Dear stakeholders,

Looking back, 2010 was a year of large operational challenges. From the volcanic ash cloud in the spring to the mail strikes and harsh winter conditions, our company faced issues that tested our ‘Sure we can’ mentality.

But 2010 also saw the return of Express volumes to pre-economic crisis levels, and the volume growth in Parcels continued. On a corporate level we decided we would best serve our stakeholders’ interests and the company’s future by putting forward to the shareholders a proposal to separate the mail and express businesses.

Mail
In Mail, the ongoing substitution of physical mail by electronic forms of communication and competition in the first full year of a liberalised market led to a letter mail volume decline in the Netherlands of 9.0%.
FROM THE CEO

Fewer letters to be delivered, leads to less work for our employees. To deal with further volume decline, Mail needs to continue to make its work force more flexible. As a result, in 2007, the company announced its intention to replace 11,000 full-time mailmen jobs in the next few years. Most of the redundancies will be voluntary or through natural attrition, but in September 2010, Mail estimated the number of forced redundancies at 4,500. These restructuring plans affect some of our most loyal and long-serving employees in a hard way. Protests against the restructurings led to four consecutive strikes in the Netherlands in November and December 2010. On 16 December 2010, Mail reached an in principle agreement with the unions. In this agreement, the restructuring plans were adjusted to reduce the number of forced redundancies to 2,800, with a further possible reduction of 200 jobs as a result of future organisational changes and a maximum effort by Mail to move as many people as possible into new jobs outside of TNT. The majority of the union members ratified this agreement at the end of January 2011.

Online shopping continues to drive the volume growth in Parcels. In 2010, the number of parcels delivered in the Netherlands grew by 6.7%.

Parcels volume growth

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<th>Items in millions</th>
<th>FY 2009</th>
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<td>90</td>
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In order to accommodate this growth, Mail will invest a total of €240 million in the coming years to implement a new parcels infrastructure throughout the Netherlands that caters for a further 40% volume increase.

Mail is concentrating its international activities on the addressed mail segments in the United Kingdom, Germany and Italy. Since 2005, revenues in these activities have grown from 0 to €1.3 billion. The focus will be on improving the profitability of this portfolio.

Express

The eruption of a volcano in Iceland in April 2010, led to a severe disruption of air travel and transport in Europe. Our express air hub in Liège, Belgium closed down for two days. We were successful in shifting all air volumes to our road operations, minimising the consequences for our customers. Later in the year, the threat of explosives caused further operating challenges, as did the harsh winter weather in Europe.

As the economy recovered Express volumes returned to 2007 levels in the third quarter.
Note: Average daily Domestic and International volumes growth by quarter excluding Hoau (China) and acquisitions in Brazil and Chile

Competition and the higher growth in the large customer segment continued to put pressure on revenue-quality yield. Express is addressing this by a price increase announced in July and a yield management programme. The positive results will improve 2011 profitability.

In the first half of 2010, volumes on the Asia to Europe route rose sharply, which required Express to add two Boeing 747 freighters between Hong Kong, Shanghai and Liège. Since October, Express has added three additional stops in Chongqing, which makes it the first integrator to operate dedicated flights to Europe from this main port destination in western China.

To cater for the positive development of volumes on the Asia to Europe route Express has ordered three Boeing 777 freighters, the most energy efficient longhaul aircraft currently available on the market. These airplanes are expected to be delivered in 2011.

Corporate strategy
On 2 December 2010, TNT presented its next chapter in the development of our company with the launch of our proposal to separate our Mail and Express businesses into two independently listed companies. This separation is now in full motion and will be tabled for final decision at the Annual General Meeting of Shareholders on 25 May 2011. The separation decision is already reflected in the way this annual report is structured: Express is reported as discontinued operations and in order to maintain transparency a separate report on Express is provided.
In August, CFO Henk van Dalen unexpectedly left TNT. However we were able to quickly fill this vacancy with an internal candidate: Bernard Bot, formerly group director Business Control.

In the area of corporate responsibility (CR) we have for the fourth consecutive time become a supersector leader in the Dow Jones Sustainability Indexes. This annual report is the second in which we provide an integrated presentation of both our financial and CR performance.

In our partnership with the World Food Programme in 2010 we offered more than 14,000 hours of support in two major crises, in Haiti and Pakistan. After the separation the partnership will be continued by Express.

Looking ahead
The coming months will see us preparing and publishing the demerger documents. After the announcement of the first quarter results, Express and Mail will be presented to the capital market during so-called Capital Markets days on 3 May 2011 and 9 May 2011, respectively. Following this, on 25 May 2011 the demerger proposal will be put to the vote at the Annual General Meeting of Shareholders. After shareholders agreement the separation will come into force at the end of May.

Outlook
Mail expects addressed volume decline in 2011 in the Netherlands of between 8% to 10% due to ongoing substitution and competition, in this second full year after full liberalisation. Master Plan savings of €50 to €60 million are targeted for the year. Mail's underlying cash EBIT (defined as underlying EBIT minus pension cash outflows and cash out for restructuring) is expected to be €130 to €170 million. After separation, Mail's dividend guidelines for the next few years will include a payout of around 75% of underlying net cash income, with a minimum of €150 million per annum. In addition, shareholders will be given the dividend that Mail receives from the Express business.

For 2011, TNT assumes a mostly stable economic environment. To counter inflationary cost pressures (including fuel) and possible mix effects, Express will focus on structural costs and cash alongside yield improvements which continue to be a priority. For the full year, Express targets underlying revenue of €7.3 billion to €7.5 billion and underlying operating income of €400 to €420 million (operating income including the allocation of €20 million of TNT central costs). After separation, Express' dividend guideline will include a payout of around 40% of normalised net income.

The above excludes extra one-off costs directly related to the separation currently estimated at around €35 million.

I would like to thank all stakeholders for their interest in and support of TNT over the past year. A special mention is due to our employees whose energy and enthusiasm to the company helped us overcome significant operational challenges in 2010, including some of the worst weather we have seen in Europe in recent years. I salute all our truck drivers, delivery people and mail men and women who did their utmost to deliver express parcels and mail in spite of snow, wind and icy roads.

After the separation, the two new companies will be led by new management teams headed by Marie-Christine Lombard for Express and Harry Koorstra for Mail. I wish them a lot of wisdom and a clear strategic vision for the new directions they will choose for their companies. I'm confident of their ability and leave the legacy of 12 years of combined TNT in their capable hands.

The separation marks the end of the holding company, and with it the end of my role as CEO. I would like to thank everyone who over the years has helped to make TNT into what it is now: one of the most special companies in the world. I wish and expect Mail and Express to continue their success into the future.

Kind regards,

Peter Bakker,
CEO