

# Q2 & HY 2010 Results

Press release



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## Q2 HIGHLIGHTS

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### GROUP

- Operating income € 55 million (€ 178 million in Q2 2009), impacted by an initial € 168 million net Master plan III provision
- Underlying\* operating income € 211 million (€ 201 million in Q2 2009)
- Profit attributable to shareholders € 3 million (€ 81 million in Q2 2009), impacted by significant one offs
- Cash, as expected, below prior year mainly due to phasing of taxes paid and changes in working capital
- Interim 2010 dividend of € 28 cents per share (€ 18 cents last year), which represents ~40% of normalised net income, at choice of shareholder in cash or stock

### EXPRESS

- Underlying\* revenues increase of € 150 million (+10.3%)
- Underlying\* operating income € 73 million (€ 63 million in Q2 2009)
- Volumes back around 2007 levels (core kilos +9.5% versus Q2 2009)
- Yield (excl fuel surcharge) remains clearly negative both year on year and in comparison to 2007
- Additional focus on margin improvement through yield and cost management started

### MAIL

- Underlying\* revenues decline of € 28 million (-2.7%)
- Underlying\* operating income € 136 million (€ 139 million in Q2 2009)
- Addressed mail volumes in the Netherlands declined by 8.4% (corrected for working days), Parcel volumes grew by more than 10%
- Final restructuring programme (Master plan III) announced

### VISION 2015

- TNT announces its intention to separate fully its Mail and Express businesses
  - Internal separation expected to be implemented 1 January 2011; capital market transaction separating the equity of Mail and Express to follow after further exploration
  - Separation aims to position Mail and Express for long-term success, as two strategically coherent and financially strong businesses
  - Full update at annual Analysts' Meeting (2 December 2010)
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## SUMMARY OUTLOOK 2010

TNT sees a modest improvement in the European economy. However, given that the global economic recovery remains fragile, caution remains warranted. The focus on costs and cash will therefore continue.

In Express, volumes and revenues are expected to be well above 2009 levels, with operating margin improvement for the year clearly tempered by yield pressure and cost inflation offsetting some efficiency gains. Specific yield management and cost actions, once phased in, aim to improve the margins coming from the higher volumes.

In Mail, TNT expects addressed volume decline in the Netherlands of 7-9%, due to the first full-year effect of liberalisation combined with ongoing substitution. Master plan savings of € 75 million are targeted. Mail operating income is expected to be below 2009 levels, including the impact of higher P&L charges for pensions.

\* The underlying figures are at constant currency and exclude the impact of working days and one-offs. In 2010 underlying operating income Express is € 31 million lower and Mail is € 144 million higher than reported. Restructuring related costs and one-offs are also taken into account for 2009, see table on page 4

## Key figures Q2 2010

in € millions, except percentages

	As reported			Underlying*		
	Q2 2010	Q2 2009	% Change	Q2 2010	Q2 2009	% Change
<b>Group</b>						
Revenues	2,771	2,528	9.6%	2,657	2,528	5.1%
EBITDA	136	262	-48.1%	292	285	2.5%
Operating income (EBIT)	55	178	-69.1%	211	201	5.0%
Profit for the period	6	89	-93.3%			
Profit attributable to the shareholders	3	81	-96.3%			
Cash generated from operations	156	289	-46.0%			
Net cash from operating activities	-31	410	-107.6%			
<b>Express</b>						
Revenues	1,715	1,450	18.3%	1,600	1,450	10.3%
EBITDA	138	83	66.3%	125	117	6.8%
Operating income (EBIT)	86	29	196.6%	73	63	15.9%
<b>Mail</b>						
Revenues	993	1,020	-2.6%	992	1,020	-2.7%
EBITDA	0	179	-100.0%	163	168	-3.0%
Operating income (EBIT)	-27	150	-118.0%	136	139	-2.2%

## Key figures HY 2010

in € millions, except percentages

	As reported			Underlying*		
	HY 2010	HY 2009	% Change	HY 2010	HY 2009	% Change
<b>Group</b>						
Revenues	5,518	4,972	11.0%	5,226	4,972	5.1%
EBITDA	465	507	-8.3%	579	533	8.6%
Operating income (EBIT)	306	341	-10.3%	424	367	15.5%
Profit for the period	150	164	-8.5%			
Profit attributable to the shareholders	146	157	-7.0%			
Net cash from operating activities	0	567	-100.0%			
Earnings per ordinary share (in € cents)	39.3	43.3	-9.2%			
<b>Express</b>						
Revenues	3,335	2,814	18.5%	3,088	2,814	9.7%
EBITDA	265	155	71.0%	232	192	20.8%
Operating income (EBIT)	163	49	232.7%	132	86	53.5%
<b>Mail</b>						
Revenues	2,060	2,046	0.7%	2,014	2,046	-1.6%
EBITDA	205	355	-42.3%	348	344	1.2%
Operating income (EBIT)	151	299	-49.5%	295	288	2.4%

## Reconciliation Q2 2010

in € millions	As reported	Restructuring related costs	Other	Working days	Foreign exchange	Underlying* 2010
Express	1,715			(11)	(104)	1,600
Mail	993			5	(6)	992
Other networks	69					69
Non-allocated	(6)				2	(4)
<b>Total revenues</b>	<b>2,771</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>(108)</b>	<b>2,657</b>
Express	86	3	(2)	(6)	(8)	73
Mail	(27)	168	(9)	4		136
Other networks	5					5
Non-allocated	(9)		4		2	(3)
<b>Operating income (EBIT)</b>	<b>55</b>	<b>171</b>	<b>(7)</b>	<b>(2)</b>	<b>(6)</b>	<b>211</b>

## Reconciliation Q2 2009

in € millions	Underlying* 2009	Restructuring related costs	Bookgain sale ASPAC	As reported
Express	1,450			1,450
Mail	1,020			1,020
Other networks	63			63
Non-allocated	(5)			(5)
<b>Total revenues</b>	<b>2,528</b>	<b>0</b>	<b>0</b>	<b>2,528</b>
Express	63	34		29
Mail	139	9	(20)	150
Other networks	3			3
Non-allocated	(4)			(4)
<b>Operating income (EBIT)</b>	<b>201</b>	<b>43</b>	<b>(20)</b>	<b>178</b>

## Reconciliation HY 2010

in € millions	As reported	Restructuring related costs	Other	Working days	Foreign exchange	Underlying* 2010
Express	3,335			(90)	(157)	3,088
Mail	2,060			(36)	(10)	2,014
Other networks	134					134
Non-allocated	(11)				1	(10)
<b>Total revenues</b>	<b>5,518</b>	<b>0</b>	<b>0</b>	<b>(126)</b>	<b>(166)</b>	<b>5,226</b>
Express	163	3	(2)	(22)	(10)	132
Mail	151	168	(9)	(15)		295
Other networks	7					7
Non-allocated	(15)		4		1	(10)
<b>Operating income (EBIT)</b>	<b>306</b>	<b>171</b>	<b>(7)</b>	<b>(37)</b>	<b>(9)</b>	<b>424</b>

## Reconciliation HY 2009

in € millions	Underlying* 2009	Restructuring related costs	Bookgain sale ASPAC	As reported
Express	2,814			2,814
Mail	2,046			2,046
Other networks	123			123
Non-allocated	(11)			(11)
<b>Total revenues</b>	<b>4,972</b>	<b>0</b>	<b>0</b>	<b>4,972</b>
Express	86	37		49
Mail	288	9	(20)	299
Other networks	4			4
Non-allocated	(11)			(11)
<b>Operating income (EBIT)</b>	<b>367</b>	<b>46</b>	<b>(20)</b>	<b>341</b>

\* The underlying figures are at constant currency and exclude the impact of working days and one-offs (Express: €3m restructurings, €2m book gain aircrafts; Mail €6m positive outcome OPTA case, €3m book gain sale subsidiaries, € 168 million net Master plan provision; Group: €4m Vision 2015 projects) in 2010 and the impact of restructuring related costs/one-offs in 2009.

## CEO PETER BAKKER COMMENTS:

*'In Q2 2010, TNT experienced generally improving business conditions. Express volumes were up significantly and Mail performed well.*

*However, integration costs and certain temporary cost pressures in emerging markets and intercontinental linehaul, along with continuing yield pressure in our core markets, are holding back Express' margin expansion. All of TNT's Express management is focused on improving the yield and margin to reflect the now more positive volumes we are carrying.*

*Mail put in a good quarter, with pleasing developments in Emerging Mail & Parcels. Following announcements on the large-scale Master plan restructuring in Mail NL, we today announce provisions for mobility and social plan payments. While clearly painful to many of our Dutch Mail employees, the reality of structurally declining postal volumes and continuing low-wage competition has forced us to redesign how we run our business.*

*As announced earlier this year, we have explored the best structure to secure the continued success of our Express and Mail divisions. Based on this review, we have concluded that a full separation will best serve both units. On a standalone basis, Mail and Express will be able to operate as best-in-class in their respective industries, by building on strong management and a solid capital structure to successfully implement their strategies. Before full separation can be implemented, the Supervisory Board and Board of Management have more work to do, including the involvement of the works councils and approval requests to our shareholders.'*

## REVIEW OF OPERATIONS Q2

### GROUP Q2

**Reported** revenues increased by 9.6% to € 2,771 million due primarily to higher revenues from Express and a foreign exchange effect of 4.3%. Reported operating income declined by 69.1% to € 55 million, mainly because of the Master plan III provision. Reported profit attributable to shareholders came in at € 3 million (€ 81 million in Q2 2009).

To show the **underlying** developments in the business, TNT excludes currency impact and, when relevant, corrects for working days and one-off items. Accordingly, underlying revenues increased by 5.1% in Q2 2010. Underlying operating income increased by 5.0% to € 211 million compared to Q2 2009.

Net cash outflow from operating activities was € 31 million versus a cash inflow of € 410 million in Q2 2009. This difference is mainly the result of higher taxes paid of € 155 million versus cash tax inflow of € 157 million in the prior year and changes in working capital (-€ 61 million in Q2 2010 versus +€ 94 million in the prior year). Net debt increased to ~€ 1.3 billion from ~€ 1.1 billion at the end of Q1 2010 (year on year, net debt is € 126 million lower).

### EXPRESS Q2

**Underlying** revenues in Express were up 10.3% to € 1,600 million, a combination of higher volumes and still-negative yield. Average core volumes per day were +9.5% (kilos) and +6.1% (consignments). International Air kilos were up 19.9% and Road kilos +13.6% versus Q2 2009. Volume growth in and from Asia remains strong. Excluding fuel surcharge, year-on-year core revenue quality yield was -2.1%. The still-negative yield is the result of a change in customer mix (proportionally more large customers) and pricing pressure.

Express' underlying operating income was € 73 million, representing a 4.6% operating margin, which compares with 4.3% in the same period last year. The € 10 million (or 14%) year-on-year increase in underlying operating income reflects the net impact of higher volumes, lower costs per consignment and fuel, on the one hand, and lower yields, cost inflation mainly outside Europe (including intercontinental commercial linehaul rates) and temporary costs relating to Emerging Platforms (notably Brazil), on the other.

In the now generally more favourable trading environment, specific measures are being taken to improve the drop-through from volume to profitability. These include the announced 3.5% average price increase in Europe, the roll-out of additional owned Asia-Europe capacity, up-rating of underperforming contracts, rebalancing customer portfolio towards, amongst others, more volume from the SME segment, more International than Domestic products, and the implementation of an improved pricing mechanism for a significant part of the customer base. Given the lead time for these measures, the full effect will be felt in 2011.

**MAIL Q2**

**Underlying** revenues were somewhat below Q2 2009, driven by the decline in addressed mail volumes (-8.4%, corrected for working days), partially offset by strong revenue contribution from Emerging Mail & Parcels. In the Parcels operations, volumes grew by more than 10%.

Underlying operating income of Mail decreased 2.2% year on year to € 136 million, which represents an operating margin of 13.7%, compared to 13.6% in Q2 2009. Strong profit contribution from Emerging Mail & Parcels helped balance the declining profit level from Mail Netherlands. Master plan savings in the quarter were € 25 million.

**Cash EBIT(DA) Mail**

In the 2009 Annual Report it was spelled out that in addition to the adjustments for non-recurring items, TNT also takes into account a correction for the non-cash pension costs for defined benefit plans (including transitional plans for early retirement). This is done by replacing the IFRS-based defined benefit plan pension cost by the non-IFRS measure of the actual cash contributions for such plans. This is particularly relevant for Mail, where most of the pension cash charges reside. Mail's cash earnings performance is also significantly impacted by restructuring cash outflows. The resulting 'earnings' measure, cash EBIT(DA), more closely monitors the underlying cash earnings basis.

Underlying Cash EBITDA for the Mail division came in at € 100 million. Underlying Cash EBIT – on the same basis – came in at € 73 million. This compares to € 95 million and € 67 million respectively in the prior year (please see the reconciliation table on page 27).

**OTHER GROUP FINANCIAL INDICATORS Q2**

**Net financial expense: € 35 million**  
(Q2 09 € 41 million)

Full year 2010 expectation around € 140 million

**Effective tax rate (ETR): 70.0%**  
(Q2 09 29.4%)

ETR excluding the impact of restructuring-related costs and other one offs was 29.9%. Disregarding the tax exempted income due to the sale of Spring Aspac in 2009, ETR is still slowly trending downwards.

**Net cash from operating activities:**  
**-€ 31 million**  
(Q2 09 € 410 million)

Quarter-end phasing and higher revenues impacted working capital outflow. Taxes paid were, as expected, higher as 2009 benefited from tax refund from the Dutch tax authorities. The contribution from underlying profit before tax was higher

**Net debt (3 July 2010): € 1.261 billion**  
(27 June 2009: € 1.387 billion  
3 April 2010: € 1.127 billion)

Result of lower net cash from operating activities and cash out for dividend, Capex and acquisitions

**Net Capex: € 44 million**  
(Q2 09 € 48 million)

Continued tight control

**HALF YEAR PERFORMANCE**

Over the first half of 2010, Group **reported** revenues increased over the prior year period by 11.0% and operating income decreased by 10.3%. **Underlying** revenues increased by 5.1% and operating income increased by 15.5%. The period benefited from six extra working days in Express and three in Mail. During the first half year, non-allocated costs increased due to costs related to Vision 2015. The first half of 2010 also saw a neutral net cash flow, as expected, mainly because of the phasing cash taxes and working capital.

Express revenues reflect the combination of rising volumes (+9.0% kilos) and yield pressure (-2.5% core revenue quality yield excluding fuel). Profitability was impacted by the negative yield and cost inflation offsetting some efficiency gains.

Mail revenues were slightly above last year due to lower volumes in the Netherlands offset by strong contribution from Emerging Mail & Parcels. The Mail addressed volume decline in the first half year of 2009 was in line with the indicated 7-9% range.

\* The underlying figures are at constant currency and exclude the impact of working days and one-offs. In 2010 underlying operating income Express is € 31 million lower and Mail is € 144 million higher than reported. Restructuring related costs and one-offs are also taken into account for 2009, see table on page 4

## DIVIDEND

The Board of Management of TNT has decided, with the approval of the Supervisory Board, to declare an interim dividend of € 28 cents per share compared to € 18 cents per share in 2009. This level represents a pay-out of about 40% of normalised net income over the first half of 2010 in line with TNT's stated dividend guidelines.

The interim dividend is payable, at the shareholder's election, either wholly in ordinary shares or wholly in cash. The election period is from 3 August 2010 to 17 August 2010, inclusive.

To the extent the dividend is paid in shares, it will be paid out of additional paid in capital as part of the distributable reserves, free of withholding tax in the Netherlands. The ratio of the value of the stock dividend to that of the cash dividend will be determined on 17 August 2010, after the close of trading on NYSE Euronext by Euronext Amsterdam ('Euronext'), based on the volume-weighted average price ('VWAP') of all TNT shares traded on Euronext over a three trading day period from 13 to 17 August 2010 inclusive.

The value of the stock dividend, based on this VWAP, will, subject to rounding, be targeted at but not lower than 2% above the cash dividend. There will be no trading in the stock dividend rights.

The ex-dividend date will be 3 August 2010, the record date 5 August 2010 and the dividend will be payable as from 20 August 2010.

## Group Summary Q2

in € millions, except percentages	As reported		% Change as reported		
	Q2 2010	Q2 2009	Operational	Fx	Total
Revenues	2,771	2,528	5.3%	4.3%	9.6%
EBITDA	136	262	-51.2%	3.1%	-48.1%
Operating income (EBIT)	55	178	-72.5%	3.4%	-69.1%
Profit for the period	6	89	-98.9%		
Profit attributable to the shareholders	3	81	-102.5%		
Net cash from operating activities	(31)	410			

## Segment Summary Q2

in € millions, except percentages	As reported		% Change as reported		
	Q2 2010	Q2 2009	Operational	Fx	Total
<b>Express</b>					
Revenues	1,715	1,450	11.1%	7.2%	18.3%
EBITDA	138	83	54.3%	12.0%	66.3%
Operating income (EBIT)	86	29	169.0%	27.6%	196.6%
Operating margin	5.0%	2.0%			
<b>Mail</b>					
Revenues	993	1,020	-3.2%	0.6%	-2.6%
EBITDA	0	179	-100.0%		-100.0%
Operating income (EBIT)	(27)	150	-118.0%		-118.0%
Operating margin	-2.7%	14.7%			
<b>Other networks</b>					
Revenues	69	63	9.5%		9.5%
EBITDA	6	4	50.0%		50.0%
Operating income (EBIT)	5	3	66.7%		66.7%
Operating margin	7.2%	4.8%			
Non-allocated	(9)	(4)	-75.0%	-50.0%	-125.0%
Operating income (EBIT)	55	178	-72.5%	3.4%	-69.1%

## Group Summary HY

in € millions, except percentages	As reported		% Change as reported		
	HY 2010	HY 2009	Operational	Fx	Total
Revenues	5,518	4,972	7.7%	3.3%	11.0%
EBITDA	465	507	-11.3%	3.0%	-8.3%
Operating income (EBIT)	306	341	-12.9%	2.6%	-10.3%
Profit for the period	150	164	8.5%		
Profit attributable to the shareholders	146	157	-10.2%		
Net cash from operating activities	0	567			
Earnings per ordinary share (in € cents)	39.3	43.3			

## Segment Summary HY

in € millions, except percentages	As reported		% Change as reported		
	HY 2010	HY 2009	Operational	Fx	Total
<b>Express</b>					
Revenues	3,335	2,814	12.9%	5.6%	18.5%
EBITDA	265	155	62.0%	9.0%	71.0%
Operating income (EBIT)	163	49	212.3%	20.4%	232.7%
Operating margin	4.9%	1.7%			
<b>Mail</b>					
Revenues	2,060	2,046	0.2%	0.5%	0.7%
EBITDA	205	355	-42.6%	0.3%	-42.3%
Operating income (EBIT)	151	299	-49.5%		-49.5%
Operating margin	7.3%	14.6%			
<b>Other networks</b>					
Revenues	134	123	8.9%		8.9%
EBITDA	8	6	33.3%		33.3%
Operating income (EBIT)	7	4	75.0%		75.0%
Operating margin	5.2%	3.3%			
Non-allocated	(15)	(11)	45.5%	-9.1%	36.4%
Operating income (EBIT)	306	341	-12.9%	2.6%	-10.3%

## MASTER PLAN III: THE FINAL RESTRUCTURING

On 25 June 2010, TNT Post communicated the final restructuring programme, Master plan III. This year's Collective Labour Agreement was based on the choice by TNT's employees for income over work. This final restructuring programme includes further efficiency savings and network optimisations that will reduce the workforce by 11,000 FTEs in the coming years.

This final restructuring programme will ultimately involve significant infrastructure efficiencies and streamlining of operational procedures, including:

- Introduction of three peak days of delivery
- Centralisation of bag-level sortation
- Migration of labour costs towards market conforming levels.

As a result, the number of FTEs will need to be reduced and the proportion of flexible workers significantly increased. The end state of the restructuring aims at realising an optimally flexible organisation ready to adapt to lower volumes in the Dutch mail market with the bulk of Mail delivered in fewer delivery days. No further large restructuring programmes are expected once this organisation has been implemented.

Total targeted savings over the period 2010-2017 is expected to be € 430 million, as previously announced.

Cash out for restructuring in Mail in the period 2010-2015 is expected to be about € 80 million on average per year, with a peak in 2012 and 2013. An initial € 168 million net provision has been booked in Q2 2010. In the period to come, further provisions for Master plan III of up to €150 million are expected.

## PENSIONS

The decrease in the long-term interest rate, combined with a poor performance of the stock market, resulted in a coverage ratio of around 101% at the end of Q2. By the end of July, the coverage ratio has been restored to above the minimum required level of approximately 105%. The pension fund board has decided on the implementation of a new investment strategy for the fund, which going forwards is expected to reduce downward risks.

As a result of the revised calculation of pension charges triggered by the restructuring announcement and on the basis of the anticipated revised investment strategy and lower interest rate, we expect the related P&L charge to be € 65 million for full year 2010 (€ 60 million in 2009).

The total cash contributions for defined benefit obligations remain unchanged and are estimated to amount to € 287 million in 2010.

## VISION 2015

As per TNT's announcement of 8 April 2010, during the AGM, Vision 2015 aims to continue TNT's transformation towards two, separate and coherent businesses. The main reasons to come to a full separation are that the strategic challenges for the two businesses are increasingly different and that Mail and Express can be successful as standalone companies.

Therefore, today TNT announces its intention to separate fully Mail and Express. This intention is subject to the advice/opinion of the workers' councils and in due time shareholders. The separation will be realised so as to create two separate, independent companies with best-in-class management, focused organisations and solid capital structures. This will allow both entities to achieve their strategic objectives to the benefit of their respective shareholders and all other stakeholders.

The intended full separation is expected to be implemented in stages. First, TNT aims to implement the internal separation by 1 January 2011 (including the allocation of overheads).

Over the first six months of 2010, project teams have focused on creating business plans for all focus areas in Express as well as Mail. These plans will be reflected in the organisation going forwards. Further updates will be given at our annual Analysts' Meeting on 2 December 2010.

Second, the capital market transaction, separating the equity of Mail and Express, will be subject to further exploration in the coming period and then will be pursued as soon as practicable. For this, TNT has appointed relevant advisors to provide advice on the separation and various capital markets alternatives available.

## OUTLOOK

TNT sees a modest improvement in the European economy. However, given that the global economic recovery remains fragile, caution remains warranted. The focus on costs and cash will therefore continue.

In Express, volumes and revenues are expected to be well above 2009 levels, with operating margin improvement for the year clearly tempered by yield pressure and cost inflation offsetting some efficiency gains. Specific yield management and cost actions, once phased in, aim to improve the margins coming from the higher volumes.

In Mail, TNT expects addressed volume decline in the Netherlands of 7-9%, due to the first full-year effect of liberalisation combined with ongoing substitution. Master plan savings of € 75 million are targeted. Mail operating income is expected to be below 2009 levels, including the impact of higher P&L charges for pensions.

*The 2010 additional financial indicators:*

- *Structural cost savings: around € 200 million*
- *Capex around € 350 million*
- *Pensions: cash contributions defined benefit obligations approximately € 287 million of which € 260 million for the main Dutch plans and the transitional plans*
- *Net financial expense: around € 140 million*
- *Taxes paid: around € 300 million, which includes delayed payment (preliminary tax refund € 175 million from Dutch tax authorities)*

## PRESS RELEASES SINCE THE FIRST QUARTER 2010 RESULTS

Date	Subject
11 May 2010	• New US gateways for TNT
17 May 2010	• TNT launches Moscow-Liege service
19 May 2010	• TNT Post takes next step in its e-commerce strategy with the acquisition of online shopping specialist Kowin
5 July 2010	• TNT increases air freight capacity between China and Europe
6 July 2010	• Trade union members approve CLA for TNT Express
7 July 2010	• TNT Express raises rates in Europe by an average of 3.5 percent

## EXPRESS OVERVIEW

## Key figures

in € millions, except percentages	Underlying *			Underlying *		
	Q2 2010	Q2 2009	% Change	HY 2010	HY 2009	% Change
Revenues	1,600	1,450	10.3%	3,088	2,814	9.7%
EBITDA	125	117	6.8%	232	192	20.8%
Operating income (EBIT)	73	63	15.9%	132	86	53.5%
Operating margin	4.6%	4.3%		4.3%	3.1%	

\* The underlying figures are at constant currency and exclude the impact of working days and one-offs in 2010 and the impact of restructuring related costs/one-offs in 2009.

## TRADING ENVIRONMENT AND OPERATING FOCUS

In the quarter, volumes and revenues were back at around 2007 levels. Year on year the rate of volume increase is high given the relatively soft comparison.

However, the yield remains clearly negative, compared to both Q2 2009 and 2007. This development reflects ongoing pressure on base rates, compounded by a change in customer mix. Several yield management initiatives have been initiated, including TNT's 7 July 2010 announcement of an average 3.5% price rise in Europe. Overall, costs per consignment are declining. However, while costs per consignment in TNT's European operations are still declining, newer operations show an increase because of investments in growth, integration costs and relatively high cost inflation.

Also, as intercontinental volumes have grown rapidly, TNT has come to rely increasingly on commercial linehaul. To correct this over-reliance on commercial air linehaul, TNT has added extra owned capacity as of Q3.

## Operational performance indicators

Core volumes per working day	
Kilos	+9.5%
Air	+19.9%
Road	+13.6%
Domestic	+7.8%
Consignments	+6.1%

## Other financial indicators

Fuel-adjusted revenue quality yield on core volumes	-2.1%
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## OPERATIONAL PERFORMANCE

On an average per day basis, core kilos increased by 9.5% and consignments by 6.1%. This, combined with the relatively strong growth from Emerging Platforms, meant that the division's underlying revenues grew by 10.3%.

Express' underlying operating income was € 73 million, representing a 4.6% operating margin, which compares with 4.3% in the same period last year. The € 10 million year-on-year increase in underlying operating income reflects the net impact of higher volumes, good operational gearing in core markets and fuel, on the one hand, and lower yields, cost inflation mainly outside Europe (including intercontinental commercial linehaul rates) and temporary costs relating to Emerging Platforms (notably Brazil), on the other.

**Revenue analysis Q2**

in € millions, except percentages	Underlying *			of which	
	Q2 2010	Q2 2009	% Change	Organic	Acq
International & Domestic	1,221	1,139	7.2%	7.2%	0.0%
Emerging platforms	379	311	21.9%	13.9%	8.0%
<b>Express</b>	<b>1,600</b>	<b>1,450</b>	<b>10.3%</b>	<b>8.6%</b>	<b>1.7%</b>

\* The underlying figures are at constant currency and exclude the impact of more working days.

**INTERNATIONAL & DOMESTIC**

In International & Domestic, underlying revenues increased by 7.2% because of higher volumes and sequentially stable, though still negative year on year, yield.

**EMERGING PLATFORMS**

Emerging platforms experienced a strong quarter in terms of topline development. Of particular note is Hoau domestic in China, which had reported 25% revenue growth. Meanwhile, Brazil experienced margin pressure due to a number of factors, including planned investment in transforming business processes as well as a legally mandated 7.5% wage increase.

**Revenue analysis HY**

in € millions, except percentages	Underlying *			of which	
	HY 2010	HY 2009	% Change	Organic	Acq
International & Domestic	2,367	2,242	5.6%	5.6%	0.0%
Emerging platforms	721	572	26.0%	16.6%	9.4%
<b>Express</b>	<b>3,088</b>	<b>2,814</b>	<b>9.7%</b>	<b>7.8%</b>	<b>1.9%</b>

\* The underlying figures are at constant currency and exclude the impact of more working days.

FURTHER INDICATORS	As reported			As reported		
	Q2 2010	Q2 2009	% Change	HY 2010	HY 2009	% Change
in € millions, except percentages and volumes						
<b>EXPRESS</b>						
<b>International &amp; Domestic</b>						
Revenues	1,278	1,139		2,530	2,242	
Growth %	12.2%	-19.6%		12.8%	-18.9%	
Organic	7.9%	-16.6%		8.7%	-15.2%	
Acquisition / Disposal	0.0%	0.0%		0.0%	0.0%	
Fx	4.3%	-3.0%		4.1%	-3.7%	
<b>Emerging platforms</b>						
Revenues	437	311		805	572	
Growth %	40.5%	4.0%		40.7%	1.2%	
Organic	14.8%	-4.0%		19.8%	-5.9%	
Acquisition / Disposal	8.0%	5.0%		9.4%	3.4%	
Fx	17.7%	3.0%		11.5%	3.7%	
<b>Total Express</b>						
Revenues	1,715	1,450		3,335	2,814	
Growth %	18.3%	-15.5%		18.5%	-15.5%	
Organic	9.4%	-14.5%		11.0%	-13.7%	
Acquisition / Disposal	1.7%	0.9%		1.9%	0.6%	
Fx	7.2%	-1.9%		5.6%	-2.4%	
Operating income (EBIT)	86	29		163	49	
Operating margin	5.0%	2.0%		4.9%	1.7%	
<b>Other information Express</b>						
Working days	62	60		127	121	
Core* consignments (in millions)	54.8	50.0	9.7%	109.8	98.3	11.7%
Domestic core consignments	42.7	39.2	9.0%	85.8	77.3	10.9%
International core consignments	12.1	10.8	12.5%	24.1	21.0	14.4%
Core* kilos (in millions)	1,068.2	944.2	13.1%	2,129.2	1,861.6	14.4%
Domestic core kilos	766.3	691.6	10.8%	1,526.2	1,362.3	12.0%
International core kilos	301.9	252.7	19.5%	603.0	499.3	20.8%
Core* revenue quality yield improvement	0.2%	-8.6%				

\* Core excludes Special Services, Hoau, Mercúrio, Araçatuba and LIT Cargo

## MAIL OVERVIEW

### Key figures

in € millions, except percentages	Underlying *			Underlying *		
	Q2 2010	Q2 2009	% Change	HY 2010	HY 2009	% Change
Revenues	992	1,020	-2.7%	2,014	2,046	-1.6%
EBITDA	163	168	-3.0%	348	344	1.2%
Operating income (EBIT)	136	139	-2.2%	295	288	2.4%
Operating margin	13.7%	13.6%		14.6%	14.1%	

\* The underlying figures are at constant currency and exclude the impact of the net MP provision, working-days and other one-offs in 2010 and the impact of restructuring costs/book gains in 2009.

### TRADING ENVIRONMENT AND OPERATING FOCUS

In Q2 2010, underlying addressed mail volumes declined by 8.4%, within the indicated 7-9% range. Within the mix, the relative contribution of single-item and bulk mail normalised compared to Q1 2010.

To compensate for the volume decline, TNT continues its strong focus on cash and cost savings. For the full year, € 75 million of Master plan savings are targeted, of which € 25 million were achieved in this quarter.

In June, TNT announced the outline of Master plan III, the final restructuring programme needed to adapt the business model to the structurally declining mail market. Accordingly, over the next three to four years, TNT will implement this final Master plan restructuring programme. Significant provisions will need to be established for this programme over time, including an initial net € 168 million provision taken in Q2 2010.

TNT currently awaits OPTA's decision regarding what it believes to be the appropriate starting postal tariff in the Netherlands. TNT is also awaiting the government's refinement of the Postal Act, which will include the terms by which that starting tariff will develop going forwards.

### Operational performance indicators

Netherlands addressed mail volumes	-9.5%
Corrected for extra working days	-8.4%

### Other financial indicators

Master plan savings achieved	€ 25 million
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### OPERATIONAL PERFORMANCE

In Q2 2010, underlying revenues decreased by 2.7% and underlying operating income decreased by 2.2%. Strong profit contribution from Emerging Mail & Parcels helped balance the declining profit level from Mail Netherlands. The underlying operating result was impacted by € 6 million positive outcome OPTA case and € 9 million lower pension contribution.

### Revenue analysis Q2

in € millions, except percentages	Underlying *			of which	
	Q2 2010	Q2 2009	% Change	Organic	Acq
Mail	992	1,020	-2.7%	-2.2%	-0.5%
of which Emerging Mail & Parcels (excl. EMN Germany)	359	320	12.2%	11.6%	0.6%

\* The underlying figures are at constant currency and exclude the impact of less working days.

### Revenue analysis HY

in € millions, except percentages	Underlying *			of which	
	HY 2010	HY 2009	% Change	Organic	Acq
Mail	2,014	2,046	-1.6%	-1.3%	-0.3%
of which Emerging Mail & Parcels (excl. EMN Germany)	712	628	13.4%	12.8%	0.6%

\* The underlying figures are at constant currency and exclude the impact of more working days.

### EMERGING MAIL & PARCELS

Emerging Mail & Parcels business units achieved higher operating income compared with Q2 2009. Again, the parcels entity performed well.

The changed VAT scope regarding postal services in Germany as per 1 July 2010, presents a range of potential challenges and opportunities for TNT's German mail business. TNT is supporting a legal challenge of Deutsche Post's announced customer rebate policy, which may alter the impact of the changed VAT scope.

FURTHER INDICATORS	As reported		As reported	
	Q2 2010	Q2 2009	HY 2010	HY 2009
in € millions, except percentages and volumes				
<b>MAIL</b>				
Revenues	993	1,020	2,060	2,046
Growth %	-2.6%	-0.8%	0.7%	-1.5%
Organic	-2.7%	0.3%	0.5%	0.0%
Acquisition / Disposal	-0.5%	0.1%	-0.3%	-0.1%
Fx	0.6%	-1.2%	0.5%	-1.4%
of which Emerging Mail & Parcels (excl Germany)				
Revenues	358	320	720	628
Growth %	11.9%	4.9%	14.6%	4.8%
Organic	10.0%	8.5%	12.7%	10.3%
Acquisition / Disposal	0.6%	0.3%	0.6%	-0.5%
Fx	1.3%	-3.9%	1.3%	-5.0%
Operating income (EBIT)	-27	150	151	299
Operating margin	-2.7%	14.7%	7.3%	14.6%
<b>Other information Mail</b>				
Addressed Mail NL volumes (in million items)	969	1,071	2,047	2,214
Growth %	-9.5%	-3.0%	-7.5%	-3.9%
Working days	60	61	125	122

## REPORTING RESPONSIBILITIES AND RISKS

### RELATED PARTY TRANSACTIONS

Major related party transactions are disclosed in note 9 to the Consolidated Interim Financial Statements.

### AUDITOR'S INVOLVEMENT

The content of this interim financial report has not been audited or reviewed by an external auditor.

### BOARD OF MANAGEMENT COMPLIANCE STATEMENT

In conjunction with the EU Transparency Directive as incorporated in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) the Board of Management confirms to the best of its knowledge that:

- The consolidated interim financial statements for the six months ended 3 July 2010 give a true and fair view of the assets, liabilities, financial position and profit or loss of TNT N.V. and its consolidated companies, and
- The Interim report of the Board of Management gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Peter Bakker – *Chief Executive Officer*

Bernard Bot – *Chief Financial Officer*

Harry Koorstra – *Group Managing Director Mail*

Marie-Christine Lombard – *Group Managing Director Express*

Hoofddorp, 2 August 2010

### RISKS

Whilst continuous emphasis has been placed on the identification of risks at all levels of the organisation and in particular risks to the deployment and execution of the Vision 2015 strategy going forward, the speed of onset and the development of mitigating actions as well as the uncertainty and changes in the economic environment have made it challenging to keep abreast of the rapidly evolving situation.

Understanding strategic, operational, compliance and financial risks is a vital element of TNT's management decision-making processes. TNT's risk management and control programme is not a means to an end, but a process to support management. No matter how good a risk management and control system may be, it cannot be assumed to be exhaustive nor can it provide certainty that it will prevent negative developments in TNT's business and business environment from occurring or its mitigating actions to be fully effective. It is important to note that new risks could be identified that are not known currently. However, any of the following known specific key risks could have a material adverse effect on TNT's financial position, results of operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this half year report.

The Board of Management have reviewed TNT's risk profile as at 3 July 2010 and confirms that the following specific key risks originally disclosed in Chapter 20 of the 2009 Annual Report (pages 198 – 199) have been updated but remain and continue to require focused and decisive management attention in the second half of 2010:

- Continued (sharp and rapid) declines in the weight per consignment and shifts in customer preferences from premium to economy products as well as changes in customer mix in TNT Express and/or pressure on yield and prices, which are among other things directly related to the macroeconomic situation, could lead to the need to further rationalise TNT's express operations and might impact results negatively.
- Another downturn in the capital markets and/or a decline in interest rates may decrease the coverage ratio below 105% of TNT's defined benefit pension fund obligations in the Netherlands, which in turn could require significant, multi-year additional funding by TNT. The coverage ratio was 101% as at 3 July 2010 however as at 2 August 2010 the coverage rate has increased to approximately 105%. Given the volatility in the capital markets and the fact that the coverage ratio remains around the minimum prescribed level the Board of Management will continue to monitor and take any necessary action on managing this risk in the coming period.
- Changes in the universal service obligation condition, might have a significant negative impact on TNT's profitability and cash flow ambitions.
- The loss of key suppliers, particularly in the subcontractor and commercial linehaul sectors, due to insolvency/bankruptcy in a worsening macroeconomic environment or significant further decline in volumes could have a significant impact on TNT's cash flows and operational capabilities.

In addition to these risks, the Board of Management has also identified two specific key risks that will also require focused and decisive management attention in the second half of 2010:

**The implied changes to group structure as required to execute the Vision 2015 strategy could bring about disruption to the day-to-day management of operations, which could negatively affect revenues and profitability.**

Today's announced intended decision to separate fully Mail and Express requires management time, advisory costs and attention to ensure a high quality of execution. Although the Board of Management believes that these strategies contain manageable execution risks as they are based on TNT's core strengths, it is possible that the speed of execution and complexity of the challenges the new strategy brings could cause some temporary disruption and may impact the day-to-day management of TNT's operations.

**The recently announced final Master plan restructuring in TNT Mail could have a significant impact on TNT's profitability and cash flow ambitions.**

The restructuring programme recently announced for TNT Mail is estimated to run for four years and current estimates indicate the need for an additional provision with a net impact of an initial € 168 million on top of existing provisions will be required to cover the costs of the programme (for full details of the composition of this provision please refer to page 24 of this press release). This additional provision is based on assumptions and information currently known and may change if the assumptions made today are no longer applicable. TNT will continue to carefully monitor the costs associated with using this provision and will make adjustments as and when applicable.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## GENERAL INFORMATION

The interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting'.

TNT N.V. ('TNT' or the 'Company'), a public limited liability company with its registered seat in Amsterdam, the Netherlands, and its head office in Amsterdam, the Netherlands, provides businesses and consumers worldwide with an extensive range of services for their express delivery and mail needs. TNT's services involve the collection, storage, sorting, transport and distribution of a wide range of items for the Company's customers within specific timeframes, and related data and document management services.

## BASIS OF PREPARATION

The information is reported on a year-to-date basis ending 3 July 2010. Where material to an understanding of the period starting 1 January 2010 and ending 3 July 2010, further information is disclosed. The interim financial statements were discussed in and approved by the Board of Management. The interim financial statements should be read in conjunction with TNT's consolidated 2009 annual report as published on 22 February 2010.

The significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in TNT's consolidated 2009 annual report for the year ended 31 December 2009. In 2010, revised IFRS statements for the accounting of Business combinations (IFRS 3) and Consolidated and separate financial statements (IAS 27) are applicable for TNT. These revisions concern mainly the expensing of all deal related costs, remeasurement of contingent considerations and revised treatment of non controlling interests in case of a change of control. The impact of these revised IFRS statements for Q2 2010 is limited due to the absence of major transactions. The measure of profit and loss and assets and liabilities is based on the TNT Group Accounting Policies, which are compliant with IFRS. The pricing of inter-company sales is done at arm's length.

## SEGMENT INFORMATION

TNT operates its businesses through three reportable segments Express, Mail and Other networks.

The Express business provides on-demand door-to-door express delivery services for customers sending documents, parcels and freight. The Mail business provides services for collecting, sorting, transporting and distributing domestic and international mail. The Other networks business provides time-critical deliveries to individually agreed service delivery points for business customers during the night.

Revenues and results are impacted by the seasonality of sales whereby Q4 is the strongest quarter in the financial year and Q3 is the weakest quarter.

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first six months of 2010 and 2009:

in € millions	Express	Mail	Other networks	Inter-company	Non-allocated	Total
<b>HY 2010 ended at 03 July 2010</b>						
Net sales	3,290	2,044	132		0	5,466
Inter-company sales	4	5	2	(11)		0
Other operating revenues	41	11	0			52
<b>Total operating revenues</b>	<b>3,335</b>	<b>2,060</b>	<b>134</b>	<b>(11)</b>	<b>0</b>	<b>5,518</b>
Other income	6	8	0		1	15
Depreciation/impairments property, plant and equipment	(77)	(41)	(1)		(2)	(121)
Amortisation/impairments intangibles	(25)	(13)	0		0	(38)
<b>Total operating income</b>	<b>163</b>	<b>151</b>	<b>7</b>		<b>(15)</b>	<b>306</b>
<b>Total assets</b>	<b>4,602</b>	<b>1,548</b>	<b>99</b>		<b>1,682</b>	<b>7,931</b>
<b>HY 2009 ended at 27 June 2009</b>						
Net sales	2,763	2,029	121		1	4,914
Inter-company sales	5	6	1	(12)		0
Other operating revenues	46	11	1			58
<b>Total operating revenues</b>	<b>2,814</b>	<b>2,046</b>	<b>123</b>	<b>(12)</b>	<b>1</b>	<b>4,972</b>
Other income	2	27	0		1	30
Depreciation/impairments property, plant and equipment	(79)	(43)	(1)		(2)	(125)
Amortisation/impairments intangibles	(27)	(13)	(1)		0	(41)
<b>Total operating income</b>	<b>49</b>	<b>299</b>	<b>4</b>		<b>(11)</b>	<b>341</b>
<b>Total assets</b>	<b>4,468</b>	<b>1,621</b>	<b>99</b>		<b>1,469</b>	<b>7,657</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	03 Jul 2010	31 Dec 2009
in € millions		
Goodwill	1,867	1,803
Other intangible assets	237	258
<b>1 Intangible assets</b>	<b>2,104</b>	<b>2,061</b>
Land and buildings	793	809
Plant and equipment	351	342
Aircraft	268	280
Other	141	151
Construction in progress	39	28
<b>2 Property, plant and equipment</b>	<b>1,592</b>	<b>1,610</b>
Investments in associates	64	62
Other loans receivable	9	6
Deferred tax assets	320	233
Prepayments and accrued income	41	23
<b>Financial fixed assets</b>	<b>434</b>	<b>324</b>
<b>3 Pension assets</b>	<b>1,034</b>	<b>884</b>
<b>Total non-current assets</b>	<b>5,164</b>	<b>4,879</b>
Inventory	25	24
Trade accounts receivable	1,449	1,370
Accounts receivable	219	221
Income tax receivable	14	28
Prepayments and accrued income	330	236
<b>5 Cash and cash equivalents</b>	<b>699</b>	<b>910</b>
<b>Total current assets</b>	<b>2,736</b>	<b>2,789</b>
<b>Assets held for sale</b>	<b>31</b>	<b>27</b>
<b>Total assets</b>	<b>7,931</b>	<b>7,695</b>
Equity attributable to the equity holders of the parent	2,290	2,060
Minority interests	27	20
<b>4 Total equity</b>	<b>2,317</b>	<b>2,080</b>
Deferred tax liabilities	415	391
<b>3 Provisions for pension liabilities</b>	<b>249</b>	<b>292</b>
<b>6 Other provisions</b>	<b>436</b>	<b>165</b>
<b>5 Long term debt</b>	<b>1,916</b>	<b>1,925</b>
Accrued liabilities	6	5
<b>Total non-current liabilities</b>	<b>3,022</b>	<b>2,778</b>
Trade accounts payable	500	470
<b>6 Other provisions</b>	<b>136</b>	<b>203</b>
Other current liabilities	520	687
<b>7 Income tax payable</b>	<b>203</b>	<b>265</b>
Accrued current liabilities	1,233	1,212
<b>Total current liabilities</b>	<b>2,592</b>	<b>2,837</b>
<b>Total liabilities and equity</b>	<b>7,931</b>	<b>7,695</b>
the numbers relate to the notes belonging to these interim financial statements		

## CONSOLIDATED INCOME STATEMENT

in € millions	Q2 2010	Q2 2009	HY 2010	HY 2009
Net sales	2,745	2,498	5,466	4,914
Other operating revenues	26	30	52	58
<b>Total revenues</b>	<b>2,771</b>	<b>2,528</b>	<b>5,518</b>	<b>4,972</b>
<b>Other income</b>	<b>13</b>	<b>25</b>	<b>15</b>	<b>30</b>
Cost of materials	(143)	(101)	(273)	(197)
Work contracted out and other external expenses	(1,307)	(1,133)	(2,553)	(2,220)
Salaries and social security contributions	(1,066)	(883)	(1,956)	(1,746)
Depreciation, amortisation and impairments	(81)	(84)	(159)	(166)
Other operating expenses	(132)	(174)	(286)	(332)
<b>Total operating expenses</b>	<b>(2,729)</b>	<b>(2,375)</b>	<b>(5,227)</b>	<b>(4,661)</b>
<b>Operating income</b>	<b>55</b>	<b>178</b>	<b>306</b>	<b>341</b>
Interest and similar income	3	5	6	15
Interest and similar expenses	(38)	(46)	(77)	(96)
<b>Net financial (expense)/income</b>	<b>(35)</b>	<b>(41)</b>	<b>(71)</b>	<b>(81)</b>
Results from investments in associates	0	(11)	0	(12)
<b>Profit before income taxes</b>	<b>20</b>	<b>126</b>	<b>235</b>	<b>248</b>
<b>7 Income taxes</b>	<b>(14)</b>	<b>(37)</b>	<b>(85)</b>	<b>(84)</b>
<b>Profit for the period</b>	<b>6</b>	<b>89</b>	<b>150</b>	<b>164</b>
Attributable to:				
Minority interests	3	8	4	7
<b>Equity holders of the parent</b>	<b>3</b>	<b>81</b>	<b>146</b>	<b>157</b>
Earnings per ordinary share (in € cents) <sup>1</sup>	0.7	22.1	39.3	43.3
Earnings per diluted ordinary share (in € cents) <sup>2</sup>	0.5	21.9	38.9	43.0

1. In 2010 based on an average of 371,623,864 of outstanding ordinary shares (2009: 362,532,698).

2. In 2010 based on an average of 375,140,175 of outstanding ordinary shares (2009: 364,731,755).

## CONSOLIDATED STATEMENT OF CASH FLOWS

in € millions	Q2 2010	Q2 2009	HY 2010	HY 2009
Profit before income taxes	20	126	235	248
Adjustments for:				
Depreciation, amortisation and impairments	81	84	159	166
Share based payments	5	5	9	9
Investment income:				
(Profit)/loss on sale of property, plant and equipment	(5)	(2)	(7)	(7)
(Profit)/loss on sale of Group companies/joint ventures	0	(20)	0	(20)
Interest and similar income	(3)	(5)	(6)	(15)
Foreign exchange (gains) and losses	1	2	3	4
Interest and similar expenses	37	44	74	92
Results from investments in associates	0	10	0	11
Changes in provisions:				
Pension liabilities	(133)	(57)	(192)	(94)
Other provisions	215	9	198	(9)
Changes in working capital:				
Inventory	0	0	0	(1)
Trade accounts receivable	36	46	(30)	87
Other accounts receivable	(10)	37	8	4
Other current assets	13	54	(82)	(20)
Trade accounts payable	11	(2)	(8)	1
Other current liabilities excluding short term financing and taxes	(112)	(42)	(126)	28
Cash generated from operations	156	289	235	484
Interest paid	(32)	(36)	(44)	(58)
Income taxes paid	(155)	157	(191)	141
<b>Net cash from operating activities</b>	<b>(31)</b>	<b>410</b>	<b>0</b>	<b>567</b>
Interest received	3	7	7	18
Acquisition of subsidiaries and joint ventures (net of cash)	(25)	(39)	(28)	(80)
Disposal of subsidiaries and joint ventures (net of cash)	0	23	0	23
Investment in associates	(5)	(3)	(7)	(8)
Disposals of associates	6	0	6	0
Capital expenditure on intangible assets	(16)	(15)	(28)	(27)
Disposal of intangible assets	1	1	1	1
Capital expenditure on property, plant and equipment	(37)	(43)	(64)	(97)
Proceeds from sale of property, plant and equipment	8	9	14	21
Other changes in (financial) fixed assets	0	1	(3)	1
Changes in minority interests	(2)	0	(1)	1
<b>Net cash used in investing activities</b>	<b>(67)</b>	<b>(59)</b>	<b>(103)</b>	<b>(147)</b>
Cash proceeds from the exercise of shares/options	1	1	1	1
Proceeds from long term borrowings	4	0	4	46
Repayments of long term borrowings	(10)	(2)	(23)	(2)
Proceeds from short term borrowings	8	0	31	166
Repayments of short term borrowings	(32)	(295)	(59)	(345)
Repayments of finance leases	(4)	(7)	(7)	(10)
Dividends paid	(64)	0	(64)	0
<b>Net cash used in financing activities</b>	<b>(97)</b>	<b>(303)</b>	<b>(117)</b>	<b>(144)</b>
<b>TOTAL CHANGES IN CASH</b>	<b>(195)</b>	<b>48</b>	<b>(220)</b>	<b>276</b>
<b>Cash at beginning of the period</b>	<b>889</b>	<b>726</b>	<b>910</b>	<b>497</b>
Exchange rate differences	5	(2)	9	(1)
Changes in cash from continuing operations	(195)	48	(220)	276
<b>Cash at end of period as reported</b>	<b>699</b>	<b>772</b>	<b>699</b>	<b>772</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € millions	Issued share capital	Additional paid in capital	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
<b>Balance at 31 December 2008</b>	173	876	(212)	(35)	497	434	1,733	24	1,757
<b>Total comprehensive income</b>			69	(7)	0	157	219	7	226
Final dividend previous year	4	(4)					0		0
Appropriation of net income					434	(434)	0		0
Share based compensation					9		9		9
Other					6		6	(7)	(1)
<b>Total direct changes in equity</b>	4	(4)	0	0	449	(434)	15	(7)	8
<b>Balance at 27 June 2009</b>	177	872	(143)	(42)	946	157	1,967	24	1,991
<b>Balance at 31 December 2009</b>	178	871	(146)	(43)	953	247	2,060	20	2,080
<b>Total comprehensive income</b>			139	(5)		146	280	4	284
Final dividend previous year	1	(1)				(64)	(64)		(64)
Appropriation of net income					183	(183)	0		0
Share based compensation					9		9		9
Other					5		5	3	8
<b>Total direct changes in equity</b>	1	(1)	0	0	197	(247)	(50)	3	(47)
<b>Balance at 03 July 2010</b>	179	870	(7)	(48)	1,150	146	2,290	27	2,317

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € millions	Q2 2010	Q2 2009	HY 2010	HY 2009
<b>Profit for the period</b>	6	89	150	164
Gains/(losses) on cashflow hedges, net of tax	2	10	(5)	(7)
Currency translation adjustment, net of tax	87	34	139	69
<b>Other comprehensive income for the period</b>	89	44	134	62
<b>Total comprehensive income for the period</b>	95	133	284	226
Attributable to:				
Minority interest	3	8	4	7
<b>Equity holders of the parent</b>	92	125	280	219

The HY 2010 tax impact on the cash flow hedges is € 2 million (2009: € 6 million) and € 0 million for Q2 2010 (2009: € 0 million). There is no tax impact on the current translation adjustment.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. INTANGIBLE ASSETS

The movements in the intangible assets are as follows:

in € millions	2010	2009
Balance at 1 January	2,061	2,063
Additions	45	106
Disposals	(2)	0
(De)consolidations	(22)	33
Exchange rate differences	60	41
Amortisation and impairments	(38)	(41)
Balance at end of period	2,104	2,202

The comparative figures relate to the six month period ended 27 June 2009.

The additions to the intangible assets concern additions to goodwill of € 17 million following the further finalisation of the purchase price allocation of the 2009 acquisition of LIT Cargo (January 2009) and Espresso Araçatuba (April 2009) and goodwill arisen following the TopPak and Kortingsbon.nl (announced as Kowin) acquisitions in 2010. In addition, capital expenditures in Q2 2010 amounted to € 28 million of which a significant part in software.

The closing balance for this period consists of € 1,867 million goodwill. Compared to 1 January 2010, goodwill, increased by € 64 million of which € 47 million foreign currency differences. This movement of goodwill excluding FX effects is summarised below.

Company name	Segment	Month aquired	% owner	Acquisition costs	Goodwill on acquisition
TopPak Holding B.V.	Mail	February	100%	3	2
Kortingsbon.nl B.V.	Mail	June	100%	3	2
Other acquisitions (including contingent consideration )				0	13
Total				6	17

## 2. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment are as follows:

in € millions	2010	2009
Balance at 1 January	1,610	1,634
Capital expenditures	64	97
Capital expenditures in financial leases	4	1
Acquisitions	4	28
Disposals	(3)	(13)
Exchange rate differences	41	43
Depreciation and impairments	(121)	(125)
Transfers to assets held for sale	(7)	(3)
Balance at end of period	1,592	1,662

The comparative figures relate to the six month period ended 27 June 2009.

Capital expenditures of € 64 million mainly concern investments within Express of € 42 million and Mail of € 22 million. The investments mainly relate to depots and hubs, vehicle replacements and sorting machinery. The exchange rate differences are due to the weakening of the Euro compared to our main foreign currencies in the first six months of 2010. In 2010, buildings for an amount of € 7 million are transferred to assets held for sale.

## 3. PENSIONS

On the balance sheet, the pension assets and pension liabilities of the various defined benefit pension schemes have been presented separately. The pension assets increased by € 150 million and the pension liabilities decreased by € 43 million, resulting in a net € 193 million movement. This movement is the net result of the recorded defined benefit pension expenses of € 9 million and contributions paid by TNT to the pension funds and early retirement payments for a total amount of € 128 million (2009: € 127 million) mainly related to Mail in the Netherlands and a recorded curtailment gain of € 74 million as part of the restructuring Master plan III.

During the first six months of 2010, the coverage ratio of TNT's main pension fund decreased to around 101% from around 108% as per 31 December 2009. Both coverage ratios include the impact of

increasing longevity, based on recent statistical studies performed by the Central Bureau of Statistics in the Netherlands. As per the end of July 2010, the coverage ratio has been restored to above the minimum required level.

#### 4. EQUITY

Total equity attributable to equity holders of the parent increased to € 2,290 million on 3 July 2010 from € 2,060 million as per 31 December 2009. This increase of € 230 million is mainly due to comprehensive income attributable to equity holders of € 280 million, of which € 146 million is profit for the half year, € 134 million is other comprehensive income (mainly foreign currency translation) and -€ 50 million are direct equity movements. These direct equity movements relate for -€ 64 million to the final cash dividend and for € 9 million to share based compensation.

In 2010, TNT issued 2,900,567 new ordinary shares following the establishment of the final dividend 2009. This stock dividend was paid out of additional paid in capital for a total value of € 1 million as part of the distributable reserves, free of withholding tax in the Netherlands. Remaining cash dividend resulted in a payment of € 64 million.

(in millions)	03 Jul 2010	31 Dec 2009	27 Jun 2009
Number of issued and outstanding shares	373.9	371.0	369.0
Shares held by the company to cover share plans	0.3	0.5	0.5
Shares held by the company for cancellation	0	0	0
Year-to-date average number of shares	371.6	366.3	362.5
Year-to-date average number of diluted shares	3.5	2.6	2.2
Year-to-date average number of shares on a fully diluted basis	375.1	369.0	364.7

#### 5. NET DEBT

The net debt is specified in the table below:

	03 Jul 2010	31 Dec 2009	27 Jun 2009
Short term debt	60	91	251
Long term debt	1,916	1,925	1,908
Total interest bearing debt	1,976	2,016	2,159
Cash and other interest bearing assets	(715)	(910)	(772)
<b>Net debt</b>	<b>1,261</b>	<b>1,106</b>	<b>1,387</b>

\* Net debt does not include adjustments for operating leases and pension liabilities that are incorporated in the definition of total debt used for credit rating purposes.

The net debt position as at 3 July 2010 increased by € 155 million compared to December 2009 mainly due to a decreased cash position. Cash was negatively impacted by net cash used in investing (€ 103 million) and financing activities (€ 117 million). The net cash from operating activities was negatively impacted by an outflow of working capital and taxes paid balancing out the higher profit before taxes.

#### 6. PROVISIONS

The other provisions consist of long term provisions and short term provisions for restructuring, claims and indemnities and other employee benefits. In the first six months of 2010, the balance of the long term and short term provisions increased by € 204 million, from € 368 million to € 572 million.

in € millions	2010	2009
<b>Balance at 1 January</b>	<b>368</b>	<b>402</b>
Additions	309	64
Withdrawals	(50)	(66)
Releases	(62)	(7)
(De)consolidations	(2)	2
Interest	2	4
Other	1	0
Exchange rate differences	6	9
<b>Balance at end of period</b>	<b>572</b>	<b>408</b>

The comparative figures relate to the six month period ended 27 June 2009.

The additions of € 309 million in the first six months of 2010 relate for € 290 million to the restructuring provision following the announced Master plan III provision within Mail and € 19 million

other provisions of which € 13 million within Express, € 5 million within Corporate and € 1 million within Mail.

On 15 March 2010, the union members agreed with the new collective labour agreement in the Netherlands for operational employees in Mail. In addition a social plan was confirmed. Following this social plan and other formalised arrangement, TNT has decided that the employees who are subject to efficiency matters can make use of the provision of the collective mobility agreement. This social plan comprises a wide range of measures making it possible to carry out the planned reduction in the number of employees in a social responsible manner.

The withdrawals of € 50 million relate mainly to withdrawals of € 18 million within the Express division for settlement payments following restructuring programmes of € 10 million in Europe and settlement of claims of € 3 million and others. Within the Mail division € 27 million has been withdrawn for restructuring provisions following settlement payments mainly following the execution of Master plan initiatives (€ 19 million) and settlement payments within the joint venture 'Postkantoren' (€ 8 million).

The release of € 62 million relate largely to the release of a restructuring provision of € 42 million and other employee benefit provision of € 6 million within Mail and other releases of € 10 million within Corporate. The release of the restructuring provision relates to restructuring plan Master plan II which was announced in 2007 and which covered restructuring cost of € 110 million for efficiency projects to standardise the collection, preparation, and delivery of mail. Under the new Master plan III restructuring programme also the staff of this former restructuring plan is covered.

The restructuring provision for Master plan III is discounted at 2.5% and this provision is expected to be utilised during the period 2010-2013. The net impact on profit before tax of this restructuring plan Master plan III is € 168 million taken into account releases of provisions of € 48 million and a pension curtailment of € 74 million.

## 7. TAXES

Effective tax rate	HY 2010	HY 2009
Dutch statutory tax rate	25.5%	25.5%
Other statutory tax rates	-0.6%	1.6%
Weighted average statutory tax rate	24.9%	27.1%
Non and partly deductible costs	3.1%	1.6%
Exempt income	-0.1%	-2.9%
Other	8.3%	8.1%
Effective tax rate	36.2%	33.9%

The effective tax rate in the first six months of 2010 amounted to 36.2%, which is higher than the comparable effective tax rate of 33.9% in 2009. This increase of the effective tax rate of 2.3% is due to higher non deductible costs in relation to a slightly lower profit before tax and, furthermore, caused by the tax exempted income in 2009 relating to the sale of G3 Worldwide Aspac PTE Ltd. An improved mix of income from profit and loss making countries resulted in a decrease of the effective tax rate by 2.2%. The effective tax rate in the first six months of 2010 is impacted by several other components (8.3%). Current year losses, for which no deferred tax asset could be recognised due to uncertainty regarding the recoverability of such assets, impacted the effective tax rate by 8.5%.

As per 3 July 2010, the income tax payable amounted to € 203 million and decreased by € 62 million compared to December 2009. This decrease is predominantly due to preliminary paid taxes in the Netherlands relating to prior years and an increase due to the release of some provisions.

As per 3 July 2010, the deferred tax assets amounted to € 320 million and increased by € 87 million compared to December 2009, mainly caused by a deferred tax asset of € 68 million in relation to the Master plan provision.

## 8. LABOUR FORCE

The headcount at the end of the quarter as well as the average number of full time equivalents is specified in the table below:

	03 Jul 2010	31 Dec 2009
<b>Employees</b>		
Express	79,970	78,030
Mail	72,867	79,912
Other networks	1,304	1,355
Non-allocated	387	366
<b>Total</b>	<b>154,528</b>	<b>159,663</b>
<b>Average FTE's</b>	<b>HY 2010</b>	<b>HY 2009</b>
Express	78,116	71,670
Mail	37,989	39,233
Other networks	1,140	1,168
Non-allocated	378	262
<b>Total</b>	<b>117,623</b>	<b>112,333</b>

The average number of full time equivalents working in Express during the first six months of 2010 was 78,116, which increased due to the acquisition of LIT Cargo and Espresso Araçatuba in 2009 and an increase of full time equivalents in emerging countries partly offset by restructurings.

The average number of full time equivalents working in Mail during the first six months of 2010 was 37,989, a decrease of 1,244 compared to the comparable period in 2009 mainly following staff reductions within operations in the Netherlands.

## 9. RELATED PARTIES

At 3 July 2010, TNT's related party transactions for the year to date totalled € 2 million (2009: € 4 million). Purchases of TNT from joint ventures amounted to € 37 million (2009: € 35 million). The net amounts due to the joint venture entities amounted to € 59 million (2009: € 91 million). As at 3 July 2010, the net amount due to associates amounted to -€ 2 million (2009: € 2 million due from).

## 10. SUBSEQUENT EVENTS

As per 6 July, an in-principle agreement has been presented to and approved by the union members relating to a separate TNT Express Collective Labour Agreement (CLA). The CLA will run from 1 April 2010 to 1 July 2011. Employees will receive a structural wage increase of 0.5% from 1 April 2010, 0.5% from 1 October 2010 and 0.7% from 1 April 2011. They will also be awarded a one-off gross payment of € 250. This CLA will apply to some 2,300 TNT employees in the Netherlands. The financial implications of this CLA have not yet been reflected in the interim financials Q2 2010.

As disclosed earlier TNT Post has ongoing discussion with the Dutch oversight body "OPTA" relating to the level and detail of the cost information to be provided to the OPTA relating to the Universal Service Obligation. This information is input for the setting of the starting tariffs for the universal service. Following this ongoing discussion OPTA ordered to provide additional information and demanded penalties of € 6 million in total which have been paid by TNT Post and recorded as cost in 2009. TNT Post started legal proceedings on the merits of the orders and penalties and on 1 July 2010 the court concluded that TNT Post had provided the OPTA with sufficient cost information. It also ruled that the demanded penalties were unjustified.

In the interim Q2 2010 financials, a receivable for the repayment of these penalties of € 6 million has been recorded which has been received in July 2010.

## OTHER

Working days	Q1	Q2	Q3	Q4	Total
<b>Express</b>					
2006	64	60	64	63	251
2007	64	60	64	64	252
2008	61	63	64	66	254
2009	61	60	65	68	254
2010	65	62	65	65	257
<b>Mail</b>					
2006	65	62	65	63	255
2007	64	61	65	64	254
2008	62	62	65	66	255
2009	61	61	65	68	255
2010	65	60	65	65	255

**Reconciliation Mail**

in € millions	Q2 2010	Q2 2009
Underlying EBITDA	163	168
Changes in pension liabilities	(51)	(52)
Restructurings cash outflow	(12)	(21)
<b>Underlying Cash EBITDA</b>	<b>100</b>	<b>95</b>
as percentage of revenues	10.1%	9.3%
Underlying EBIT	136	139
Changes in pension liabilities	(51)	(51)
Restructurings cash outflow	(12)	(21)
<b>Underlying Cash EBIT</b>	<b>73</b>	<b>67</b>
as percentage of revenues	7.4%	6.6%

## FINANCIAL CALENDAR

**Monday 1 November 2010**

Publication of Q3 2010 Results

**Thursday 2 December 2010**

Analysts' Meeting

Additional information available at  
<http://group.tnt.com>

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