





“High levels of service,
good responsiveness
and pressure-resistant,
tough staff.”

MR JOHN ANDERSEN

Director Logistics EMEA Integrated Supply Chain
Motorola GmbH

MOTOROLA

After over 15 years as a TNT client, Motorola in Germany uses all TNT's services except mail and with a focus on express road and air. Motorola's late night pick-up requirements from its distribution centre, frequently after 10 p.m., mean it needs a reliable transport company that guarantees next-day deliveries throughout Central Europe. Only TNT meets this demand.

John Andersen: "TNT's service with respect to late pick-ups and speed of next-day delivery in Central Europe is unmatched by any of its competitors. We need that kind of service and commitment in that important market. At the moment, there is no other supplier that offers that option. We perform reviews of all available suppliers each year so we know what we are talking about. While we also use other partners for our global transport requirements – TNT serves us primarily in Central Europe – we are certainly satisfied with our relationship with TNT. We would not have had such a long relationship with them if we were not. The level of service is high and the staff's responsiveness in the event of problems is excellent."

"The transport market is not an easy one these days, with increasing competition from so many sources. Yet TNT has proven to be tough and resilient to market pressures."

While possible areas of improvement include price and pro-activeness in unbidden suggestions for contract optimisation, Mr. Andersen is particularly pleased with the personal contact with TNT's personnel: "An area where TNT scores highly in my books is its staff. Personal contact is important in any business relationship as this is the area where we can push and assist people in getting the things we need done. And TNT staff is certainly not fazed by setbacks. We accept that there are situations in which suppliers feel unable to meet clients' demands and have to simply say 'no'. And that's okay. Yet TNT always invests efforts to find a solution to any issue that arises."

MR JOHN ANDERSEN

Director Logistics EMEA
Integrated Supply Chain





REPORT OF THE SUPERVISORY BOARD

COMPOSITION SUPERVISORY BOARD

The composition of the Supervisory Board changed in 2006. Mr. R. King was appointed by the general meeting of shareholders on 20 April 2006 as a new member of the Supervisory Board. His knowledge and expertise in Asia are of great value to TNT.

Both Mr. J.M.T. Cochrane and Mr. R.W.H. Stomberg were reappointed by the general meeting of shareholders for an additional four year term.

As per the close of the annual general meeting of shareholders of 20 April 2007 the terms of Mr. R. Dahan, Mr. V. Halberstadt and Mr. W. Kok will expire; all three members are available for reappointment and have the support of the central works council.

Mr. J.M.T. Cochrane, will resign as per 31 July 2007. Mr. Cochrane has been a Supervisory Board member since the demerger of TNT in 1988. The Supervisory Board is grateful for his advice and wisdom, and his dedication over the years. The Supervisory Board will propose to the annual general meeting of shareholders to appoint Mrs. M. Harris, former partner of McKinsey & Company, as a new member of the Supervisory Board.

COMPOSITION COMMITTEES

There were no changes to the composition of the committees in 2006. For an overview of the current composition of the committees, see page 59.

INDUCTION

The new member of the Supervisory Board, Mr. King, attended a full-day induction programme in June. Senior corporate directors went through the strategic, financial, legal and reporting affairs of TNT with Mr. King.

MEETINGS OF THE SUPERVISORY BOARD

In 2006, the Supervisory Board held nine meetings with the Board of Management. The Supervisory Board also held five evening meetings, of which two were attended by the full Board of Management and three by the CEO only. Four of the evening meetings were concluded by private sessions of the Supervisory Board with no members of the Board of Management present. 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 three meetings by telephone. 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 2006, the Supervisory Board approved the amendment of our articles of association involving a decrease of our authorised capital and several technical amendments and approved the agenda for the extraordinary general meeting of shareholders held on 27 February 2006.

At the end of February 2006, the Supervisory Board discussed our 2005 financial statements and approved the 2005 full year dividend. The Supervisory Board discussed the management letter by our auditors, PricewaterhouseCoopers Accountants

N.V., and the result of the assessment by the Board of Management of the structure and operation of our internal risk management and control systems.

The Supervisory Board discussed the new Fraud Prevention Policy and approved the revised TNT Business Principles and Whistleblower Policy. In the same meeting, the Supervisory Board approved the 2005 social responsibility report. The cancellation of shares purchased by TNT under the repurchase program announced on 6 December 2005 and the agenda for our annual general meeting of shareholders on 20 April 2006 were also approved.

In May, the Supervisory Board furthermore discussed the 2006 first quarter results. The Supervisory Board also reviewed an update on contingency plans for pandemic and avian influenza. Jointly with the Board of Management, the Supervisory Board visited several operational sites of the mail business in June, including a printing facility of Cendris (Leidschendam, the Netherlands), a mail sorting centre (Leidschendam) and a mail distribution facility (The Hague, the Netherlands), and was briefed by local management on the processes. The Supervisory Board also held the annual strategy meeting together with the Board of Management, reviewing in particular the business strategies of the Mail and Express divisions.

In July, the 2006 second quarter results and the half-year management letter by PricewaterhouseCoopers were discussed, and the Supervisory Board approved the 2006 interim dividend. In October, the 2006 third quarter results were discussed. The Supervisory Board also discussed an elaborate update on the structure and status of risk management, internal controls, integrity and compliance within TNT. In October and November, the Supervisory Board discussed new commercial and cost saving initiatives for the Dutch mail operations in response to changing market dynamics from increased competition and substitution.

In December 2006, the Supervisory Board discussed the 2007 budget plan with the Board of Management. The Supervisory Board also reviewed the company's talent management and succession planning. In the December evening meeting, the Supervisory Board evaluated with the CEO the functioning of the Board of Management and its individual members as well as the feed back by the Board of Management of the relationship with the Supervisory Board. Subsequently, the Supervisory Board discussed in a private session the functioning of the CEO and, based on an elaborate self-assessment, its own functioning and functioning of the committees, the performance of its individual members and its profile, composition and competence.

Implementation of "Focus on Networks"

During the year 2006, the Supervisory Board spent ample time reviewing and monitoring the progress on the implementation of the refined strategy "Focus on Networks", announced on 6 December 2005. This strategy encompasses focus on the core competency of providing delivery services by managing transport networks, the intended divestment of the logistics business and a more optimal capital structure.

The Supervisory Board allocated considerable time in meetings in March, May, June, and July to discuss the process of the controlled auction of the logistics business. In these meetings, the Supervisory Board reviewed and evaluated, amongst others, the selection of the investment bank advising TNT on the sales

process, the profiles of the bidders, the bid prices, the finance capacities of the bidders and the comments on contractual documentation. Particular attention was paid to review the commitments by bidders relating to the employees and relating to the continuation of the business as a whole. In August, the Supervisory Board held two conference calls to approve the finalization of the negotiations with the final buyer Apollo, and to approve the agenda for the extraordinary general meeting of shareholders on 29 September. In October, the Supervisory Board was briefed about the progress on the completion process of the transaction. Completion of the transaction took place on 4 November.

The Supervisory Board thanks the management and employees of the logistics business for their dedication and commitment during the sales process and wishes them success in the future under the new name CEVA Logistics.

In view of “Focus on Networks”, the Supervisory Board reviewed various proposed growth initiatives. In February, the Supervisory Board approved the purchase of two new Boeing 747-400ERF freighters which will connect Asia and Europe. For the acquisition of the Chinese freight and parcels company Hoau, the Supervisory Board approved in February the signing of the framework agreement and in September the signing of the equity transfer agreement. In May, the Supervisory Board approved the acquisition of Speedage, an Indian domestic road express operator. After a first review in July, the Supervisory Board approved in October the acquisition of Mercurio, a Brazilian domestic road express operator. In May, the Supervisory Board reviewed and approved the proposal to simplify the group head office structure with a view to reducing overhead costs by €75 million.

In May and October, the Supervisory Board discussed the position of the freight management business leading to the announcement to divest in October and, after approval by the Supervisory Board, the signing of the share purchase agreement with the French based logistics service provider Geodis in November 2006. Completion of this transaction took place on 5 February 2007. The Supervisory Board would also like to wish employees and staff active in freight management all success in the future.

In May and June, the Supervisory Board discussed optimisation of our capital structure, and approved proposals for allocation of funds to growth initiatives and share buy back programmes. During the year the Supervisory Board reviewed TNT’s contingency plans for pandemic and avian flu and other risks potentially impacting operations.

The State

In November 2006, the State of the Netherlands sold all of its shares in TNT, representing 10.9% in TNT’s share capital. The State also agreed to transfer its special share to TNT for free and to terminate the special control rights and the other arrangements that were related to the State’s shareholding. As a consequence hereof, the State’s capacity as shareholder in TNT has come to an end. The Supervisory Board is grateful to the State of the Netherlands for the constructive relationship over the years.

MEETINGS OF THE COMMITTEES

In 2006, the audit committee met seven times. 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 the full year 2005 and half-yearly 2006 management letters as well as our 2005 annual results and the 2006 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. The audit committee reviewed the TNT Reserves- and Dividend Guidelines and proposals for full year dividend 2005 and interim dividend 2006.

In February and July, the audit committee reviewed our internal control mechanisms and risk management processes. During the year the audit committee was updated about the progress of implementing of the requirements under Section 404 of the Sarbanes-Oxley Act. Regular updates were also given on integrity matters. The Audit Committee reviewed the revised TNT Business Principles and Whistleblower Policy and the TNT Fraud Prevention Policy. The audit plan 2006 was discussed with PricewaterhouseCoopers and the audit fee proposal for 2006 approved. In December the audit committee reviewed the budget plan 2007 and internal audit plan 2007.

As previously disclosed, since August 2004, the company has been preparing an addendum to our original report to the UK tax authorities that covers other UK tax matters that were not the subject of the original investigation, and have been 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 was asked to oversee these investigations. The audit committee retained an independent law firm, Gibson, Dunn & Crutcher LLP, to assist the audit committee in conducting a full, independent investigation and appointed Mr. Kooijman and Mr. Der Kinderen to lead the work on their behalf.

In February 2006, the audit committee discussed the Gibson and Dunn’s report with respect to the 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, was not in doubt.

The independent counsel, the audit committee and the Supervisory Board discussed several remedial recommendations of the 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 the independent counsel on the results of the investigation, including staffing assessments and the remedial recommendations. TNT’s external auditor, PricewaterhouseCoopers Accountants N.V., was also briefed on the investigation in detail by the independent counsel. PricewaterhouseCoopers subsequently discussed those results with the audit committee and Supervisory Board and supported the remedial actions. The Board of Management endorsed the

remedial actions, which were implemented in the course of 2006 under the supervision of the Supervisory Board.

During the year the audit committee discussed with Mr. Kooijman the progress of the negotiations with various tax authorities and the effect on the estimated realistic range of contingent tax liabilities. On 20 April 2006, TNT announced that the estimated realistic range of its contingent tax liability reduced from “between €150 million and €550 million”, as disclosed in TNT’s annual report for 2005, to “between €100 million and €250 million”, which TNT continues to believe to reflect the realistic range of the contingent liability.

In 2006, the remuneration committee held five meetings including one meeting held by telephone. Early in the year, the remuneration committee discussed the amendments to the remuneration policy for the Board of Management, which amendments were adopted by the general meeting of shareholders on 20 April 2006. In mid-2006, the committee reviewed the proposal for the discretionary bonus incentive for Mr. Kulik regarding the sale of Logistics. In the second half of the year, the proposed amendments to the remuneration policy for 2007 were discussed, including the pension arrangements for the Dutch members of the Board of Management as well as some amendments to the long term equity plan.

The nominations committee held three meetings in 2006. In January 2006, the committee discussed the list of potential candidates for the new vacancy for a member with Asian experience. In July and December, the nominations committee reviewed the Supervisory Board profile, composition and rotation plan. Also the profiles of the senior corporate directors at group head office were discussed. Special attention was paid to Human Resources and Legal Affairs.

The public affairs committee met three times in 2006. The committee discussed national postal regulatory developments, including the proposed new Dutch postal law, and the status and various related subjects of European postal liberalisation. The public affairs committee reviewed our 2005 social responsibility report and the work plan for the 2006 social responsibility report. In the second half of 2006, the committee reviewed the new commercial and cost saving initiatives for the Dutch mail operations.

Each committee reported its findings and conclusions on a regular basis, both verbally and in writing, to the full Supervisory Board. Minutes of the audit committee meetings were prepared over-night, being available in draft to the full Supervisory Board the next morning prior to the regular Supervisory Board meeting.

Each Supervisory Board member’s year of birth, current and former positions, number of shares and other supervisory board memberships held 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 in 2006 no decisions were taken by the Supervisory Board that did not comply with its by-laws.

REMUNERATION POLICY

For the remuneration policy for members of the Board of Management see chapter 8; for the remuneration of members of the Board of Management and the Supervisory Board over 2006, see note 19 to the consolidated financial statements.

FINANCIAL STATEMENTS

This annual report and the 2006 consolidated financial statements, audited by PricewaterhouseCoopers Accountants N.V., were presented to the Supervisory Board in the presence of the Board of Management and the external auditor. PricewaterhouseCoopers’ report can be found on page 177.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2006 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 178.

Subject to adoption of the financial statements, a final dividend of €0.73 per ordinary share of €0.48 nominal value will be paid in respect of the 2006 financial year. An interim dividend of €0.26 has already been paid in 2006, so the total dividend per ordinary share in respect of 2006 will be €0.47.

The Supervisory Board wishes to thank the Board of Management and all employees of TNT for their outstanding contributions in 2006.

Supervisory Board
Amsterdam, 26 February 2007