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Growth through networks
Annual report 2007

CHAPTER I
From
the CEO



chapter I — from the CEO

2007 —
Annual report

Dear colleagues,
shareholders, customers
and other readers,

2008 – the tenth year of TNT's existence – will see us enter the second phase of our "Focus on Networks" strategy in excellent shape: strengthening the core of our portfolio and further growing profitable activities in our emerging platforms. Profitable growth will continue to be an important theme for TNT in the years to come, which is why together with this annual report you will find a brochure called *New Growth* with the testimonies of some of our colleagues in two exciting growth markets: China and Brazil. They tell us what growth means to them, to their work, their careers and their personal lives.

Growing our networks means we can extend the spread of our services for existing and new customers. And, of course, a growing business means more chances for our employees to develop their careers and grow as well. Share buy-backs have allowed us to deliver extra growth in earnings per share and return on equity for our shareholders. Finally, last year saw the start of our Planet Me CO₂ reduction programme, which will allow us to mitigate the impact of our growth on our planet in the short term, with a vision to becoming a carbon neutral company in the longer term.

Shareholder value growth

As a company we aim to grow shareholder value by using our financial resources to invest in our business.

Looking at our performance, we can conclude that 2007 was a good year, with favourable developments in most of our activities and overall a realisation of our result expectations. Profit from continuing operations came in at €783 million after taking a €110 million provision for part of the restructuring in Mail Netherlands in the coming years. Corrected for the impact of these future costs the underlying profit from continuing operations grew by a healthy 4.5%. Profit attributable to the shareholders came in at a record level, aided by a book gain on the sale of our Freight Management business.

Our Express division produced good results in 2007. Operating revenue growth was especially strong outside Europe (43.0%), partly as a result of the inclusion of revenue figures from the acquired companies in China, India and Brazil. Integrating Hoau, Speedage and Mercúrio into our company and aligning them with TNT standards is progressing well, but will continue to demand a lot of management attention in 2008. In Europe, TNT Express continued to grow faster than the market and its competitors, thereby further strengthening our leading position. The profit margin in Express was 9.1% in 2007, which was, of course, negatively impacted by investments in our new acquisitions in lower margin areas.

Our Mail division's results were good as well. Mail managed to grow revenues overall by 4.2% despite a 1.7% decline in revenues in the Netherlands. This was possible because revenues in European Mail Networks grew by a healthy 33.8%. In 2007, the profit margin in Mail came in at 14.8% or 17.4% if corrected for the €110 million restructuring provision mentioned earlier.

In the United Kingdom, Mail grew its addressed mail services delivered through downstream access, but we also started deliveries on our own in Manchester, Glasgow and Bristol. And we addressed the unsatisfactory development of a UK parcel business by disposing of the company.

Rebuffing strong competition, TNT Post Germany nearly doubled its revenues and extended its own network to almost 25% of German households. The German government's adoption of a €9.80 minimum wage in December 2007 is unexpected and provides a severe handicap for the further development of our business. We are contesting this minimum wage in the German courts. Such a high wage level severely hinders competitors to Deutsche Post to start competition, but more importantly, it provides a serious test for Europe's will to fully liberalise its postal markets, not only legally but also by not allowing practical hurdles.

TNT's 2007 share price performance followed the trend of its peers and sector. The impact of the credit crisis and resulting fear of a recession caused our share price to lose 14% during 2007. Since the start of our Focus on Networks strategy in December 2005, our total shareholder return until the end of 2007 was 18.5%, compared with an average of 13.5% for our peers.

TNT and AEX – share price comparison 2007

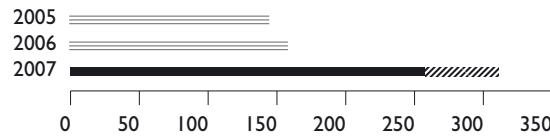
Annual relative performance to Euronext Amsterdam (AEX)



Since December 2005, we have been repurchasing shares, contributing to increased earnings per share. In 2007, we repurchased almost 23 million of our own shares. It is our policy to cancel all repurchased shares.

Earnings per diluted ordinary share

In € cents

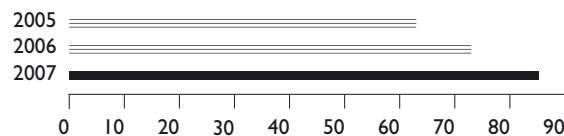


The extended section of the 2007 bar relates to discontinued operations.

Finally, we have announced our intention to increase the dividend pay-out from around 35% of normalised net income to around 40% by 2010. This move fits with the strength of our cash flow and continues the pattern of our dividend payments over the past years. In 2007, our dividend per share proposal delivers an increase of 16.4%. It will be clear our share buy-back programmes directly benefit our long-term shareholders with increased dividend payments.

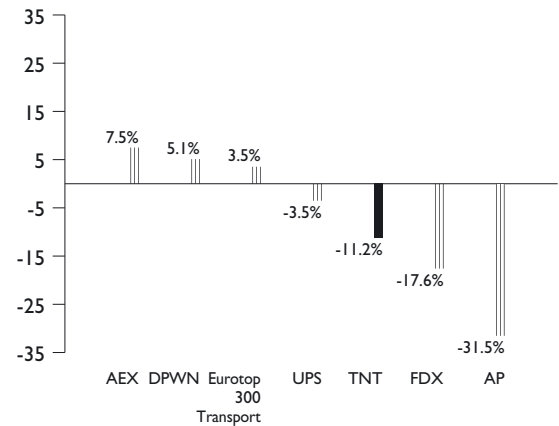
Dividend per share

In € cents



Together these developments have led to a total shareholder return performance in 2007 that is in the middle of our sector.

Total shareholder return 2007 versus peers



Source — Bloomberg Professional (own currency based)

Customer value growth

TNT aims to exceed its customers' expectations by providing distinctive levels of service quality and customer care. Our aim is to deliver our customers' consignments on time at the right address in perfect condition every time. We encourage all of our people to go the extra mile in their dealings with customers, knowing that providing exceptional service will allow TNT to become distinctive in the market and further improve customer satisfaction and loyalty.

As our networks grow, we are able to offer our customers more and better services. This was the case in Europe where we added airport connections to Bordeaux and Larnaca (Cyprus) to our air network and continued to increase our market share. It applies even more to the emerging markets where our expanding networks are actually an important factor in the economic development of the countries where we operate.

The extension of our Asian road network is another example. With the expansion into Vietnam and China, this network now offers customers a new Economy Express product: faster than sea, cheaper than air. As a result, volumes are growing fast.

Growth for our employees

A growing company offers new opportunities to its employees. Through organic growth and acquisitions, the number of our employees grew from 139,000 to 161,000 in 2007. It's good to see that our strategy has now resulted in some 17,000 employees in China, 6,000 in Brazil and 2,000 in India.

Instilling pride in our people is at the very base of our success. We are a people company. People are key to our success: it is their enthusiasm, their passion, their willingness to go the extra mile that determines how well we are able to serve our customers and to exceed their expectations.

One of the challenges for TNT is the fact that we are experiencing a lot of growth outside the Netherlands, while in our home market the main part of our business in Mail is declining. TNT Post has devised a series of Master Plans to counter volume declines in addressed mail that result from competition and substitution of physical mail by forms of electronic communication in the Netherlands. Depending on the success of the negotiations for a new collective labour agreement for TNT Post, between 6,500 and 11,000 people will leave the company over time. Given our strong commitment to social responsibility, we intend to do everything possible to ensure these redundancies will be dealt with in a responsible manner, assisting people from work to work. For this reason we have taken a provision of €110 million and will continue to take significant provisions to make this possible.

We know we ask our employees within TNT Post Netherlands to make great sacrifices to adapt to the realities of the market. To underline our understanding, the Board of Management agreed with the Supervisory Board to again limit the 2008 remuneration package. From 2008, the base salaries of the members of the Board of Management will increase in line with the collective labour agreements in the key European countries where TNT operates. For 2008, after four consecutive years of frozen base salaries, a 2% increase will be applied. The 2008 short-term and long-term incentives will again be capped at 2006 levels, which means a freeze for the second consecutive year.

The subject of road safety in the emerging markets will be addressed with the highest priority. Primarily driven by recent acquisitions, the number of road traffic fatalities in our own activities and those of our subcontractors jumped to an unacceptable 42. Of those fatalities, 21 took place in India, where the infrastructure and standards and legislation governing road safety are still developing. We are doing our utmost to ensure that our entire fleet of vehicles is safe and well maintained and that all our drivers and subcontracted drivers are fit and qualified to operate their vehicles.

Growth for our planet

When it comes to our planet, growth is not always positive. Often economic growth means increasing pollution and depletion of natural resources. While the global economy is growing fast, issues such as poverty and hunger continue to affect many hundreds of millions of people. As a company, we do not close our eyes to these facts and we have developed two initiatives to help combat these negative effects of growth.

Since 2002, we have been partners of the United Nations' World Food Programme (WFP) in its fight against world hunger. In 2007, we evaluated the first five years of our partnership. In this period we accomplished much. In view of these successes and the enthusiastic participation of our employees, we decided to continue the partnership with WFP. We will sign a new contract at the beginning of 2008.

As a transportation company we have always been aware of the environmental impact of our activities. In 2005, we started a programme called Driving Clean, aimed at reducing the pollution caused by our fleet. Driving Clean set us thinking about the broader issue of CO₂ emissions and global warming. This is one of the major issues the world is dealing with today, and one in which the transportation industry must seize its responsibility. That is why we started a new initiative: Planet

Me, which includes a large number of innovative projects aimed at reducing the carbon footprint of our company.

We have set up and will further refine a comprehensive system to measure, manage and report our CO₂ emissions. Through a series of binding policies we are working hard to reduce these emissions across our global operations. And, as in our partnership with WFP, we will involve our employees as well, supplying them with information and fostering ideas for energy savings in their own lives.

The coming year

In 2008 the capital markets are likely to remain volatile. The crisis in the financial sector and the rising costs of oil and fuel support the global sentiment that fears recession in the United States and a slow-down in other parts of the world's economy.

With our clear strategy aimed at capturing growth and creating value through the expansion of our delivery networks, TNT is strongly positioned. Express should produce high single-digit revenue growth, while Mail should be growing at low single-digit levels. We expect the group's overall results to grow further.

2007 was a good year for TNT, one that put the company in a stronger position for the years to come. We have the dedication and loyalty of our people, the support of our shareholders, the trust of our customers and the wisdom of our Supervisory Board to thank for all of this.

Kind regards,



Peter Bakker
CEO