned with TNT's and a huge geographical area that the company covered, spread over 70 depots. We needed to ensure proper branding, deal with numerous cultural differences and give proper training about TNT processes in all areas. Then there was the issue of rules and regulations and determining the all-round risks for the project. This would have all been fine, but we were trying to combine the set-up and transformation of the company while business was still ongoing. Growing in fact. That was the tough part. It's like trying to repair a train while it's running at full steam!"

"Almost everything is running smoothly now. Where TG+ offered the warehouse space and vehicles, we were able to offer additional volumes and deploy new operational processes. And we were fortunate to find genuinely enthusiastic people within TG+ who are delighted to be part of the TNT family. It was a great marriage and we are now a real player on the Spanish market!"

"I have to add that none of this would have been possible without the hard work and dedication of my team and everybody else involved in the deal. And the fact that TNT management in Hoofddorp works the way it does. They're quick to make decisions and treat people with respect, empowering them where possible. But they're also sticklers for detail. I like that. I'm in Finance after all."

PALOMA ROMERO-SALAZAR

TNT Express Madrid – Financial Director
49 years old, married, 2 children





INFORMATION

ON THE

COMPANY

GROUP BUSINESS DESCRIPTION

TNT N.V. is a public limited liability company and was incorporated under the laws of the Netherlands on 29 December 1997 under the name TNT Post Group N.V. We were formed in connection with the transaction pursuant to which the company currently known as Royal KPN N.V. demerged its mail, express and logistics businesses with retroactive effect to 1 January 1998. Our statutory name changed to TPG N.V. on 6 August 2001 and to TNT N.V. on 11 April 2005.

We provide businesses and consumers worldwide with an extensive range of services for their express delivery and mail needs. Our services involve the collection, storage, sorting, transport and distribution of a wide variety of items for our customers within specific timeframes, and related data and document management services. Our corporate purpose, described in article 4 of our articles of association, provides the basis for these activities.

The history of our company goes back to 1799, when Dutch postal services were organized into a single national state enterprise. That enterprise formed the basis for the operations of our subsidiary Royal TNT Post B.V. In turn, the roots of our express business stretch back for 60 years when our time-sensitive door-to-door delivery services started as Thomas Nationwide Transport (TNT) in Australia in 1946. Over time we have evolved from being the public postal company in the Netherlands to the international group providing express delivery and mail services we are today. The discontinuation of our logistics business as of 4 November 2006 and our freight

management business as of 5 February 2007 are part of that development. We report on the logistics and freight management businesses under Discontinued Operations. See chapter 5.

To date our mail business in the Netherlands is subject to regulations (such as price cap mechanisms) imposed by the Dutch Postal Act and other postal regulations. At the same time, that act extends to our mail business the exclusive right to provide certain reserved postal services. For more information on the operation of the Dutch postal system and concession see chapters 4 and 13. Our other services are not subject to such specific regulations nor are they guarded from competition. Operating the Dutch postal concession also impacts our company's governance.

Since 20 November 2006 the State of the Netherlands no longer holds shares in our company. On that date the State sold all of its ordinary shares in TNT, representing approximately 10.9% of our outstanding ordinary share capital at the time. Previously, on 17 November 2006, the State of the Netherlands transferred the one special share in our company to us for free. For more information on the background to these transactions see page 156.

TNT N.V. is the parent company of the group. We have our corporate seat in Amsterdam, the Netherlands and are registered in the Commercial Register in Amsterdam under number 27168968.

The following table sets forth, as at 31 December 2006, the name and jurisdiction of incorporation of our significant subsidiaries.

SIGNIFICANT SUBSIDIARIES

Company	Country	Equity Interest
Koninklijke TNT Post B.V.	Netherlands	100%
TNT Express Holdings B.V.	Netherlands	100%
TNT Express Worldwide N.V.	Netherlands	100%
TNT Finance B.V.	Netherlands	100%
TNT Headoffice B.V.	Netherlands	100%
TNT Holdings (Deutschland) GmbH	Germany	100%
TNT Holdings (UK) Ltd.	United Kingdom	100%
TNT Holdings B.V.	Netherlands	100%
TNT UK Ltd.	United Kingdom	100%

The full list containing the information referred to in article 379 and article 414 of Book 2 of the Dutch Civil Code is filed at the office of the Chamber of Commerce in Amsterdam.

We are currently listed on the Amsterdam and New York stock exchanges. In 2006 we delisted from both the London and Frankfurt stock exchanges because the costs and requirements for these listings were not justified given the low trading volume in our shares on those two exchanges. The last day on which our stock traded on the London Stock Exchange was 20 March 2006, and 31 May 2006 was the last day on which our stock traded on the Frankfurt Stock Exchange.

MISSION AND STRATEGY

Our mission is to exceed our customer's expectations in the transfer of their goods and documents around the world. We deliver value to our clients by providing the most reliable and efficient solutions through delivery networks.

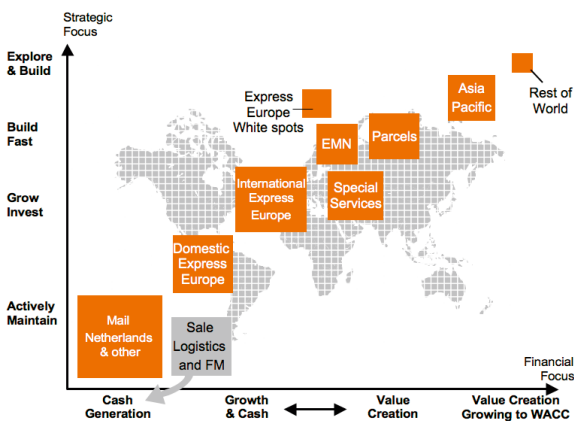
We seek to lead the industry by:

- instilling pride in our people,
- creating value for our shareholders, and
- sharing responsibility for the world in which we operate

Our strategy is to focus on providing delivery services by expertly managing delivery networks. This strategy contains manageable execution risks and is based on our core strengths with the objective of achieving profitable growth. We manage a portfolio of networks with different speed characteristics, ranging from same-day to some day, and different weight characteristics, ranging from letters to heavy parcels and pallets. We pick up, transport, sort, handle, store and deliver documents, packets, parcels and freight by combining physical infrastructures such as depots and trucks, electronic infrastructures such as billing and track-and-trace systems and commercial infrastructures to attract and retain customers.

Our networks are in different development phases and offer a plethora of growth opportunities. Our most mature business is our mail network in the Netherlands, where we actively seek to maintain our market leadership in a declining market with increasing competition. Our express networks in Asia, in particular in India, China and South East Asia, and in selective emerging markets, such as Brazil, are on the other end of the spectrum. In these geographies we can shape the market, strongly grow our networks and attain market leadership. In Europe we continue to grow our express and mail networks building on our existing strong position. We aim to accelerate growth in the networks organically as well as through selected acquisitions.

The chart below reflects an analytical and conceptual view on the relation between strategic focus and financial focus. It does not represent a management steering segmentation.



The combination of mail and express networks in our current portfolio has several strategic advantages. We believe the combination of business-to-business and business-to-consumer deliveries, for which we have unique expertise in our express

and mail divisions respectively, becomes increasingly relevant in an era where e-related deliveries are growing exponentially and mega cities which require complex high density citizen services will emerge. We also believe that over time certain operational and strategic synergies can be achieved across our portfolio, for example in linehaul activities. Having both mail and express in our portfolio gives us unique cross-selling opportunities. And finally, the fact that mail and express require comparable management capabilities, such as network design, execution and planning, customer focus, market segmentation and brand awareness, allows us to optimise management and competence development over the group.

In 2006 we delivered on our promise to focus on networks, exit non-network related activities and optimise our capital structure:

- focus on our core capability: providing delivery services by expertly managing a portfolio of delivery networks in Mail and Express, where we believe our competitive advantage can be sustained and enhanced. We have successfully expanded in key markets like China, India and Brazil. We continue to explore the opportunity to expand the strategy by developing a standard parcels service and broader focused network services,
- disposal of non-core capability related activities: in 2006 we have successfully sold our logistics and freight management businesses,
- optimisation of our capital structure: we have regeared our balance sheet under the "Focus on Networks" strategy to reflect the more predictable cash flow profile of the group. A €1 billion share buy back program started on 6 December 2005 and was successfully completed in April 2006, and most of the logistics sales proceeds was returned to our shareholders through another €1 billion share buy back program that completed on 23 January 2007. See also the next chapter on financial strategy and chapter 14, page 189.

Based on our refined strategy we now manage our business through two divisions: Express and Mail.

In Express our strategic intent is fourfold: to build the number one position in Europe, to build a leading position in selected intercontinental flows (in particular between China, India and Europe), to build a number one position in selective emerging markets and to expand our position in the broader market through offering special services. Underpinning our express networks is a strong focus on key customer interfacing processes, by understanding customer needs, winning and keeping profitable customers, delivering excellent customer service and delivering on time and in perfect condition. In all four strategic intent areas we have made excellent progress in 2006. We have continued to strengthen our position in Europe by, amongst others, increasing the capacity of our air hub in Liège, successfully integrating the recently acquired company TG+ and capturing high growth in Eastern Europe. We have successfully launched our own Boeing 747 freighter service between China and Europe to capture the strong growth on this intercontinental flow. We have acquired domestic networks in three of the four so-called BRIC countries, viz. Brazil, India and China. And we have expanded our position in special services by further growth in our same-day business and continued fast growth in time-critical freight. We believe the combination of focus, entrepreneurship, business excellence

and customer care will ensure this success story to continue. More details on Express can be found in Chapter 3.

In Mail our strategic intent is twofold: to actively maintain our market share in our home market the Netherlands and to capture growth opportunities outside our home market. In the Netherlands we are faced with continuing competitive pressure and substitution. We believe that without new commercial and cost initiatives we could see a volume decline of up to 40% by 2015. At the end of 2006 we have therefore launched a number of initiatives along two tracks: commercial initiatives to limit volume decline to 30% by 2015 and cost initiatives to save €300 million of annual costs. At the same time we have made substantial progress in growing our mail activities outside the Netherlands. We acquired companies in Germany and the United Kingdom and we have significantly expanded our regional networks. We believe the combination of cost and commercial initiatives in the Netherlands and growth initiatives outside the Netherlands will contribute to Mail being able to continue to deliver a strong cash flow going forward. More details on Mail can be found in Chapter 4.

FINANCIAL STRATEGY

TNT's financial strategy is structured on three pillars:

- driving business performance by using value-based performance measures and standardisation of business processes,
- maintaining the right financial flexibility to support growth platforms via capital expenditure and merger and acquisitions, and
- keeping the capital structure efficient, around an investment grade long term credit rating of "BBB+".

These three key components of the financial strategy directly relate to:

- effective risk management, internal control and compliance,
- aligned legal and funding structures, and
- a balance in short and medium term shareholder returns through profitable growth, dividends and incidental share repurchase or other shareholder returns from medium term excess cash.

In line with this financial strategy focus, TNT was able to pay out dividends of in total almost €1.2 billion over the past five years and returned €2.4 billion to its shareholders via share buy backs.

TNT's current capital structure is based on and managed along the following components:

- maintain a credit rating at investment grade around "BBB+ level",
- an availability of at least €500 million of undrawn committed facilities, via a €1 billion Euro Commercial Paper programme, backstopped until 2012 by a bank facility,
- structural funding via a combination of public and bank debt, with a risk weighted mix of fixed and floating interest,
- cash pooling systems facilitating optimised cash requirements for the group, and
- a tax optimal internal and external funding focused at optimising the cost of capital for the group, within long term sustainable boundaries.

The credit rating for the group, as given by Standard & Poor's Ratings Services (S&P) and Moody's Investors Services (Moody's), results from an evaluation and analysis of many different factors. On a medium term basis TNT focuses on maintaining an investment grade credit rating "around BBB+". For this purpose we monitor the development of three key financial parameters as defined below:

Funds from Operations (Ffo) to total net debt:

- Ffo is defined as: net income plus depreciation plus change in provisions, plus correction for depreciation in leases.
- Total net debt is defined as: on-balance sheet interest bearing debt minus free cash, plus implicit debt in leases and unfunded pension liabilities after tax.
- The S&P norm for "BBB+" is to be above 35%.

Total net debt to capital:

- Capital is defined as the sum of "total net debt" (see above) plus the book value of equity.
- The S&P norm for "BBB+" is to be below 41%.

Ebitda (earnings before interest, tax, depreciation and amortisation) to interest cover:

- Ebitda is corrected for implicit interest in leases.
- Interest is corrected for implicit interest in leases plus the interest on unfunded pension liabilities after tax.
- The S&P norm for "BBB+" is to be above 7,7.

The weighted mix of these parameters forms an important financial building block in the credit rating framework. The current long term credit rating of TNT is "A-" (negative outlook) from S&P and "A3" (stable outlook) from Moody's. For its financial requirements in the context of its capital structure components, TNT works with approximately ten relationship banks. This number is influenced by financial service requirements of TNT related to its global spread in activities, businesses and legal entities.

TNT aims to grow its free cash flow medium term. We define our free cash flow as the net cash from operating activities minus capital expenditure on property plant and equipment and intangible assets. Part of the free cash flow is used for dividends, resulting after the appropriation to the reserves of (part of) the profit attributable to the shareholders. Remaining free cash flow will be allocated to strategic profitable growth of the group. In case of medium term excess cash other forms of value creation for our shareholders will be evaluated, including tax exempt share buy backs. All of our financial strategies and actions will take into account the key components of our capital structure as mentioned.

BRANDING

In a world where a strong brand is key in helping to drive a business forward, the implementation of a focused branding strategy is essential.

On 11 April 2005 we visibly launched our "one brand" initiative by changing our statutory name to TNT N.V., a clear signal that this globally recognised brand is to become the single face for all of TNT's activities.

The TNT 'one brand' strategy is being implemented throughout the business, in 2006 most notably within the Netherlands

where Royal TPG Post B.V. changed its statutory name to Royal TNT Post B.V. on 16 October 2006. The change of our name is accompanied by a change of the company's trucks, vans, letter boxes and corporate wear from red to orange. During 2006, this change has been substantially completed.

The strapline "It's our business to deliver yours", expressing our business and customer focus, was furthermore successfully launched for all our international activities in 2006.

HUMAN RESOURCES AND LABOUR RELATIONS

Human resources

Developing our talent and motivating our staff are among our top strategic priorities. With a work force of approximately 140,000 located in more than 60 countries, local circumstances play an important role in shaping personal development goals as well as perceptions of TNT as an employer.

The global engagement survey is an important tool to measure whether we are successful in increasing employment pride and motivation. The company-wide engagement survey undertaken in 2006 shows that our engagement scores are clearly higher than the industry benchmark. However, there is also room for further strengthening. We will address all areas of employee engagement again in 2007 to reassure progress and developments. See also our Social Responsibility Report.

The talent development for our management positions is a key component for a sustainable success of our company going forward. Processes are in place and are continuously further improved to effectively balance and match our requirements as a company and the development potential and personal interest of our people.

Labour relations

A significant number of our employees in Europe are presently represented by trade unions. Except for our employees in Australia, our employees outside Europe are generally not represented by trade unions. The level of representation in Australia is less than 50%. Our labour relations in- and outside Europe have been good, and we have not experienced any material work stoppages in recent years.

Wages and general working conditions in the Netherlands and the United Kingdom are the subject of centrally negotiated collective bargaining agreements. Within the limits established by these agreements, our operating companies negotiate directly with unions and other labour organisations representing our employees. Collective bargaining agreements relating to remuneration typically have a term of one or two years.

In addition to trade unions, we also consult from time to time with various local, national and European works councils. Employees generally elect the members of works councils. Some of these works councils primarily have an advisory role, but in other cases, e.g. the Netherlands, we may be required to consult or ask prior approval from one or more of the works councils. Under Dutch law, our central works council may, furthermore, make recommendations for candidates to fill vacancies on our Supervisory Board. In addition, we are obliged

to apprise the European works council of activities that affect our workforce in Europe.

For the number of our employees and full-time equivalents see note 19 of our consolidated financial statements on page 136. Further information on labour related issues is included in our social responsibility report that may be viewed on our website.

OUR COMMITMENT TO COMMUNITY

Governance

We are committed to good corporate governance and have embraced the spirit of corporate governance reform. We have governance procedures and policies in place. See chapter 7.

Social and environmental impact

We strive to improve the social and environmental impact of our business on communities around the world. We aspire to help people realise their potential and to meet the needs of the current generation, without producing a poorer world for future generations.

Our commitment to protecting the environment includes, where reasonably possible, promoting both the reduction of emissions through efficient route planning as well as the use of cleaner alternative fuels and the replacement of road vehicles and aircraft by cleaner versions. In 2006 we further increased the coverage of ISO 14001 certified environmental management systems and retained our industry leadership position in the Dow Jones Sustainability Index. For further information see chapter 9.

Corporate citizenship

We have established a strategic partnership with the United Nations World Food Programme (WFP), in which we share resources and know-how in the fight against hunger. This partnership is described in more detail in chapter 9.

Reputation

TNT aims to be a leader in our industry and therefore strives to be *best in class* in many fields. There are several ways to determine our success in fulfilling these ambitions. We continuously track our quality levels, for instance, and we measure customer satisfaction on a regular basis. Our quality and service have been recognised by many external organisations. An overview of awards, prizes, nominations and accreditations is published on our website.

GROUP FINANCIAL REVIEW

As of 2005 all European listed companies are required to prepare their consolidated financial statements in accordance with IFRS as adopted by the European Union. For more details we refer to chapter 12 “Significant Accounting Policies”.

As at and for the year ended at 31 December

	2006	2006	2005	2004
	US\$	€	€	€
Segmental operating revenues ^{1,2}				
Express	7,933	6,011	5,363	4,963
Mail	5,365	4,065	3,955	3,852
Non-allocated and inter-company	(21)	(16)	11	12
Total operating revenues ³	13,277	10,060	9,329	8,827
Depreciation, amortisation and impairments	420	318	303	296
Total operating income	1,683	1,276	1,148	1,110
as % of total operating revenues	12.7	12.7	12.3	12.6
Profit for the year from continuing operations	1,093	828	770	720
Profit/(loss) from discontinued operations	(207)	(157)	(109)	32
Profit attributable to the equity holders of the parent	884	670	659	752

(in millions, except percentages)

1 Comparative figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.

2 For net sales by geographic region see note 34 to our consolidated financial statements.

3 Includes net sales and other operating revenues. See note 16 and 17 to our consolidated financial statements.

2006

In 2006, we had total operating revenues of € 10,060 million. Our express division accounted for 59.8% of our group operating revenues and 45.5% of our group operating income. Our mail division accounted for 40.4% of our group operating revenues and 59.6% of our group operating income.

2005

In 2005, we had total operating revenues of €9,329 million. Our mail division accounted for 42.4% of our group operating revenues and 67.5% of our group operating income. The express business (excluding freight management) accounted for 57.5% of our group operating revenues and 41.5% of our group operating income.

Key factors

Key factors that affect our financial results include:

- the volumes of mail we deliver,
- the number of shipments transported through our networks,
- the mix of services we provide to our customers,
- the prices we obtain for our services,
- the average number of working and delivery days in a year,
- the speed of our network expansion,
- our ability to manage our capital expenditures,
- operating expenses,
- our ability to match our operating expenses to shifting volume levels, and
- our ability to integrate acquisitions.

Our express and mail businesses provide services to customers and account for revenues for those services on a daily basis. Results of operations are therefore influenced by the average number of working and delivery days in a year.

We use total revenues, i.e. net sales plus other operating revenues, to assess the performance of our business. We believe that other operating revenues, which consist primarily of rental income from temporarily leased-out property and passenger/charter revenues, are a recurring element and we allocate them to our businesses when reviewing their performance.

We attribute revenues and expenses to our businesses based on the underlying nature of the transaction that gave rise to the revenue or expense and the business involved. We call revenues and expenses that we do not allocate to businesses “non-allocated”. These revenues or expenses occur at the group level, and we do not consider them part of the businesses operations. This method of allocating revenues and expenses is consistent with how we internally manage our businesses.

RESULTS OF OPERATIONS

Year ended at 31 December

CONSOLIDATED GROUP RESULTS	2006	2006	variance %	2005	variance %	2004
	US\$	€		€		€
Total operating revenues	13,277	10,060	7.8	9,329	5.7	8,827
Other income	86	65	71.1	38	375.0	8
Total operating expenses	(11,680)	(8,849)	(7.7)	(8,219)	(6.4)	(7,725)
Total operating income	1,683	1,276	11.1	1,148	3.4	1,110
as % of total operating revenues	12.7	12.7		12.3		12.6
Net financial expense	(62)	(47)		0		(16)
Income taxes	(521)	(395)	(5.1)	(376)	(1.1)	(372)
Results from investments in associates	(8)	(6)	(200.0)	(2)		(2)
Profit for the year from continuing operations	1,092	828	7.5	770	6.9	720
Profit/(loss) from discontinued operations	(207)	(157)	(44.0)	(109)	(440.6)	32
Profit for the year	885	671	1.5	661	(12.1)	752
Attributable to:						
Minority interests	1	1	(50.0)	2		0
Equity holders of the parent	884	670	1.7	659	(12.4)	752
Earnings per ordinary share (in cents) ¹	210.1	159.3	9.9	145.0	(8.7)	158.9
Earnings per diluted ordinary share (in cents) ²	208.6	158.1	9.5	144.4	(9.0)	158.7

(in millions, except percentages and per share data)

¹ In 2006 based on an average of 420,701,641 of outstanding ordinary shares (2005 :454,367,662; 2004: 473,387,568). See note 30 to our consolidated financial statements.² In 2006 based on an average of 423,859,222 of diluted outstanding ordinary shares (2005 :456,360,619; 2004: 473,980,149). See note 30 to our consolidated financial statements.

Year ended at 31 December

OPERATING REVENUES BY SEGMENT	2006	2006	variance %	2005 ¹	variance %	2004 ¹
	US\$	€		€		€
Express	7,933	6,011	12.1	5,363	8.1	4,963
Mail	5,365	4,065	2.8	3,955	2.7	3,852
Non-allocated and inter-company	(21)	(16)	(245.5)	11	(8.3)	12
Total operating revenues	13,277	10,060	7.8	9,329	5.7	8,827

(in millions, except percentages)

¹ Figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.

Year ended at 31 December

OTHER INCOME BY SEGMENT	2006	2006	variance %	2005	variance %	2004
	US\$	€		€		€
Express	8	6				
Mail	77	58	123.1	26	225.0	8
Non-allocated	1	1	(91.7)	12		
Total other income	86	65	71.1	38	375.0	8

(in millions, except percentages)

Year ended at 31 December

OPERATING INCOME BY SEGMENT	2006	2006	variance %	2005 ¹	variance %	2004 ¹
	US\$	€		€		€
Express	765	580	21.8	476	25.9	378
Mail	1,004	761	(1.8)	775	(3.5)	803
Non-allocated	(86)	(65)	36.9	(103)	(45.1)	(71)
Total operating income	1,683	1,276	11.1	1,148	3.4	1,110

(in millions, except percentages)

¹ Figures have been adjusted to reflect the transfer of Cendris UK from mail to express in 2006.

GROUP OVERVIEW

2006/2005

Total operating revenues increased by 7.8% in 2006 compared to 2005. Operating income increased by 11.1%, mainly due to an increase in our express business.

Our express business achieved 12.1% higher operating revenues compared to 2005. The improved performance is broadly based across the continents, but mainly due to continued growth in our international businesses as well as special services and further supported by acquisitions. Express operating income increased by 21.8%, primarily due to substantial volume growth, particularly in the international business across all customer segments, and effective cost control, including further network optimisation and continued yield improvements.

In our mail business, operating revenues increased by 2.8% in 2006, mainly due to substantial volume growth in addressed European Mail Networks and partly offset by the continued volume decline in addressed Mail Netherlands. The latter volumes continued to decline due to competition, substitution and substantially fewer bank mailings. The volume decline was strongly mitigated by the product mix and, to a lesser extent, price effects. Operating income of our mail business decreased by 1.8%. This decrease is mainly due to the continuing expansion of European Mail Networks capacity and rebranding costs and partly offset by positive price mix effects and continued progress in improving productivity and cost control in Mail Netherlands.

2005/2004

Total operating revenues increased by 5.7% in 2005 compared to 2004. Operating income increased by 3.4%, mainly due to an increase in our express business.

Our express business achieved 8.1% higher operating revenues in 2005 compared to 2004, mainly due to continued growth in its international businesses. Express operating income increased by 25.9% in 2005 compared to 2004, 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.

In our mail business, operating revenues increased by 2.7% in 2005, mainly due to substantial addressed volume growth in European Mail Networks, partly offset by the continued decrease in addressed Mail Netherlands volumes (3.1%). These volumes continued to decline in 2005 compared to 2004 due to competition and substitution. Operating income of our mail business decreased by 3.5%. This decrease is mainly due to a structural cost increase in salaries and social security contributions in Mail Netherlands, partly offset by continued progress in improving productivity and cost control in Mail Netherlands and expansion of European Mail Networks.

GROUP OPERATING REVENUES

2006/2005

Total operating revenues increased by €731 million (7.8%) to €10,060 million in 2006 compared to 2005. Our express business contributed an increase of €648 million and our mail business contributed an increase of €110 million to this growth.

Organic growth, defined as the growth calculated against 2005 foreign exchange rates and excluding the effect from the first time consolidation of acquisitions and the deconsolidation of disposals, was responsible for 6.3% of total group operating revenues growth. The consolidation effect from acquisitions and deconsolidation effect from disposals accounted for 1.7%. Unfavourable changes in foreign exchange rates negatively impacted the revenue growth by 0.2%.

2005/2004

Total operating revenues increased by €502 million (5.7%) to €9,329 million in 2005 compared to 2004. Our mail business contributed an increase of €103 million and our express business (excluding freight management) €400 million to this growth.

GROUP OPERATING EXPENSES

Year ended at 31 December

OPERATING EXPENSES	2006	2006	variance %	2005	variance %	2004
	US\$	€		€		€
Cost of materials	540	409	0.2	408	19.3	342
Work contracted out and other external expenses	5,490	4,160	16.1	3,582	7.4	3,334
Salaries, pensions and social security contributions	4,466	3,384	2.0	3,318	3.2	3,216
Depreciation, amortisation and impairments	420	318	5.0	303	2.4	296
Other operating expenses	764	578	(4.9)	608	13.2	537
Total operating expenses	11,680	8,849	7.7	8,219	6.4	7,725

(in millions, except percentages)

2006/2005

Total operating expenses increased by €630 million (7.7%) to €8,849 million in 2006 compared to 2005. Overall, the organic growth in operating expenses was 5.6%. The increase due to acquisitions realised during 2005 (including Euro Mail B.V., Door-to-Door d.o.o., Asinus d.o.o. and assets of Rheinkurier GmbH) and realised in 2006 (including JD Williams & Company Ltd, Trespertrans S.L. (TG+), Speedage Express Cargo Services) was 2.2 %. Changes in foreign exchange rates had a positive effect of 0.1%.

Total cost of materials increased by €1 million (0.2%) in 2006 compared to 2005. Organically, cost of materials increased by €15 million (3.6%) in 2006, mainly due to higher fuel costs in our express division. The net effect of acquisitions and disposals realised during 2005 and in 2006 was €14 million negative (3.4%).

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. Total work contracted out and other external expenses increased by €578 million (16.1%) in 2006 compared to 2005. The net effect of acquisitions and disposals realised during 2005 and in 2006 contributed €112 million (3.1%) in 2006 to the increase. The organic increase of €473 million (13.2%) was mainly related to higher linehaul, pick-up, and delivery costs in our express business to service the higher volumes and improve the quality of service, inclusive of the higher fuel costs from commercial linehaul and subcontractors. It is, furthermore, primarily related to the volume growth of European Mail Networks in our mail business. The increase was partly offset by adverse changes in foreign exchange rates of €8 million (0.2%).

Salaries, pensions and social security contributions increased by €66 million (2.0%) in 2006 compared to 2005. Acquisitions realised during 2005 and in 2006 contributed €67 million (2.0%) to the increase. Salaries, pensions and social security contributions increased organically by €4 million (0.2%) as a result of organic growth and acquisitions realised during 2005 and in 2006, almost offset in full by a reduction of average full-time employee equivalents (FTEs) in the mail division in connection with our cost flexibility programme. The trend of replacing more expensive labour with less expensive labour to reduce operating costs in our mail division continued in 2006. This increase was partly offset by adverse changes in foreign exchange rates of €5 million (0.2%).

Depreciation, amortisation and impairments increased by €15 million (5.0%) compared to 2005. The organic increase as a result of capital investments amounted to €12 million (4.0%). The net effect of acquisitions and disposals realised during 2005 and 2006 increased these costs by €3 million (1.0%).

Other operating expenses included items such as marketing expenses, restructuring costs, insurance costs and various other operating costs. Other operating expenses decreased by €30 million (4.9%) in 2006 compared to 2005. Other operating expenses decreased organically by €40 million (6.6%) in 2006, mainly due to lower costs for the rebranding of non TNT branded companies into TNT brand compared with 2005, and higher costs in 2005 for the self insured part of the damage caused by major fires in warehouses in 2005 and employer

liability in the United Kingdom. This decrease in operating expenses was partly offset by growth in our European Mail Network business. The decrease was partly offset by acquisitions realised during 2005 and in 2006, which contributed €10 million (1.6%).

2005/2004

Total operating expenses increased by €494 million (6.4%) to €8,219 million in 2005 compared to 2004.

Total cost of materials increased by €66 million (19.3%) in 2005 compared to 2004, mainly due to higher fuel costs in our express division.

Work contracted out and other external expenses relate to fees paid for subcontractors, external temporary staff, rent and leases. Total work contracted out and other external expenses increased by €248million (7.4%) compared to 2004. The increase mainly related to growth of European Mail Networks in our mail business and higher linehaul, pick up, and delivery costs in our express business.

Salaries, pensions and social security contributions increased by €102 million (3.2%) compared to 2004. This increase was mainly due to higher pension costs and an increase in costs as a result of the settlement and unwinding of a contract for future wage guarantees in 2004 in our mail business. In addition, the increase was caused by an increase in average FTEs as a result of organic growth in our express business, partly offset by lower costs due to a decline in FTEs in our mail business in connection with our cost flexibility programme. The trend of replacing more expensive labour with less expensive labour to reduce operating costs in our mail division continued in 2005.

Depreciation, amortisation and impairments increased by €7 million (2.4%) compared to 2004.

Other operating expenses included items such as marketing expenses, restructuring costs, insurance costs, and various other operating costs. Other operating expenses increased by €71 million (13.2%) compared to 2004. Other operating expenses increased mainly due to increased advertising and consultants costs, and costs in connection with our ongoing tax investigations.

GROUP OPERATING INCOME**2006/2005**

Total operating income for the group was €1,276 million in 2006, an increase of 11.1% compared to 2005. Our express business contributed €580 million to the total operating income, which is an increase of 21.8% compared to 2005. Our express business is further described in chapter 3. Our mail business operating income decreased slightly by 1.8% to €761 million and is further described in chapter 4.

In 2006, non-allocated operating costs amounted to €65 million (2005: 103). Included in these costs is €27 million (2005: 61) for business initiatives, of which €25 million (2005: 33) relates to the continuing development of our activities in China. As a result of maturing operations, more employees were allocated to the respective express and mail businesses. As a result, the average number of full-time equivalents employed for the development initiatives decreased from 485 at the end of 2005

to 201 at year end 2006. The remaining costs for the business initiatives decreased from €28 million in 2005 to €2 million in 2006. This reduction is a result of lower costs for the rebranding of non TNT branded companies into TNT brand and the allocation of costs for a procurement initiative and a cost efficiency project for lean warehousing to the respective operations. Costs made to support the United Nations World Food Programme (WFP) were €8 million in 2006 (2005: 9), including costs for knowledge transfer, hands-on support, raising awareness and funds for the WFP and cash donations. The other costs were €30 million (2005: 45), which represent a decrease of €15 million compared to 2005. This decrease mainly relates to higher costs in 2005 as a consequence of the self insured part of the damage caused by major fires in three different warehouses in the United States, Spain and the United Kingdom and employer liability in the United Kingdom. Furthermore, the costs for tax investigations decreased from €23 million in 2005 to €21 million in 2006.

Acquisitions to expand our express and European Mail Networks realised during 2005 and in 2006 had an adverse effect of €17 million (1.5%) on our operating income in 2006. Foreign currency movements during the year had a negative effect of €2 million (0.2 %) on our operating income.

2005/2004

Total operating income for the group was €1,148 million, an increase of 3.4% compared to 2004. Our express business

(excluding freight management) contributed €476 million to the total operating income in 2005, which is an increase of 25.9% compared to 2004. Our mail business operating income decreased by 3.5% in 2005 to €775 million.

In 2005, non-allocated operating loss amounted to €103 million. Included in these costs is €61 million for business initiatives, of which €33 million was used to further develop our operations in China. During 2005 we strengthened our China corporate headoffice and started our domestic parcel express business. The remaining €28 million of business initiatives was used for several other strategic projects (building alliances with other organisations and postal operators, the TNT-I project, re-branding costs of non-TNT branded organisations into the TNT brand and a cost efficiency project for lean warehousing). Costs made to support the WFP were €9 million; including costs for knowledge transfer, hands-on support, raising awareness and funds for the WFP and cash donations. The other costs were €45 million, representing an increase of €21 million compared to 2004. This increase mainly related to costs made for tax investigations, which amounted to €23 million compared to €13 million in 2004 and to costs for the uninsured part of the damage caused by major fires in three warehouses, one in the United States, one in Spain, and one in the United Kingdom, and employer liability in the United Kingdom. These costs were partly offset by the gain on the sale of Global Collect B.V. (€12 million).

GROUP FINANCIAL INCOME AND EXPENSES

Year ended at 31 December

NET FINANCIAL (EXPENSE)/INCOME	2006	2006	variance %	2005	variance %	2004
	US\$	€		€		€
Interest and similar income	263	199	70.1	117	17.0	100
Interest and similar expenses	(325)	(246)	(110.3)	(117)	(0.9)	(116)
Net financial expense	(62)	(47)		0		(16)

(in millions, except percentages)

2006/2005

Interest and similar income: 199 million (2005: 117)

Interest and similar income of €199 million (2005: 117) mainly relates to interest income on banks, loans and deposits of €109 million, of which €93 million relates to a gross up of interest on cash pools (fully offset by an equal amount in interest expenses), interest income on funding our discontinued business (logistics and freight management) of €73 million, and hedge income of €15 million relating to outstanding hedges.

Interest and similar expenses: 246 million (2005: 117)

Interest and similar expense in 2006 of €246 million mainly relates to interest expense on bank overdrafts and bank loans of €117 million, of which €93 million relates to a gross up of interest on cash pools (fully offset by an equal amount in interest income), interest expense on long term borrowings of €52 million, interest on fundings owed to discontinued business (logistics and freight management) of €21 million, hedge costs and fair value adjustments on outstanding hedges of €31 million and interest expenses on taxes of €21 million. Relating to the interest expenses on taxes an amount of €14 million is to be paid as at 31 December 2006.

2005/2004

Interest and similar income: 117 million (2004: 100)

Interest and similar income in 2005 of €117 million (2004: 100) mainly relates to interest income on funding our discontinued logistics business of €74 million (2004: 67) and the interest of €21 million relating to an income tax refund. The interest income in 2004 also relates to a one-off gain of €11 million on the unwinding of a USD 435 million swap.

Interest and similar expenses: 117 million (2004: 116)

In 2005 interest and similar expense of €117 million mainly relates to interest expense on funding from our discontinued logistics business of €21 million (2004: 18), interest expense on long term borrowings of €54 million (2004: 61), and expenses on our outstanding hedge transactions of €23 million (2004: 9).

GROUP INCOME TAXES

Year ended at 31 December

INCOME TAXES	2006	2006	variance %	2005	variance %	2004
	US\$	€		€		€
Current tax expense	522	396	18.6	334	(2.1)	341
Changes in deferred taxes	(1)	(1)	(102.4)	42	35.5	31
Total income taxes	521	395	5.1	376	1.1	372

(in millions, except percentages)

2006/2005

Group income taxes amounted to €395 million in 2006, an increase of 5.1% compared to 2005.

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the income before income taxes. In 2006, the effective income tax rate was 32.3% (2005: 32.8%), which is higher than the statutory corporate income tax rate of 29.6% in the Netherlands (2005: 31.5%). This difference is caused by several opposite effects. For further details we refer to note 23 of our financial statements.

The total accumulated losses available for carry forward at 31 December 2006 amounted to €689 million (2005: 639). With these losses carried forward, future tax benefits of €221 million could be recognised (2005: 203). Tax deductible losses give rise to deferred tax assets at the statutory rate in the relevant country. Deferred tax assets are recognised if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the utilisation of such benefits, for example as a result of the expiry of tax losses carried forward and projected future income. As a result we have not recognised €158 million (2005: 133) of the potential future tax benefits and have recorded net deferred tax assets of €63 million at the end of 2006 (2005: 70).

2005/2004

Group income taxes amounted to €376 million in 2005, an increase of 1.1% compared to 2004. Our effective tax rate for 2005 was 32.8% compared to 34.1% for 2004. The effective tax rate was positively influenced by the decrease in statutory income tax rate in the Netherlands from 34.5% in 2004 to 31.5% in 2005.

The total accumulated losses that were available to carry forward at 31 December 2005 amounted to €639 million (2004: 602). With these losses carried forward, future tax benefits of €203 million (2004: 194) could be recognised. Tax deductible losses give rise to deferred tax assets at the statutory rate in the relevant country. We recognise deferred tax assets if it is probable that they will be realised. The probability of the realisation is impacted by uncertainties regarding the utilisation of such benefits, for example as a result of the expiry of tax losses carried forward and projected future income. As a result we have not recognised €133 million (2004: 116) of the potential future tax benefits and have recorded net deferred tax assets of €70 million at the end of 2005 (2004: 78).

DISCONTINUED OPERATIONS

In 2006, the loss from discontinued operations was €157 million and related to the discontinued logistics and freight management businesses. The loss from discontinued operations relates to both the result for the period and the post-tax result on the actual disposal of the asset held for sale. In 2006 the discontinued logistics operations resulted in an operating income of €43 million. Included in this income is a €35 million loss in respect of a provision for onerous contracts. In the first quarter of 2006, the remainder of our French operations was sold to the French cargo transport operator Malherbe and Pierre-Michel Mendy/Groupe Lapegue, resulting in a total loss of €26 million recorded in "Other income".

The loss in 2006 of €45 million on "Result from investments in associates" relates mainly to a €43 million asset impairment in respect of TNT's 20% equity interest in Global Automotive Logistics SAS.

The post-tax transaction loss on disposal assets held for sale of the logistics business amounts to €87 million and includes various deal related expenses and the portion of our cumulative translation adjustment that relates to our discontinued logistics business resulting in a charge of €12 million.

In 2005, the loss from discontinued operations was €109 million. Included in this loss was the pre-tax result of the sale transaction of the French logistics activities amounting to €102 million. Other losses relating to our logistics operations in France, including restructuring expenses, amounted to €52 million. The operating income for the remainder of our discontinued business amounted to €148 million, offset by €69 million of net financial expense and €34 million of income tax expense.

The discontinued operations are further described in chapter 5.

GROUP NET INCOME

2006/2005

In 2006, profit for the year attributable to equity holders of the parent was €670 million, an increase of €11 million (1.7%) compared to 2005. This increase was mainly the result of an increase in operating income of €128 million, driven by our express business and lower non-allocated costs. The increase in profit for the year attributable to the equity holders of the parent was for the most part offset by €19 million higher income taxes, €47 million higher net financial expense, an increase in loss from discontinued operations of €48 million and an increase in loss from investments from associates of €4 million.

2005/2004

In 2005, profit for the year attributable to the equity holders of the parent was €659 million, a decrease of €93 million (12.4%) compared to 2004. This decrease was mainly the result of an increase in loss from discontinued operations of €141 million and €4 million higher income taxes. The decrease in profit for the year attributable to the equity holders of the parent was partly offset by an increase in operating income of €38 million, mainly driven by our express business, and a reduction of net financial expenses of €16 million.