# Vision 2015

Harry Koorstra

3 December 2009

# Agenda

- SDS
- EMN
- Mail NL

# Vision 2015: Day-sensitive delivery services

1 European Parcels

2 Day-sensitive Freight

3 Emerging Platforms

4 Special Delivery Solutions

*Accelerated growth through cost efficiency and customer focus*

# 4 SDS: target verticals for new solutions

## Opportunities along various value chains

2015

### Goods

Inbound Logistics → (Mft) / Warehousing → Outbound Logistics

→ Warehousing → Fulfillment → Delivery → Customer Service

→ Returns

### Information

Capture → Display → Movement

→ Storage → Access → Disposal

**Revenue CAGR of 14 - 18%**

| | |
|---|---|
| **Typical examples** | • Perfume and cosmetics<br>*€ 200 million*<br>• Clothing and footwear<br>*€ 150 – 300 million* |
| **Drivers** | |
| **Customers** | • Leverage existing customer base<br>• Increase share of wallet<br>• Create customer lock-in |
| **Networks** | • Leverage existing solutions<br>• Feeder volumes for existing networks |
| **Solutions** | • E-commerce (a.o. fulfillment)<br>• Innight, Storapart<br>• Fashion |
| **Verticals** | • Lifestyle<br>• Electronics / High tech<br>• Healthcare / Pharma |

# SDS: Additional growth through a differentiation in market approach



- TNT as network company is primarily focused on standarised delivery via generic networks
  - Within these networks the principle of mass customisation is applied

- Some customers however increasingly demand
  - More customisation of the services or products offered
  - Broader service proposition

- In Special Delivery Solutions (SDS) a more integrated service offering that is focused on vertical markets can be developed

- Common platforms used where appropriate

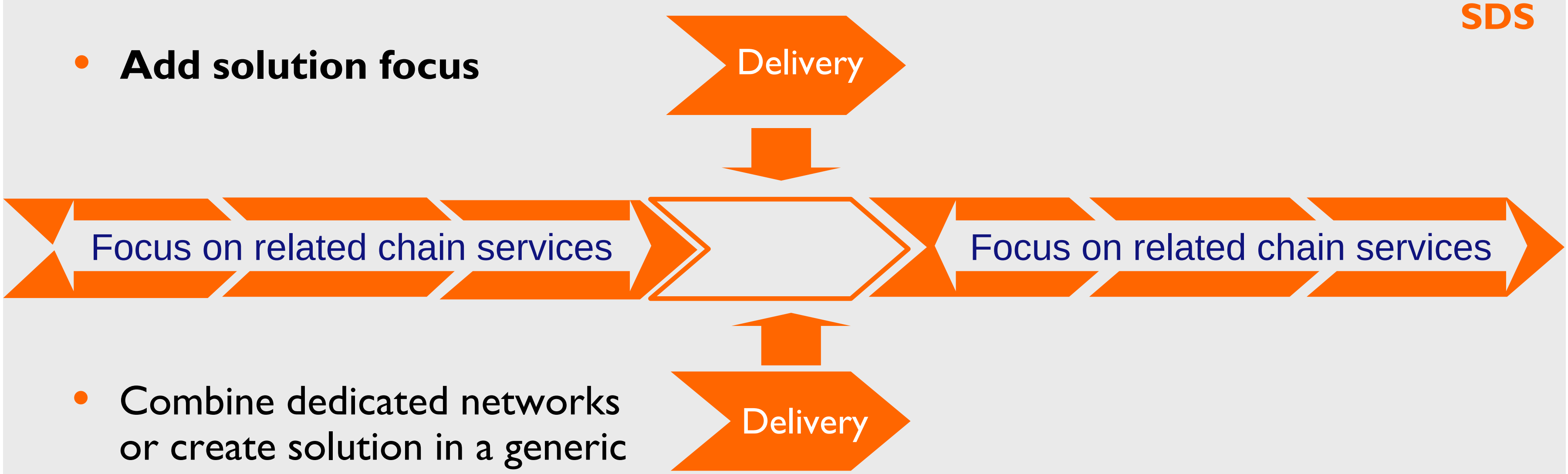
# Special Delivery Solutions (SDS)

SDS

- **Primary focus**
  - Services around optimising the customer value or production chain e.g.: verticals (electronics, fashion, …); sales channels (e-commerce, …); …
  - Organisation of secondary (generic) feeder and/or autonomous growth engine through solution selling

SDS

- **Add solution focus**
- Combine dedicated networks or create solution in a generic network



# Some of the major trends relevant to many of the verticals that are served by TNT

TNT SDS

- Cost orientation / legislation
  - Increased scarcity of funding triggered
    - By several trends: demography, scarcity of government funds, digitalisation
    - Trends/facts of life within some verticals such as strong competition
  - Example verticals:  HealthCare / Pharma, Printed media, Shop Logistics, Electronics

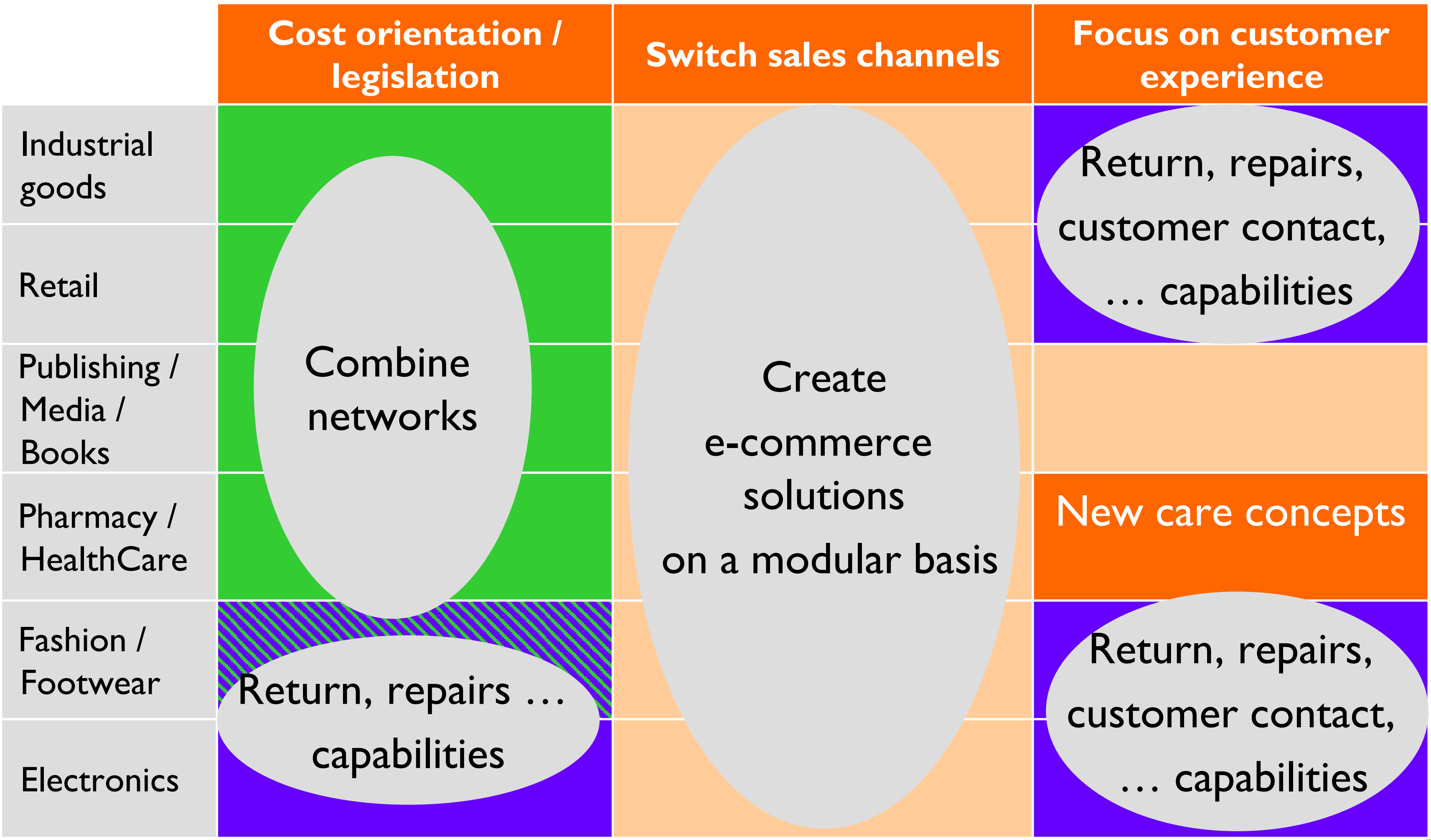
- Multi channel sales and marketing
  - Add / switch to digital sales channels
  - Examples verticals: Electronics, Books, Fashion, Music / Video

- Customer experience
  - More attention to customer experience and retention
    - Focus on service (customer contact, returns, repair)
    - Focus on sustainability (remanufacturing, recycle)
  - Examples verticals: Electronics, Fashion, Household appliances

These new demands cannot always be delivered through the service offering of generic networks

# Required solutions in relation to verticals and trends

SDS



*Example I*

# Combine networks … Shop Logistics: TNT can add value by realising consolidation and efficiencies in high street delivery

SDS

- Newspapers
- Magazines
- Books/ stationary
- Value goods (excl money)
- Convenience
- Cards

7-13 deliveries per day per shop

Logistics structure is mainly product driven

small shops: book/ newspaper stands, gas stations, convenience stores, hospitals, etc.

**TNT proposition**

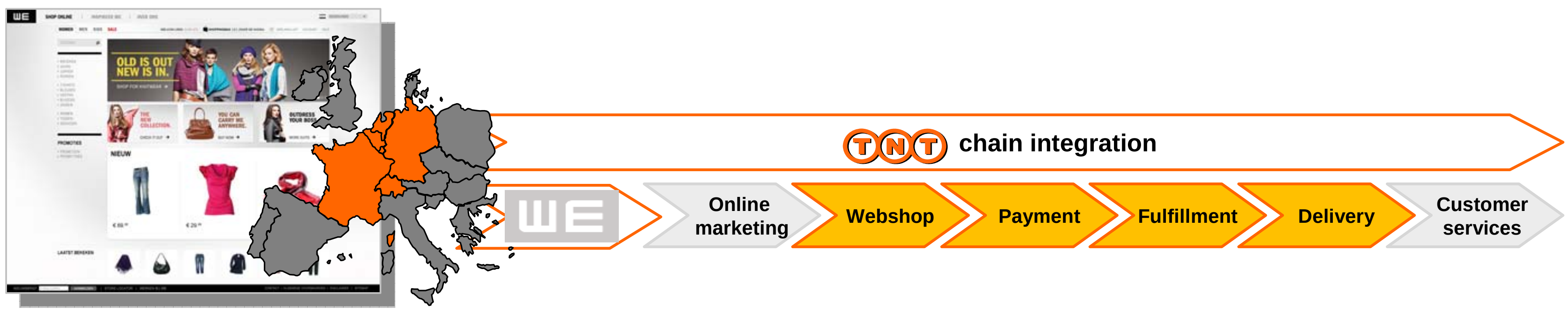
- Reduction of number of deliveries per day/ week
- Combination of product flows
- Increase in load factors

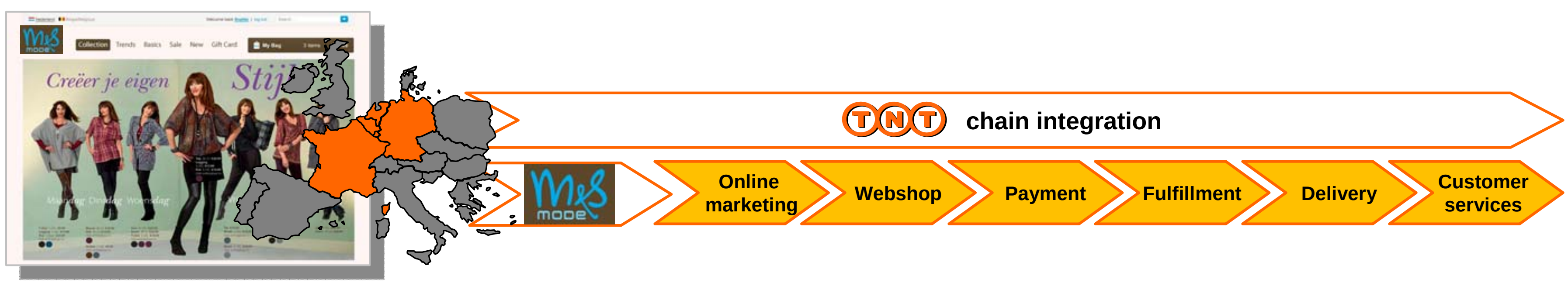
Other examples combining networks

- Pharma
- Fashion
- Mailroom
- Newspapers

SDS

# *Example 2*
# E-commerce: organising total online retail chains



*Example 3*

# Automotive Emergency Production solution, linking a variety of internal and external service components

SDS

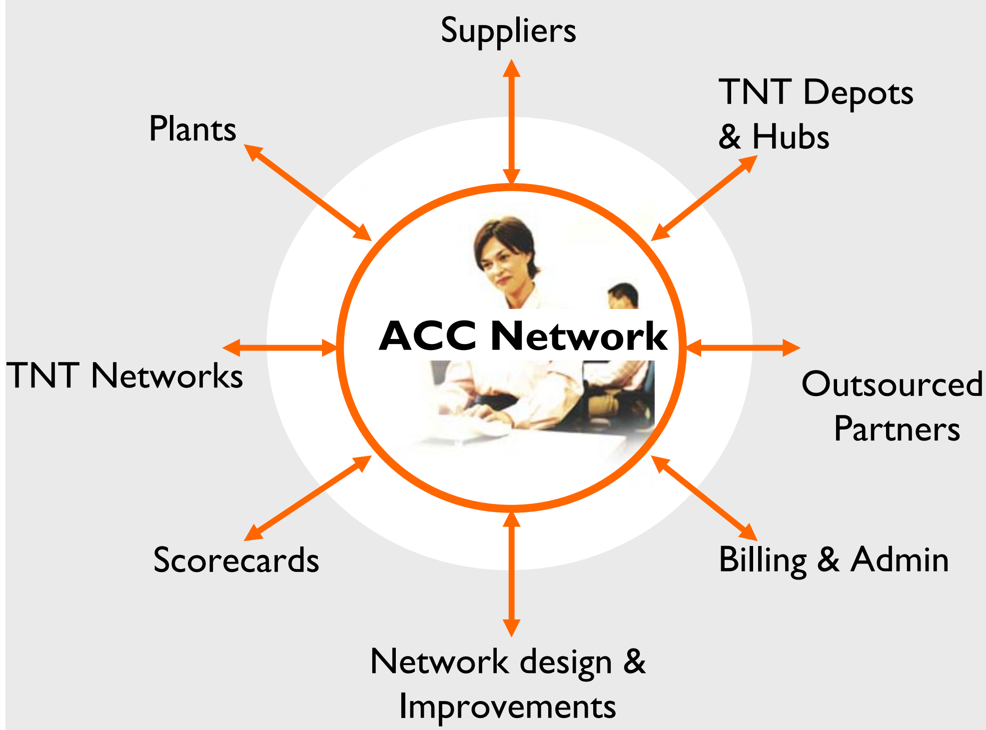
**Sales Proposition:**

Automotive Control Centers (ACC's):

- Control inbound production flows
- Single point of contact
- Timely order status information
- Europe, USA, SA, BR, IN
- Immediate "service recovery" decisions

**Internal Solutions Used:**

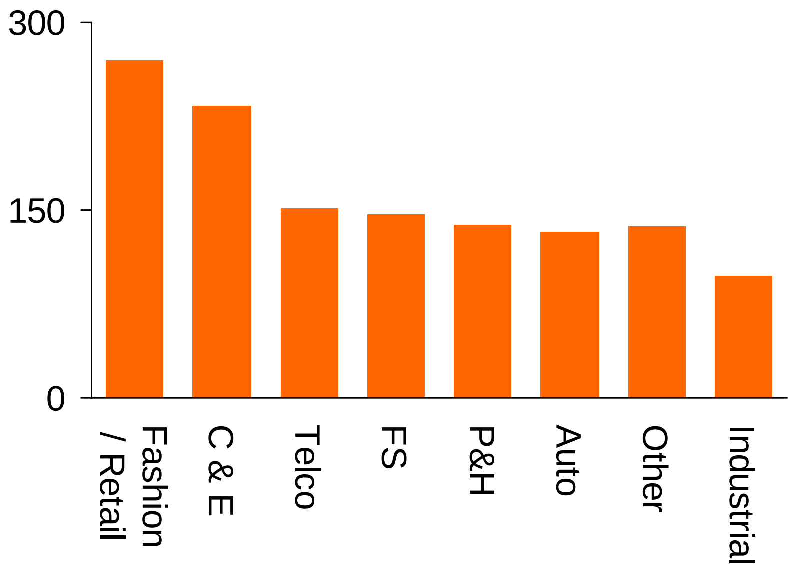
- Transportation: network, time critical services, external providers
- Customer Service: central helpdesk, single point of contact
- Control: systems to support full visibility + billing



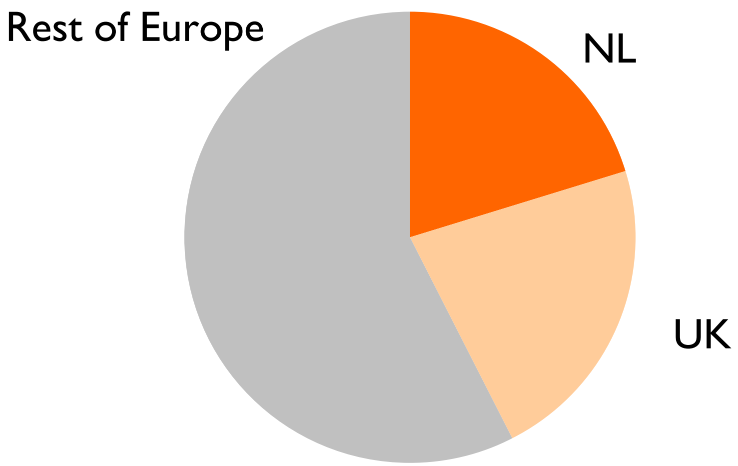
# TNT's solutions cover a wide range of verticals and geographies

SDS

## Vertical cover (€ million)*




## Geographical cover



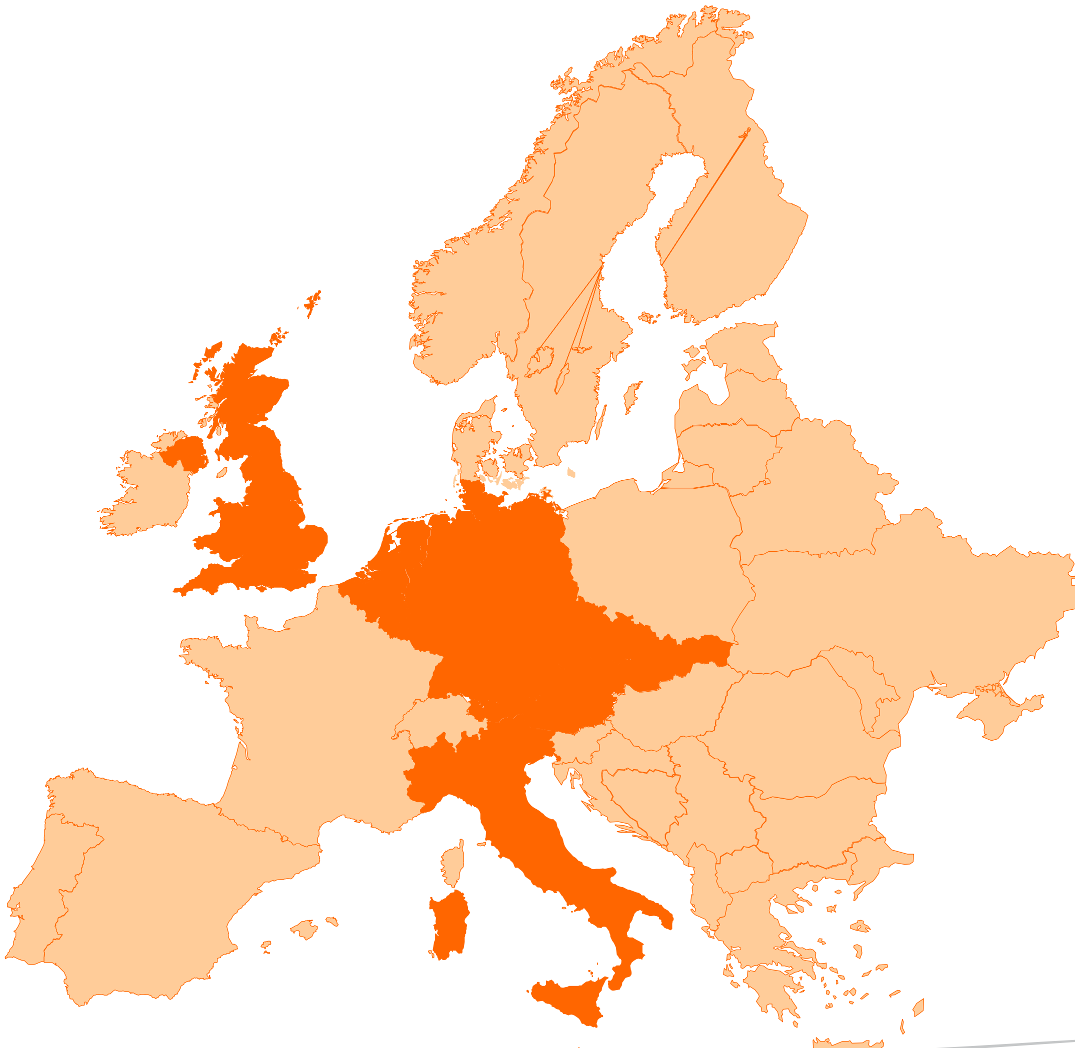

- Growth 14 - 18% per year; Cash EBITDA 2015: 10 - 14%

* 2008

# Agenda

- SDS
- EMN
- Mail NL

# EMN: realisation value opportunities

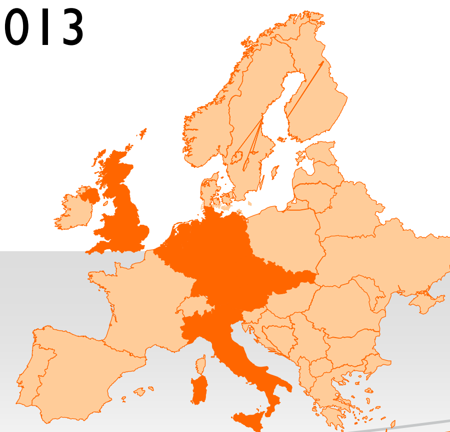


# The portfolio of EMN will be evaluated on a regular basis

Main criteria will be:

Presentation December 2008

- The need to have unaddressed mail networks as a bridgehead
- The need to offer some value added services to support the growth of addressed mail networks (e.g. mailrooms in Italy)
- The political/regulatory environment to build an addressed mail position in countries that will be liberalised after 2011/2013



# Overview progress EMN

EMN

| € million | Revenue* (addressed and unaddressed) | | | ROS 2009 |
|---|---|---|---|---|
| | YTD Q3 2009* | YTD Q3 2008 | Growth | Total |
| Germany | 198 | 192 | +3% | <0% |
| UK | 352 | 295 | +18% | 1%-3% |
| Italy | 138 | 137 | +1% | 0%-1%** |
| Small countries | 162 | 167 | -3% | >8% |
| Total | 850 | 791 | 8% | <0% |

- High level remarks
  - Continue to grow in addressed 22 %
  - Impact recession especially in unaddressed (less marketing spend) decline -14 %
  - Total growth 8 %
  - EMN will be cash contributing in 2009 and 2010

* at exchange rate 2008 and excluding elimination internal revenues
** full year expectation excluding one offs

# De facto market opening has not materialised so far

TNT EMN

TNT started EMN with expectation of full liberalisation in 2003 later postponed to 2007/2009 and further postponed to 2011/2013

*De jure* liberalisation is not the same as *de facto* liberalisation

- VAT
- Wage levels
- DSA tariff setting
- Regulation

Inequal treatment
Minimum wage too high in Germany
Preempts final delivery
Uncertainty

+

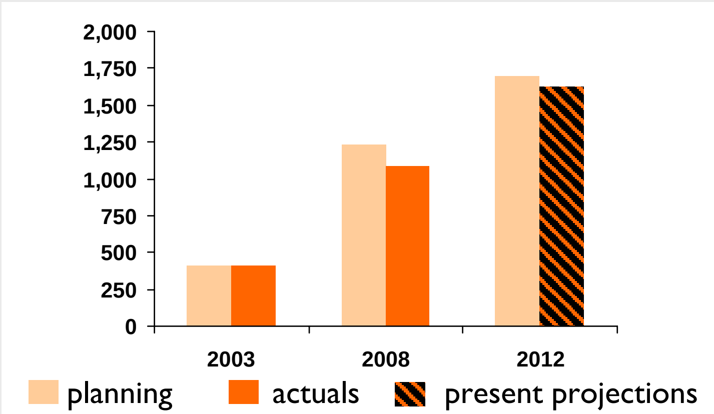
Shrinking mail markets due to digitalisation

Market share continues to increase but profitability behind expectations

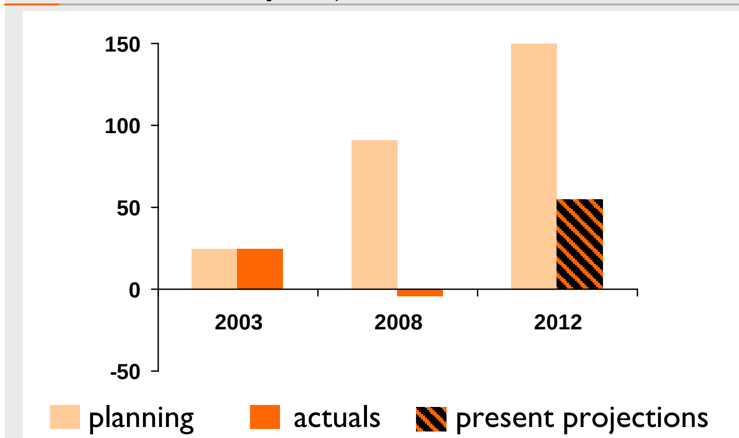
# Revenue on / Ebit development behind plan

EMN

## Revenue in line with projections*




## EBIT behind projections*




* Planning 2004

- Barriers in regulation and the competitive environment have caused delays in EBIT development
- Risk profile EMN has increased because of longer periods of startup losses

- Routes to address this issue
  - Speed up profitable growth
  - Share risks
- Options that are considered
  - Consolidation
  - Partnerships
  - Review of part of the portfolio in non-strategic areas
- Update February 2010

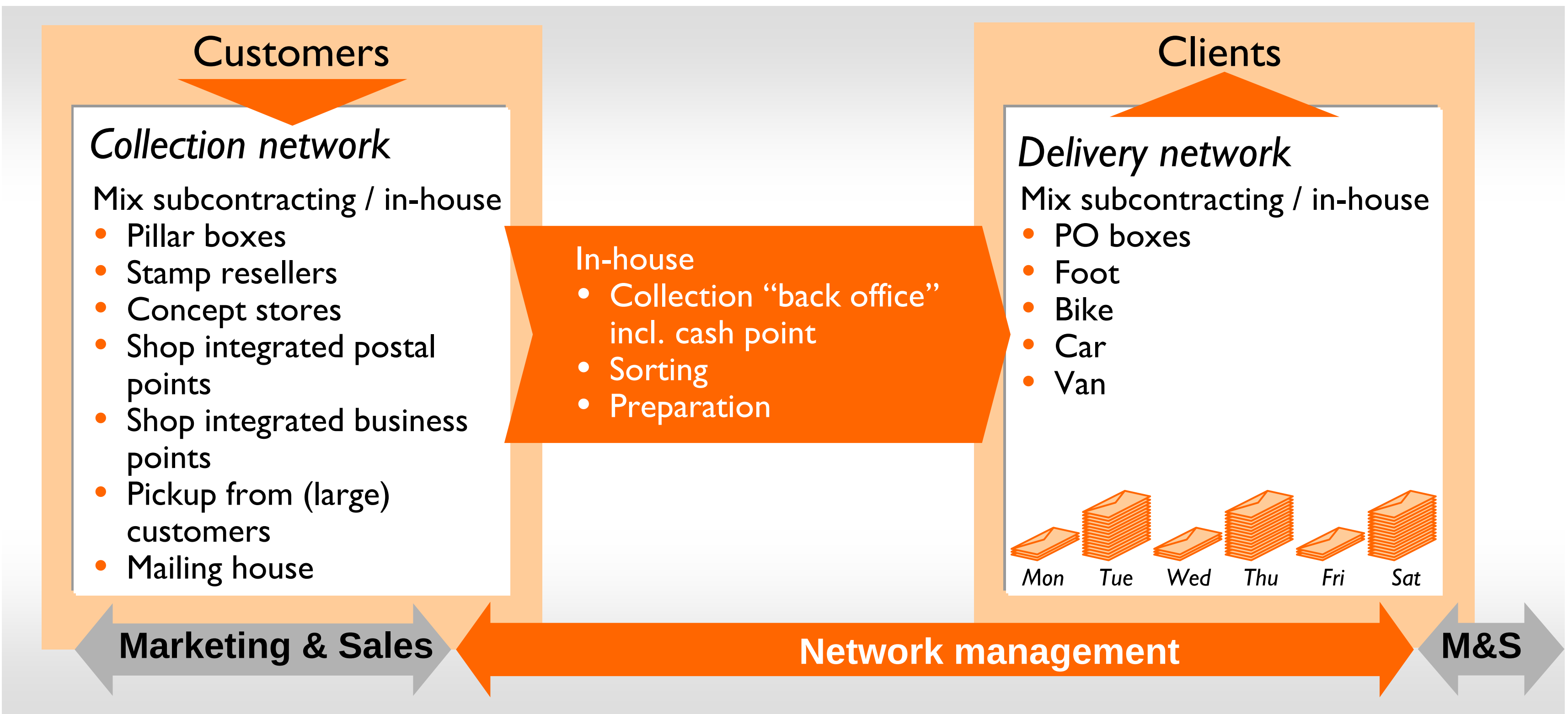
# Agenda

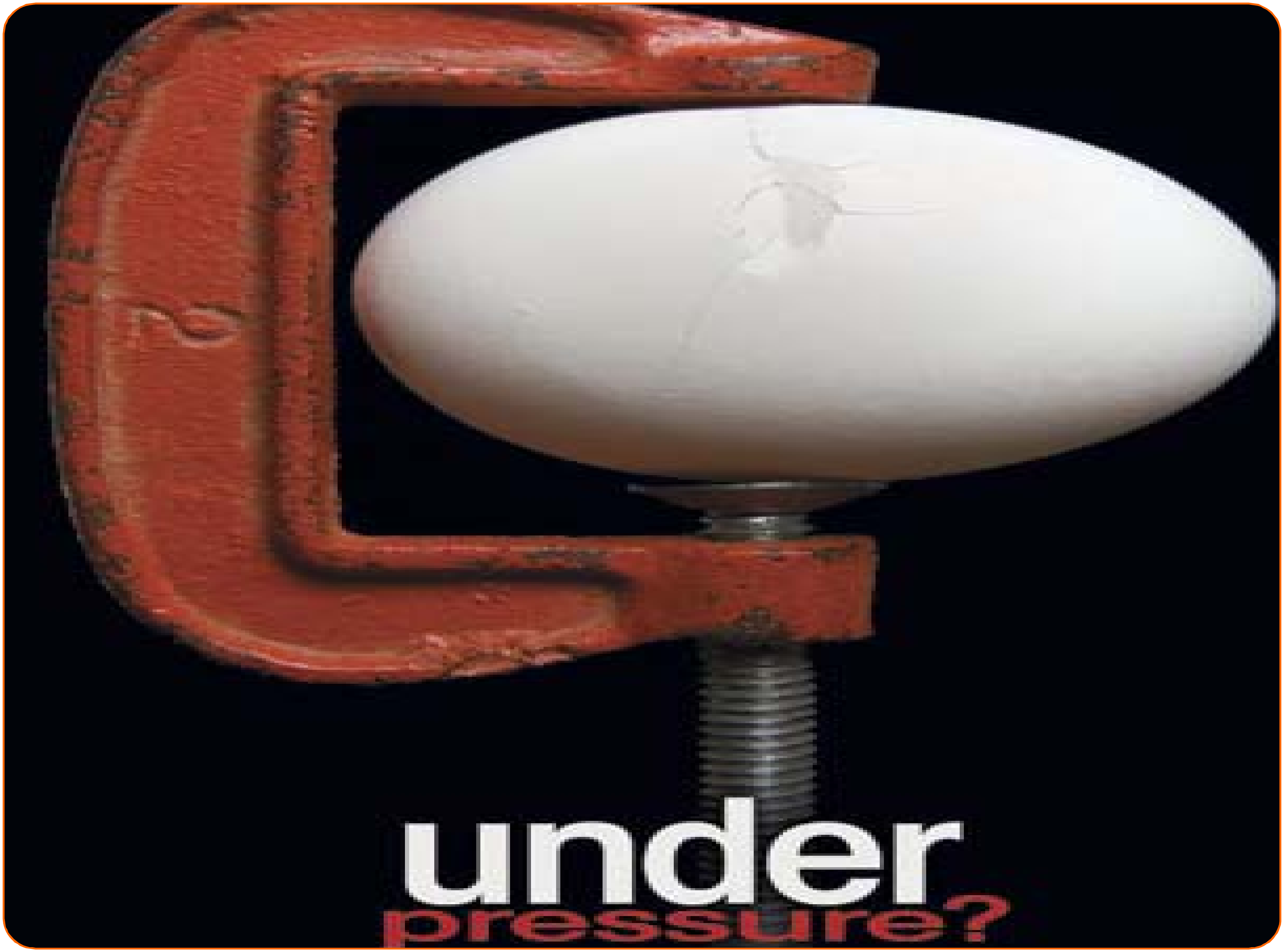
TNT Mail

- SDS
- EMN
- Mail NL

# 5 Mail NL: sustainable cash flow yield

- Sustain cash flow by cost leadership and continuation of Master plans
- Business development fund




under
pressure?

# Regulatory update Mail Netherlands

Mail NL

| Issue | Description |
| --- | --- |
| • Tariffs | • OPTA has not yet approved starting tariffs of postal services. Only in the course of 2010 final tariff regulation will become available |
| • Mandatory network access | • In 2010 OPTA will report on the development of competition in the Dutch market, and advise the Dutch Postal Regulator (Ministery of Economic Affairs) on the necessity of additional measures to stimulate competition |
| • Universal service | • In 2010 the Dutch Postal Regulator will start an evaluation of the required service levels of the universal service obligation |

**TNT expects intense discussions with Dutch Postal Regulator**

# Update discussions with trade unions

Mail NL

## April 2009: Rejection

- Negotiation result TNT and trade union negotiators is rejected by trade union members

## June 2009: TNT survey

- TNT initiates a survey involving all Operations employees: outcome shows that 74% of employees prefer a reduction in income combined with guarantees regarding job losses above higher job losses

## September 2009: Confirmation necessity

- Trade unions receive outcome of Postal market research commissioned by them
- Again the necessity of measures is confirmed and the alternatives given:

1. Lower labour costs and no forced redundancies
2. Same labour conditions and forced redundancies

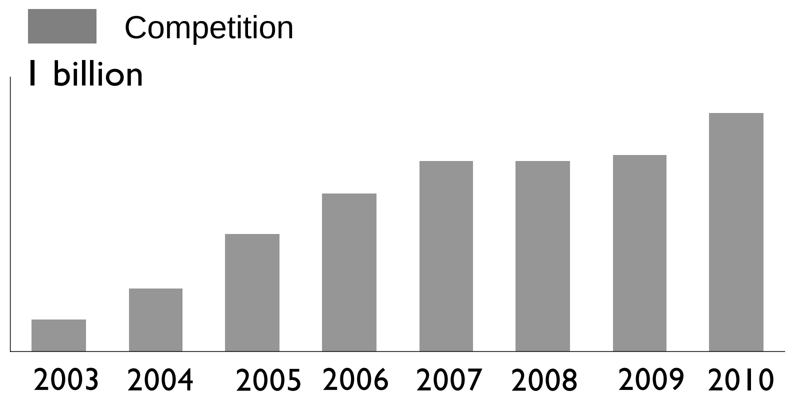
## Q4 2009 - Q1 2010: Negotiation and outcome

- Trade union members have voted in favour of income above jobs
- Negotiations have started
- Outcome expected in Q1 2010

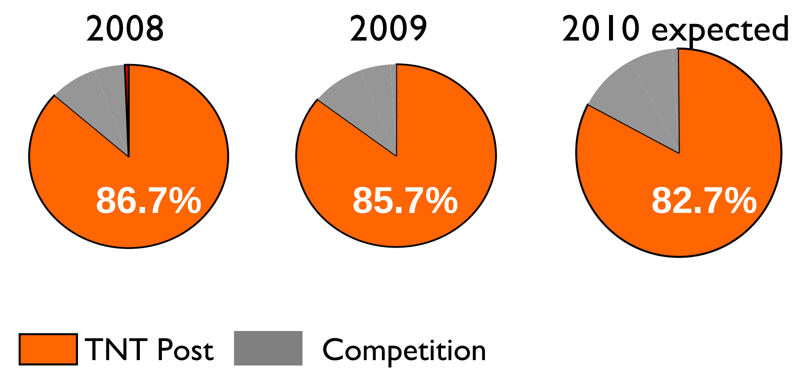
# Update competition

Mail NL

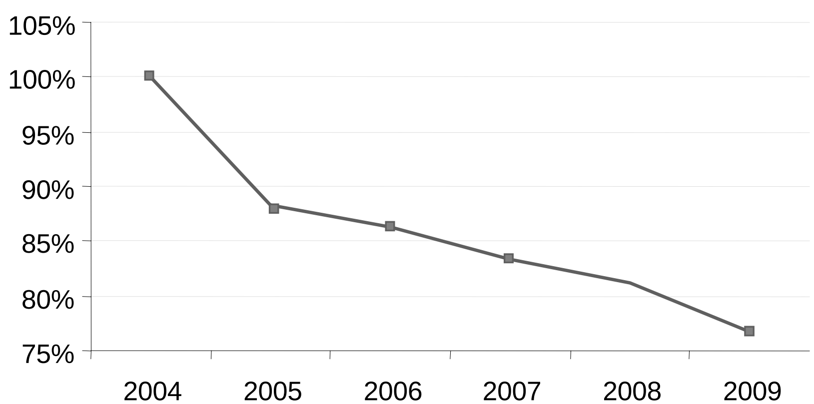
## Volume development




## Market share




## Price index competition




## Competition entering new segments

MULTICOPY

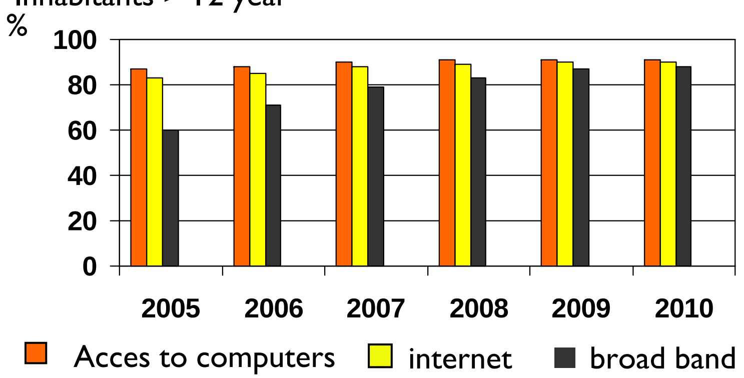
DHL GLOBALmail

- First proposition on Christmas mail € 0.24

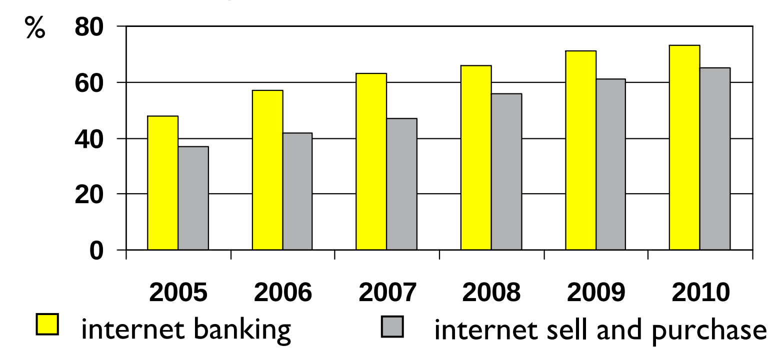
Mail NL

# Continuing impact of electronic media

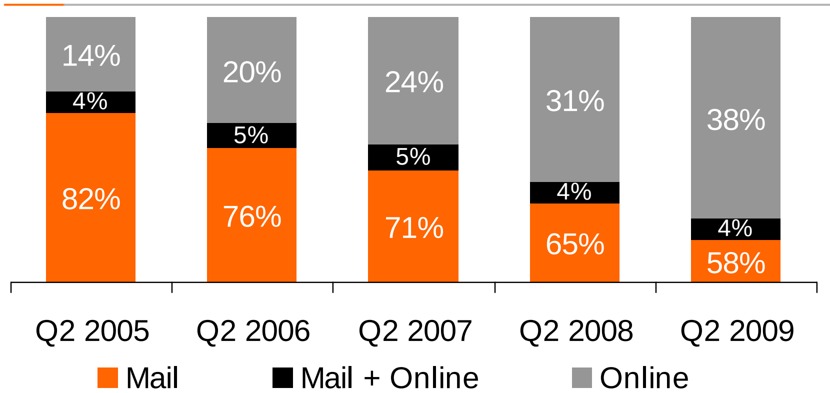
## Almost saturated infrastructure



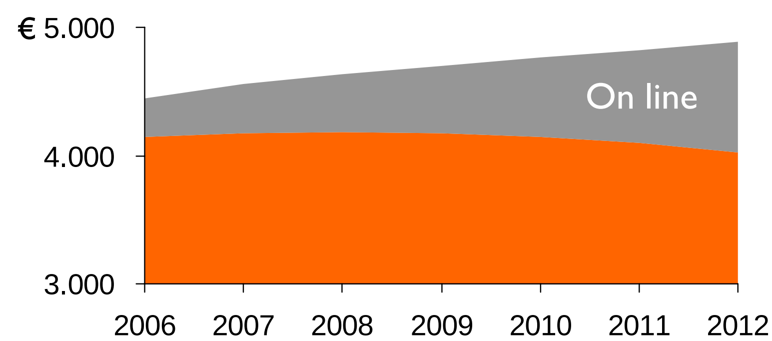

## Increasing use of internet




## Growth e-transactions impacts transaction mail



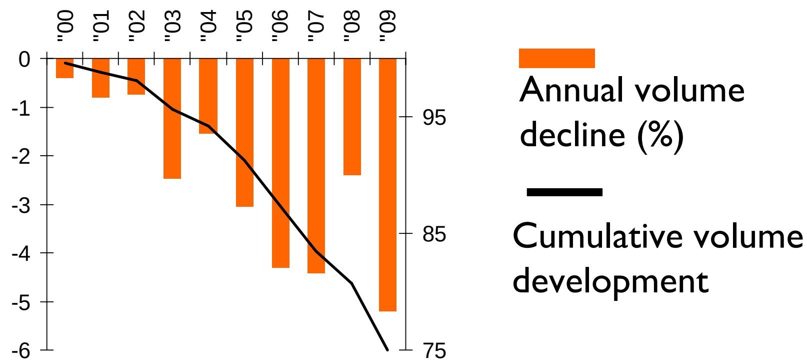

## On line versus off line media spend



# Development Mail NL - Quality consistently high

Mail NL

## 25% volume loss since 2000*




## Substitution dominates volume loss

| % volume loss | 2008 | 2009 | 2010 |
|---|---|---|---|
| Net loss | (0.2%) | ~0% | (2%) – (3%) |
| Substitution | (2.5%) | (5%) – (6%) | (5%) – (6%) |
| One-offs* | 0.3% | 0.5% | (0.5%) |
| Total decline | (2.4%) | (5%) – (6%) | (7%) – (9%) |

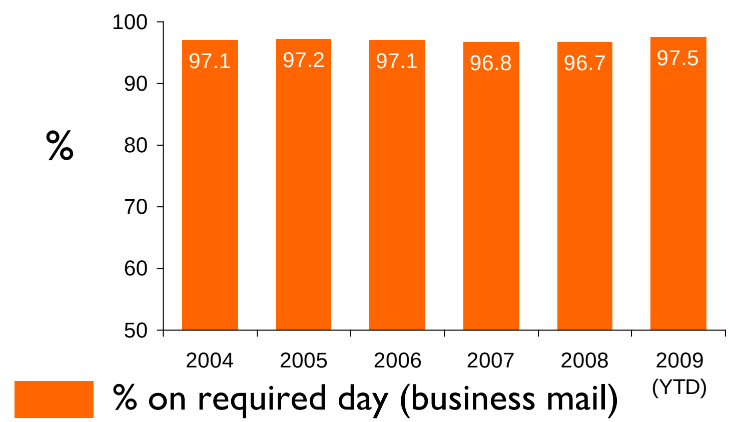
* incl. working day effects

## Highlights Master plans so far

- € 51 million YTD Q3 2009,
  € 437million since 2000
- Total outflow personnel since 2000:
  17,000 headcount (14,000 FTE)*
- Total inflow mail deliverers ca 3,000 FTE
  (~12,000 headcount)
- 116 large post offices closed so far and
  300 smaller TNT retail offices opened

* incl Post Offices

## Quality continues to be high (>97%)



# Update cost management
# Master plan savings & phasing

Mail NL

## Cost savings

| € million | Target | Realised 2001 - 2006 | Combined target | Realised 2007 – Q3 YTD 2009 | Still to go | Planned end implementation |
|---|---|---|---|---|---|---|
| MPI | 370 | 300 | | | | 2010 |
| MPII | 325 | | 395 | 136 | 259 | 2015 |
| MPIII | 200 | | 200 | 1 | 199 | 2017 |
| Total | 895 | 300 | 595 | 137 | 458 | 2017 |

**€ 437 million annual cost savings since 2000**

## Planning of the remaining € 458 million cost savings

| 2007 - Q3 2009 | Q4 2009 - 2013 | 2014-2017 |
|---|---|---|
| 137 | 248 | 210 |

# Transition Mail NL base business towards 2015

Mail NL

## Market

- Total market decline: 3%-4% annually
- Limit volume loss to around 6% annually
- Maintain market share above 70%

## Services

- Concentrate business mail on three days a week, in addition to daily delivery
- Develop a Universal service from 6 days to 3-5 days a week
- Growth in value added service

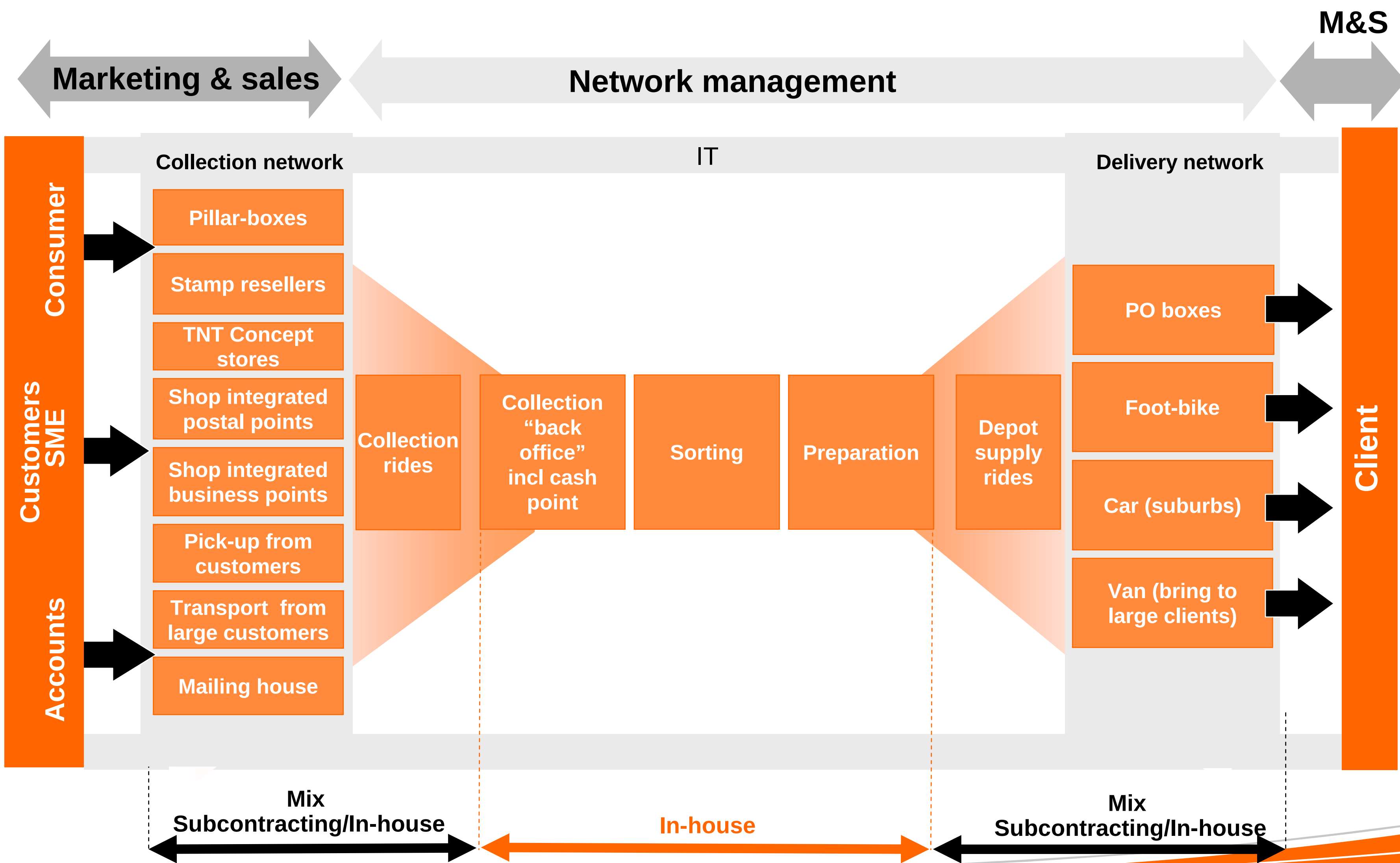
## Operations

- Ongoing cost reductions
- Centralise 174 mail depots to 6-12 sorting and preparation centres
- Outsource parts of operations
- Maintain quality at 97%
- Realise retail network of 2,750 TNT post offices and business points

## Human resources

- FTE
  - Average annual reduction in line with volume loss
- Headcount
  - 4% annual reduction due to shift from full time to part time
  - Outflow 2009-2012: 11,000

# Mail NL: business model transformation



# Redefining Mail as presented Dec 2008

Mail NL

## Redefining Mail: status of the € 1 billion value promise

Mail

### Alternative value drivers for The Netherlands – strategic product development

Mail 1 2

1. Stand alone niche markets, with a network feeder component
2. Stand alone niche markets, based on customer demand for chain and channel optimisation
3. Entering new markets through partnerships and/or outsourcing

Low investment level

- The roll out of VSP as alternative mail network

**Value ambition**
**€ 1 billion in 2012**

16

### Stand alone niche markets, with a network feeder component (1)

Mail 1 2

**Market**

- Total pharmacy market in The Netherlands is € 4.5 billion and grows 6% annually
- The submarket of repeat prescriptions has a value of € 3.5 billion
- Dutch internet pharmacy market (for repeat prescriptions) is expected to grow substantially*


- Initiative TNT Post : Nationale-Apotheek.nl focuses on repeat prescriptions via internet
- TNT Post leverages its brand and excellent operational skills
  - TNT Post is trusted
  - Delivery with Track & Trace

| | 2008 | 2010 | 2015** |
|---|---|---|---|
| Dutch internet pharmacy market | €10m | €100m | €750m |
| Market share TNT Post initiative | 60% | 50% | 40% |

* Germany: Internet pharmacy Doc Morris has built up €100m revenue in three years; USA: Mail order pharmacy has already a 19% share of total pharmacy market
** The Netherlands: Internet pharmacy is expected to have an 11% share in 2015

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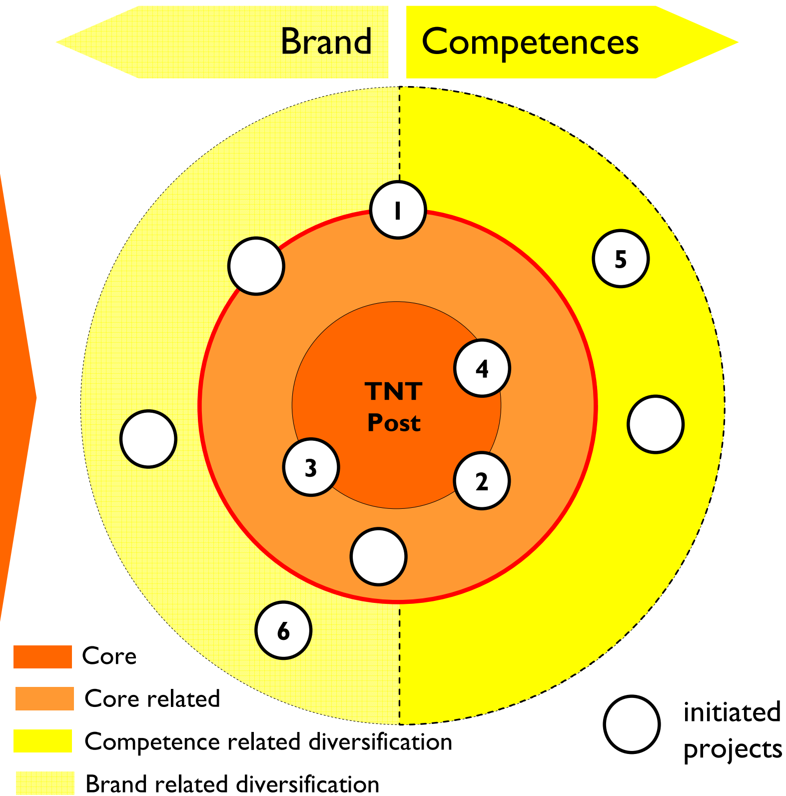
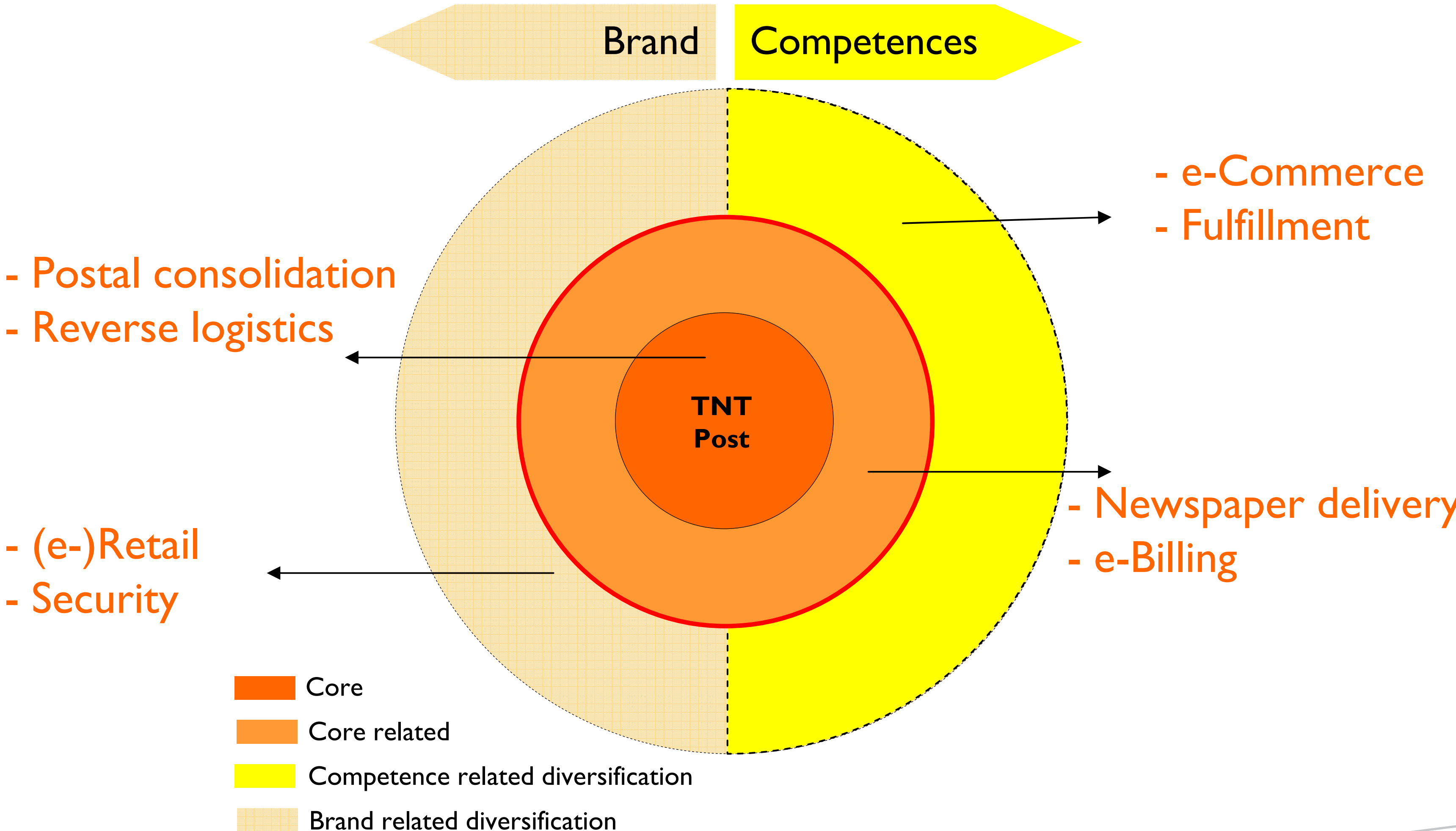


# New growth and partnering



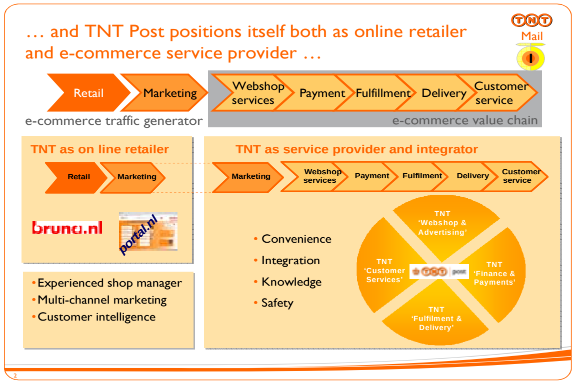
# Status development new growth and partnering Mail NL

Mail NL

| Research | Business case | Implementation |
|---|---|---|
| Postal consolidation<br>Security<br>Reverse Logistics<br>Neighbourhood concepts | Newspapers | E-commerce<br>Fulfillment<br>E-(re)tail<br>E-billing |

# Developments new growth areas

## E-commerce as presented Dec 2008




## E-retail initiative

SJOPZE.NL

De leukste online winkelstraat!

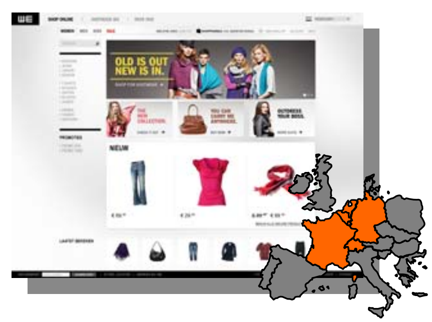
- leaflets distributed to 23 million addresses
- 1.5 million visitors website
- 0.3 million e-newsletter subscribers
- 0.2 million additional parcels
- €10 million retail revenue


## Interactive Marketing


- 1.2 million samples ordered and delivered
- 80% via internet; 20% via sms
- New concepts: Info Now; Try Now; Buy Now; Win Now; Give Now

## Fulfillment chain

Marketing → Webshop → Payment → Fulfillment → Delivery




# Vision 2015 focus on Mail Netherlands

Mail NL

**Revenue* CAGR (4) – (6)%**


**Cash EBITDA ~16%**

* Mail NL, DDM, EMN NL, EMN BE

Stabilised position competition

Continuing decline transaction mail

Limited decline Direct Mail

Clear service levels

Clear business model


Clear governance

€ 1b value from new business initiatives

Cooperation with trade unions/ works councils

Light touch regulation

sure we can

# Warning about forward looking statements

Some statements in this presentation are "forward-looking statements". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this press release and are neither predictions nor guarantees of future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.