THE GLOBAL SPIN-OFF REPORT

May 23, 2011

TNT N.V.

Partial Demerger of TNT Express N.V.

Pre-Demerger: TNT N.V.

Price:	EUR 16.30 per share	**Ticker:**	TNT NA
Est. FV (s.1/s.2/s.3*):	EUR 15.93 /16.66/34.87 per sh.	**Dividend:**	EUR 0.57 per share
52-Week Range:	EUR 15.42 – 23.45 per share	**Yield:**	3.50%
Shares Outstanding:	379,965,260		
Market Capitalization:	EUR 6,192 million		
Est. Fair Value Mkt Cap:	EUR 6,054/6,330/13,251 million		

Post-Demerger: PostNL N.V. (formerly, TNT N.V.)

Est. FV (s.1/s.2/s.3*):	EUR 7.91/7.16/13.44 per sh.	**Ticker:**	TNT NA
Est. Shares Outstanding:	379,965,260	**Dividend:**	Min. EUR 150 mm
Est. Fair Value Mkt Cap:	EUR 3,007/2,721/5,106 million	**Yield:**	n/a

Demerged Entity: TNT Express N.V.

Est. FV (s.1/s.2/s.3*):	EUR 8.02/9.50/21.43 per sh.	**Ticker:**	TNTE NA
Est. Shares Outstanding:	379,965,260	**Dividend:**	n/a
Est. Fair Value Mkt Cap:	EUR 3,047/3,609/8,145 million	**Yield:**	n/a

Important Notes:

*s.1, s.2, and s.3 refer to scenarios 1, 2, and 3 presented in the 'Investment Summary' section of this report. *Importantly, the 's.3' valuation scenario presented herein is based on longer-term management projections for the 2015 financial year. Moreover, the figures are presented on an undiscounted basis. Such figures have been provided for reference purposes only. Of the 542,033,181 TNT Express N.V. shares outstanding upon demerger, 379,965,260 shares (70.1 percent) will be held by former TNT N.V. shareholders as a result of the demerger on a 1 for 1 basis, with the remaining 162,067,921 shares (29.9 percent) held as a minority interest by the parent company PostNL N.V. (formerly, TNT N.V.). PostNL N.V. has stated that the minimum dividend shall be EUR 150 million, or EUR 0.39 per share.*

1 EUR = 1.4156 USD

Data As of May 16, 2011

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The Global Spin-Off Report

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TNT Board of Directors Announces Intention to Pursue Demerger of TNT Express:	Monday, August 2, 2010
TNT Board of Directors Announces Proposed Demerger of TNT Express:	Thursday, December 2, 2010
TNT Board of Directors Issues Demerger Circular:	Monday, April 11, 2011
Annual General Meeting and Extraordinary General Meeting of TNT Shareholders:	Wednesday, May 25, 2011
Last Day to Trade in TNT Shares to Participate in the Demerger:	Wednesday, May 25, 2011
TNT Shares Trade Ex-Entitlement; TNT Express Shares Trade on a When-Issued Basis:	Thursday, May 26, 2011
Demerger Record Date:	Monday, May 30, 2011
TNT Express Shares Trade Regular-Way	Tuesday, May 31, 2011
Distribution Ratio:	1 TNT : 1 TNTE
Tax Status:	See Demerger Circular
Prerequisites:	See Demerger Circular
Primary Reason:	Disparate business models.

Ownership (Bloomberg):	Holders	Share Ownership	Percent of Shares
	Alberta Investment Management	19,996,280	5.26
	Jana Partners LLC	19,513,995	5.14
	Morgan Stanley & Co.	18,001,089	4.74
	BlackRock, Inc.	17,388,271	4.58
	UBS AG	13,874,970	3.65
	Massachusetts Financial Services	9,239,359	2.43

Investment Thesis

On December 2, 2010, TNT N.V. announced its intention to proceed with the demerger of its express mail division. TNT, through its two divisions—TNT Express and TNT Mail—is part of the global document, parcel, and freight transportation and distribution industry. TNT Mail is one of the world's leading postal operators. It is the incumbent postal company in the Netherlands, with international operations focused on Germany, the United Kingdom, and Italy.

As a result of the decline in traditional mail volume, however, the industry's long-term growth prospects appear rather bleak. In contradistinction, TNT Express is the European leader in intra-European business-to-business express mail; as well, the division has significant operations in both China and South America and a growing focus on expanding operations in India. In management's own words:

> "Mail is faced with a continuously declining mail market in the Netherlands and has to focus on sustaining solid cash flows and operational efficiency. Express' priorities are to grow its existing strong European networks, to continue to grow the intercontinental business from and to Europe into adjacent markets and to secure contributions from its existing strong positions in China, South America and India."[1]

The transaction is expected to be approved at the General Meeting of Shareholders on Wednesday, May 25, 2011. Notably, in order to proceed with the demerger, TNT Mail will initially be required to retain a 29.9 percent stake in Express in order maintain the required positive equity position post-demerger. It is expected that this interest will ultimately be returned to shareholders in a subsequent distribution. The sale of TNT N.V.'s minority shareholding is anticipated over time, with proceeds to be used to reduce debt in TNT N.V.

Though the disparate financial profiles and prospects of TNT Express and TNT Mail suggest that there exists the potential for value creation upon the separation of the 'better' business that is TNT Express, the process of arriving at a sum-of-the-parts valuation is complicated somewhat by the fact that there are currently no independent, publicly traded postal services companies. At the moment, all of Europe's postal services companies are either privately held or held as part of a larger enterprise, as is currently the case with TNT Mail.

Moreover, the European postal services market appears to be in an inexorable state of decline, both as a result of the reduced use of traditional postal services (i.e., letter mail) and the increasing competitiveness of the European mail market, as mandated by the European Union's series of postal services directives. The absence of a comparable competitor, in conjunction with what appears to be the secular erosion of TNT Mail's

[1] 2010 Analysts' Meeting. Also, see 2009 Annual Report for more information.

primary market makes the determination of the equity risk premium, or valuation multiple, more conjectural than is typically the case.

Though management would have the potential investor believe that TNT Mail will successfully navigate these significant business risks by expanding in European markets outside of its traditional market in the Netherlands, it is rather difficult to conclude with a high degree of confidence that this will be the case, especially when interpreted from a conservative perspective.

Attempts by TNT Mail to expand into countries like Germany, for example, have been met with the creation of competitive barriers to entry as German politicians have attempted to protect German workers by imposing higher minimum wage requirements for the international competition. And, though the European Union will continue to attempt to remove such competitive barriers, it is difficult to determine the means by which and the extent to which politicians will go to protect their constituents.

In other words, despite the recent directive by the EU mandating that European mail markets operate without such barriers, the imposition of politically motivated economic barriers to entry may very well continue. Importantly, such anti-competitive activity may be more prolonged than one might expect.

Since the Dutch mail market is the most open and competitive mail market in Europe, the rate at which intra-European competition evolves is especially important for TNT Mail. As the erosion of the company's domestic market share continues, it is essential that this domestic loss be offset by market share gains internationally. The timing and magnitude of such gains are dependent not only on management skill, but on the willingness of politicians to allow such increases in international competition in their historically protected domestic markets.

Therefore, rather than attempt to arrive at a pre-demerger sum-of-the-parts valuation, it is advised that one acknowledge that there exists a longer-term source of optionality in the form of TNT Mail and the potential for an attractive growth investment in the form of TNT Express.

Specifically, if the more stable business of TNT Express is valued similarly to competitors such as FedEx, one might expect the company to trade at an enterprise value-to-EBIT multiple of nearly 13 times. Though such a valuation would represent a fair valuation on the basis of current operations, unlike its mail counterpart, TNT Express is clearly a business with more attractive growth prospects. As well, TNT Express has the potential to benefit from a reversion to a 'normalized' level of operating performance, as discussed in more detail in the valuation section of this report.

In the absence of a post-demerger discount, TNT Express may still prove to be an attractive investment opportunity. For example, if over the subsequent three years the division's EBIT returned to the level achieved in 2007, this would represent EBIT growth of nearly 20 percent per annum. With a focus on expanding in the fast-growing Asian and South American, this appears to be a realistic possibility.

If TNT Express were valued at 13 times EBIT following the demerger, at the company's current, pre-demerger enterprise value, this would imply an EBIT multiple for TNT Mail of approximately five times. Should TNT Mail management ultimately succeed in offsetting domestic market share losses with international gains, this multiple would ultimately prove to be far too low. Obviously, such optionality is offset by what appear to be significant secular (i.e., declines in traditional mail demand) and structural (i.e., the presence of a truly competitive pan-European mail market) risks.

Though we do not recommend the purchase of pre-demerger TNT N.V. due to our aversion towards the operations of TNT Mail, investors should note the potentially interesting, albeit risky, source of optionality that TNT Mail provides. For the more conservative investor, TNT Express may prove to be a reasonably priced growth opportunity; moreover, there appears to be an historical basis for expecting a reversion to higher levels of operating performance. As well, despite recent attempts by management to complicate the potential for takeover, it may prove to be an acquisition target for one of the larger global carriers, such as FedEx or UPS.

As such, TNT Express should be followed closely upon demerger. Should any short-term price dislocation arise as a result of the demerger or should the shares trade at a discount to what we have identified as the company's 'normalized' fair value, purchase may be warranted.

Company Overview

Company & Industry Background

TNT's long history dates back to 1752 with the origins of the Dutch mail service then known as Statenpost. In 1989, the state-operated Dutch mail and telecommunications services were privatized and became KPN (Koninklijke PTT Nederland), a combined postal-telecommunications company. In 1996, KPN acquired TNT (Thomas Nationwide Transport), an international express mail company founded in Australia in 1946 and publicly traded on the Australian Stock Exchange since 1961.

In 1998, both the original postal division and the express mail operations of TNT were demerged from KPN and listed separately on the Amsterdam Stock Exchange as TPG (TNT Post Group). The company was rebranded as TNT in 2005. Though several logistics business were acquired between 1999 and 2005, the company decided to focus purely on the management of delivery networks and sold the majority of the logistics division to private equity firm Apollo Management in November 2006.[2]

Presently, TNT is comprised of two primary operating divisions: TNT Mail and TNT Express. TNT Mail operates postal services primarily in Europe. It is important to note, however, that historically, in most European countries, the sector has been highly regulated, with an incumbent holding a protected, monopolistic position. In 2010, the mail division's market share in the Netherlands was 83 percent. The mail division operates through three business units:[3]

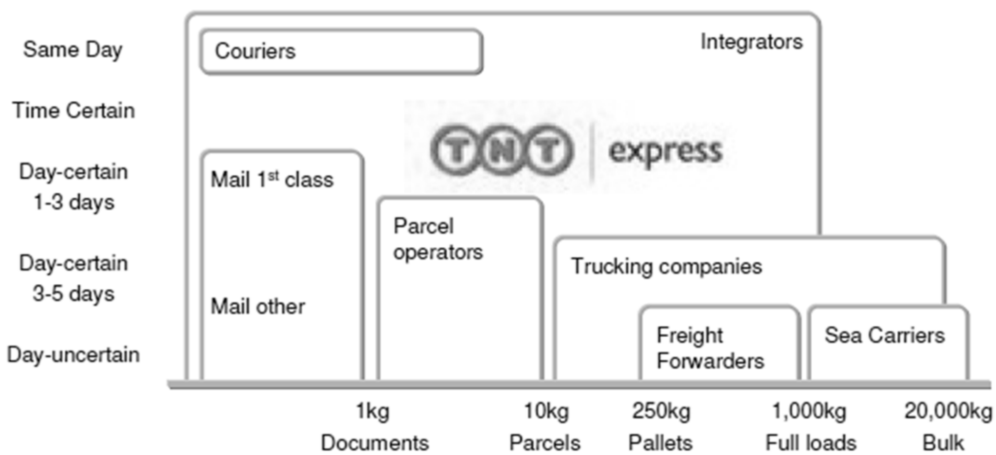
- Mail in the Netherlands (Koninklijke TNT Post B.V.): responsible for mail services in the Netherlands, including the provision of the universal postal service. Mail continues to be the largest private employer in the Netherlands;
- Parcels (TNT Post Pakketservice Benelux B.V.): provides standard parcel services in the Netherlands and Belgium for both domestic and cross-border parcel distribution;
- International: covers the mail activities in the United Kingdom, Germany, Italy, Belgium, Czech Republic, Slovakia, and Austria. These activities are focused on domestic addressed mail services. This segment also covers the management of cross-border mail services through its subsidiary Spring Global Mail;
- Additionally, the mail division is increasingly active in offering mail-related data, communications, and e-commerce solutions to its target customers. These solutions are largely provided through its subsidiary Cendris and include e-commerce/fulfillment solutions, marketing and sales services, invoice to cash services, and data services.

[2] See TNT N.V. website for more information on the company's history of acquisitions and divestments since 1998.

[3] Herein, TNT Mail refers to the entirety of the mail division, whereas TNT Post refers to the Mail in the Netherlands business unit.

TNT Express operates globally in the courier-express-parcels (CEP) market. This structure of the CEP market can generally be understood as being segmented along two dimensions: speed or time-certainty and weight. Within the first dimension, customers have different requirements in terms of speed and delivery guarantees for their consignments, ranging from same-day and time-certain to day-uncertain deliveries. Within the second dimension, the weight, shapes, and sizes of consignments differ. They range from small and light goods (e.g., documents), to large and heavy goods.

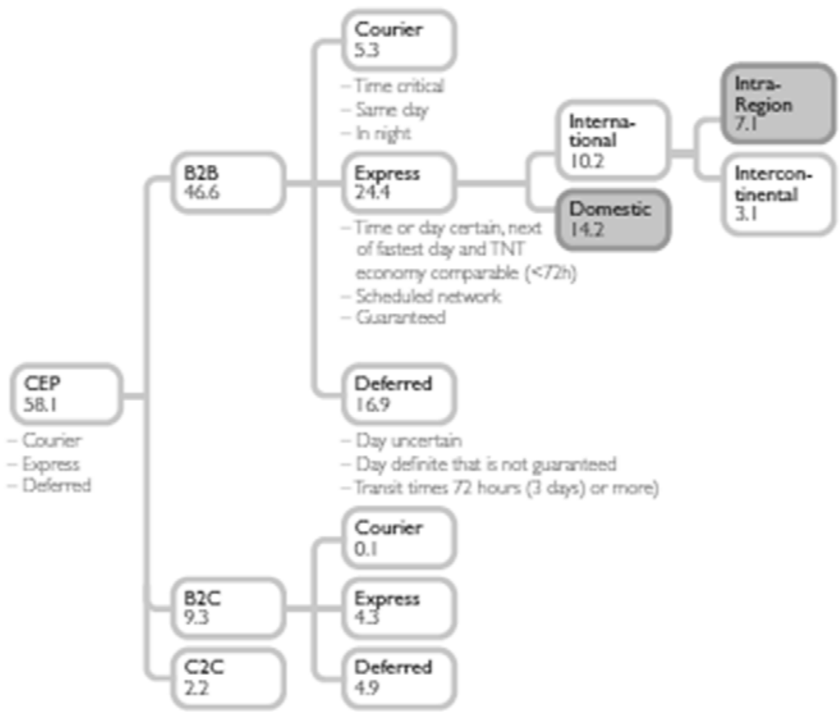
In industry terminology, the express business functions as an 'integrator', covering most segments of the delivery market, with the exception of mail services and bulk goods. The other global integrators include United Parcel Service (UPS), Federal Express (FedEx), and DHL Express (DHL), a subsidiary of publicly-traded Deutsche Post AG. As characterized by the exhibit below, TNT Express deals in a wide range of consignment weights and sizes, though with more precisely defined speed and delivery guarantees than the traditional mail, parcel, trucking, and freight companies.[4]



In 2008, the European CEP market was estimated to have generated approximately EUR 58 billion in revenues, with TNT Express ranking second with a nine percent market share.[5] According to the company, however, their focus within the European CEP market is on business-to-business (B2B) express mail with both a domestic and an intra-regional (i.e., European) focus.

[4] Source: 2010 Annual Report Supplement (i.e., pdf page 11).
[5] The market share information is sourced from the company's 2009 Annual Report. Market share information is only available on a one-year lag due to the timing of when data is made available to the company. That is, the 2010 Annual Report Supplement provides market share information for 2009. However, the market share information provided in the 2010 Annual Report Supplement (i.e., pdf page 11) is not as detailed as that provided in the 2009 Annual Report (i.e., pdf page 13). Importantly, for 2009, the estimated European CEP market and European CEP express market sizes are estimated to be EUR 56 billion and EUR 19 billion, consistent with the 2008 estimates of EUR 58 billion and EUR 21 billion, respectively.

Though more narrowly defined, this 'TNT Express' market is still quite large having generated revenues of approximately EUR 21 billion in 2008, nearly 75 percent of the total European CEP *express* market at the time.[6] Relative to this more narrowly defined 'TNT Express' market, the company held an 18 percent market share in 2008. The relative market shares of the various competitors are presented below for the entire CEP market and for the 'TNT Express' market for both 2008 and 2009, when available. As well, a diagram of the CEP market structure in 2008 is presented to help orient the reader.



2008 & 2009	*Total European CEP Market*		*'TNT Express' CEP Market*	
Market Share	2008	2009	2008	2009
TNT Express	9%	not avail.	18%	17%
DHL	17%	not avail.	16%	15%
UPS	7%	not avail.	9%	9%
La Poste	8%	not avail.	7%	8%
Royal Mail	5%	not avail.	n/a	n/a

Note: 'TNT Express' market is in dark gray above.
Source: Company Reports

Though both TNT Mail and TNT Express appear to have established dominant market positions, in the case of TNT Mail, there are certain structural factors at work that one must properly take into account. As highlighted by management upon the conclusion of the

[6] The remaining 25 percent is derived from B2C express and B2B express intercontinental. The European CEP express market is a subset of the European CEP market, with the European CEP express market comprising approximately 49 percent of the European CEP market in 2008.

company's strategic review in December 2009, TNT is faced with increasingly divergent strategic profiles of the mail and express divisions.

Specifically, TNT Mail is faced with a structurally declining mail market within the Netherlands due to the substitution of electronic mail for traditional mail. The substitution of mail volumes by electronic alternatives is now an irreversible trend in almost all European countries. Critically important, however, is that the resulting volume declines have been amplified by the recent decision of the European Union, in concert with Dutch government, to fully liberalize the Dutch mail market beginning on April 1, 2009, effectively eliminating the monopolistic position held by TNT Mail since its origins as Statenpost in 1752.

TNT Mail & the Impact of the European Union Postal Services Liberalization Process
The ongoing displacement of physical mail by electronic forms of communication, combined with increased competition in the first full year of a liberalized Dutch mail market led to record letter mail volume declines in the Netherlands of nine percent for incumbent operator TNT Mail. Until the formal opening of the Dutch mail market on April 1, 2009, TNT Mail operated as a legally protected monopoly, processing nearly 90 percent of all addressed mail in the Netherlands. With 2010 market share of 83 percent, the company's dominance of the domestic mail market has eroded somewhat due to increasing domestic competition from newer entrants Sandd B.V. and Selekt Mail Nederland C.V.[7]

TNT Mail *Items in mm*	Mail in NL: Total Items	YoY Change	Mail in NL: Market Share
12/31/2002	5,521	n/a	n/a
12/31/2003	5,384	-2.5%	n/a
12/31/2004	5,302	-1.5%	n/a
12/31/2005	5,139	-3.1%	n/a
12/31/2006	4,918	-4.3%	90%
12/31/2007	4,807	-2.3%	88%
12/31/2008	4,548	-5.4%	86%
12/31/2009	4,473	-1.6%	86%
12/31/2010	4,070	-9.0%	83%

Source: Company Reports

The guiding force in the liberalization of the Dutch postal market has been the European Union's series of postal services directives.[8] Reflecting the EU philosophy of a 'single market', the series of directives has pushed for an increase in cross-border competition among postal services providers, which, it has been argued, will ultimately lead to cheaper, faster, and more innovative postal services. The reform effort, which began in the early 1990s, was formalized with the adoption of the First Postal Services Directive in 1997, which was followed by the Second Postal Services Directive in 2002. In October 2006, the

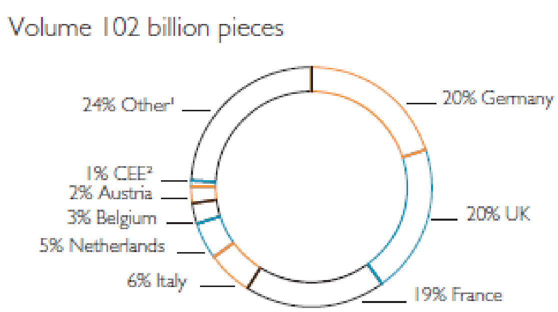
[7] On January 12, 2011, private-equity owned Sandd announced its intention to purchase Selekt Mail Nederland from Deutsche Post.
[8] See Third Postal Directive for more information.

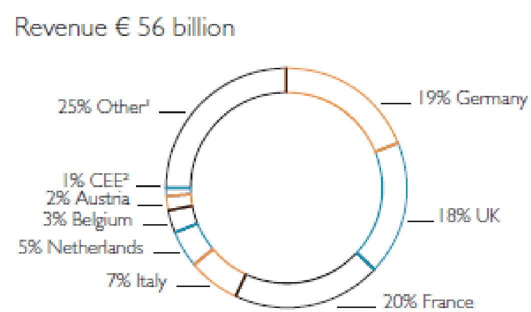
European Commission presented plans to dissolve all remaining impediments to a single, European postal market with its proposal of the Third Postal Services Directive.

The first and second directives had succeeded in introducing competition in a number of postal services, including the delivery of parcels and express services; however, they stopped short of imposing competition for the delivery of letters weighing less than 50 grams, a service which, at the time, comprised more than 70 percent of all EU letter post and 60 percent of EU postal service revenues. The central element of the third directive was the elimination of the so-called ‘reserved area’, which gave incumbents the right to maintain their respective monopolies over the delivery of letters weighing less than 50 grams in return for providing an affordable, five-days-per-week delivery service even to citizens in remote areas, a requirement known as the ‘universal service obligation’.

While the loss of market share in an incumbent’s home country is a natural byproduct of the European Union’s postal services directives, the obvious counterpart is the increased out-of-country opportunities available to established postal service providers like TNT Mail. That is, a loss of TNT Mail market share in the Netherlands due to domestic competition from Sandd and Selekt Mail may very well be offset by market share gains in larger international markets such as France, Germany, the United Kingdom, and Italy, albeit at potentially lower prices due to increased competition.

And, though a more competitive and integrated market would result in lower prices for all participants, the potential for TNT Mail to achieve significant market share gains proved to be a dominant factor in the push for the Netherlands to liberalize at an accelerated pace relative to the rest of the EU. Specifically, as made evident in the exhibit below from 2008, the mail volumes and revenues in the Netherland comprised only five percent of the total European mail market. The prospect of taking market share from the larger markets such as Germany proved to be an acceptable offset to increased domestic competition.[9]





Ensuring that the appropriate legal framework was in place to allow for such tradeoffs was a critical factor in getting approval from member states, especially the Netherlands;

[9] Source: TNT N.V. 2008 Annual Report (i.e., pdf page 14). Unfortunately, the company does not provide a similar, equally comprehensive exhibit for 2009 or 2010. Importantly, however, recent data suggests that the market is little changed from that presented above.

however, the mere *de jure* compliance with the directives still left ample opportunity for the continued implementation of protectionist policies. For example, Germany and the Netherlands, two of the more forceful proponents of postal services liberalization, had been targeting an accelerated liberalization date of January 1, 2008.

In December 2007, however, one month prior to the planned liberalization of both the German and Dutch postal markets, the German government introduced a EUR 9.80 per hour minimum postal wage requirement. Since, at the time, TNT paid its German workers EUR 7.50 per hour, the higher German postal wage requirement effectively prevented the *de facto* implementation of postal services liberalization in Germany. And, though the protectionist wage increase was later nullified by a German court in January 2010, different tax and regulatory regimes, continue to make *de facto* liberalization more elusive.

Specifically, until March 2010, Deutsche Post was the only mail distributor in Germany that was exempted from paying the local 19 percent value added tax. And, though Deutsche Post has been subject to VAT since July 2010, there is still, according to TNT Mail management, a degree of exemptive relief being provided to certain national postal service operators. Therefore, the 'level playing field' requirement that the Netherlands had stated as essential to its accepting the terms of the Third Postal Services Directive is clearly not entirely in place. [10]:

> "Competition in the mail markets is developing in countries where real de facto liberalisation is taking place. In the Netherlands in particular, two nationwide postal competitors are active next to TNT. However, in most countries governments have moved to protecting their national operator one way or another and create regulatory barriers to entry."[11]

> "At present, TNT is not allowed to charge value added tax (VAT) on postal items forming part of the universal postal services. Consequently, TNT cannot deduct the VAT amounts paid on its purchases of services and goods related to the universal postal services . . . In most other member states of the EU the scope of universal postal services is very large, resulting in a VAT exemption being given to national postal operators over a considerable part of the postal market in these countries. The European Commission believes that this distorts the functioning of the internal market for postal services, and it has launched an infringement procedure against Sweden, the United Kingdom and Germany to resolve this issue."[12]

[10] The third and most recent directive published on February 27, 2008 required that the majority of EU member states fully open their postal markets to competition by December 31, 2010, with a further two years allowed for eleven member states. The eleven member states include Czech Republic, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Romania, and Slovakia.
[11] Source: TNT N.V. 2009 Annual Report (i.e., pdf page 14).
[12] Source: TNT N.V. 2010 Annual Report (i.e., pdf page 141).

Despite the preferential regulatory policies still in place in many EU countries, the international activities of the mail division have expanded significantly as a result of the increased competitiveness of the European postal services industry. Significant inroads have been made in countries such as the United Kingdom, Germany, and Italy. In 2010, TNT estimated its market share by volume in the addressed mail market at 16 percent in the United Kingdom, 5 percent in Germany, and 4 percent in Italy. Since 2005, international mail revenues have growth from zero to EUR 1.3 billion in 2010; however, due to certain competitive barriers, overall profitability has been lacking.

In 2011, TNT Mail expects volume declines of between eight percent and ten percent for mail in the Netherlands due to the combined effect of increased competition and the ongoing substitution of electronic for traditional mail. In the years thereafter, the company expects annual volume declines of six percent on average.

Going forward, TNT Mail is expected to invest EUR 240 million to implement new parcels infrastructure throughout the Netherlands, with a volume growth target of 40 percent. While traditional mail volumes have been in decline, the influence of online shopping has continued to result in parcel volume growth, with volumes growing by 6.7 percent in 2010. In 2010, parcels comprised 16.7 percent of total group operating income. As a result, the division must focus on sustaining cash flows to allow for capital expenditures required to shift the business focus from addressed mail to the faster growing parcels business.

Valuation

Financial & Competitive Considerations

The impact of the European Union postal services liberalization process, combined with the reduced use of traditional forms of mail delivery has had a profound impact on the operating performance of TNT Mail. As made evident in the exhibit below, the operations of TNT Mail are in what appears to be a structural state of decline. This seemingly dire state of the mail operations is only made worse by the preferential regulatory policies still in place in many EU countries, such as Germany. Should TNT Mail successfully counter the erosion of its domestic mail market share with increases in international mail markets, this monotonically decreasing trend may very well reverse itself to some degree; however, the persistence of institutional inefficiencies such as the value-added tax rebates present in Germany will inevitably impede the success of such a strategy.

Marg. Hist. *Local Crncy*	TNT Exp. Revenues	TNT Exp. EBIT	TNT Exp. Adj. EBIT	EBIT Margins	TNT Mail Revenues	TNT Mail EBIT	TNT Mail Adj. EBIT	EBIT Margins
12/31/2005	5,363	373	373	6.96%	3,955	775	775	19.60%
12/31/2006	6,014	515	515	8.56%	4,065	761	761	18.72%
12/31/2007	6,807	566	566	8.31%	4,234	626	736	17.38%
12/31/2008	6,926	349	419	6.05%	4,245	633	722	17.01%
12/31/2009	6,208	176	240	3.87%	4,212	472	630	14.96%
12/31/2010	7,053	258	338	4.79%	4,293	402	580	13.51%
Mean	n/a	n/a	n/a	6.42%	n/a	n/a	n/a	16.86%
Stdev	n/a	n/a	n/a	1.89%	n/a	n/a	n/a	2.28%
Coeff. of Var.	n/a	n/a	n/a	0.29	n/a	n/a	n/a	0.14

Note: 'Adj. EBIT' excludes impairment of goodwill and other 'non-recurring' charges and write-downs.

Source: Company Reports

Though more cyclical than its mail counterpart, TNT Express is in a position to focus on growing, rather than preserving, its existing business. And, while TNT Mail may at some point revert to a growth strategy upon the dissolution of certain institutional barriers to entry, this does not appear to be a near-term possibility. Meanwhile, TNT Express plans to focus on growing market share both in Europe and in several emerging markets, including China, India, and Brazil.

Marg. Hist. *Local Crncy*	TNT Exp. Adj. EBIT	EBIT Margins	Kuehne Adj. EBIT	EBIT Margins	DHL Exp. Adj. EBIT	EBIT Margins	UPS Adj. EBIT	EBIT Margins	FedEx Adj. EBIT	EBIT Margins
Fiscal 2005	373	6.96%	468	16.90%	757	2.83%	6,143	14.43%	2,471	8.42%
Fiscal 2006	515	8.56%	608	11.57%	1,039	2.74%	6,635	13.95%	3,014	9.33%
Fiscal 2007	566	8.31%	724	12.04%	1,326	3.22%	6,899	13.89%	3,276	9.30%
Fiscal 2008	419	6.05%	742	11.87%	763	1.84%	5,957	11.57%	2,957	7.79%
Fiscal 2009	240	3.87%	594	10.13%	378	1.13%	3,982	8.79%	1,850	5.21%
Fiscal 2010	338	4.79%	765	12.84%	1,449	3.74%	5,874	11.86%	2,016	5.80%
Mean	n/a	6.42%	n/a	12.56%	n/a	2.58%	n/a	12.41%	n/a	7.64%
Stdev	n/a	1.89%	n/a	2.30%	n/a	0.95%	n/a	2.13%	n/a	1.76%
Coeff. of Var.	n/a	0.29	n/a	0.18	n/a	0.37	n/a	0.17	n/a	0.23

Note: 'DHL Exp.' includes Express, Global Forwarding & Freight, and Supply Chain.

Note: 'Adj. EBIT' is adjusted for impairment of goodwill and other 'non-recurring' charges and write-downs.

Source: Company Reports

Relative to United Postal Service, the largest of the global integrators, the operating history of TNT Express—as detailed in the exhibit above—is significantly less impressive, as one might expect. From 2005 through 2010, the adjusted operating margins of TNT Express averaged 6.42 percent, whereas those of UPS averaged 12.41 percent. Moreover, UPS achieved such levels of profitability at lower levels of margin variability.[13]

By comparison to FedEx, however, the relative operating performance is not strikingly dissimilar. And, though FedEx's relatively greater size and market reach may imply a potentially lower risk investment opportunity, a comparative analysis of the respective capital structures and operating performance histories suggests that FedEx should serve as suitable heuristic for approximating the value of TNT Express.

From 2005 through 2010, the average operating margins of FedEx and TNT Express were 7.64 percent and 6.42 percent, respectively. As well, such levels of average operating profitability were obtained with similar levels of margin variability, as detailed in the exhibit above. Moreover, the respective companies are managed with undoubtedly conservative capital structures, as made evident below.

Capital Structure

Local Crncy, mm	TNT Exp.	FedEx
Cash	807	1,952
Total Assets	5,531	24,902
Total Debt	884	1,930
Net Debt	77	(22)
Debt to Assets	15.98%	7.75%
Net Debt to Assets	1.39%	-0.09%
2010 EBIT	338	1,998
Interest Expense	59	79
Interest Coverage	5.73	25.29
Tot Debt to EBIT	2.62	0.97
Net Debt to EBIT	0.23	-0.01

Source: Company Reports

As well, it should be noted that, unlike the more diversified operations of the significantly lager integrators, the operations of TNT Express have historically been focused on the niche-like, business-to-business express market within Europe. Not only is this a relatively less diversified market position, but within Europe competitive pressures have resulted in a degradation in the yield on express shipments, both on a revenue per consignment and revenue per kilogram basis.

In order to counter such declines in revenue yield, over the last several years, TNT Express has increasingly focused on expanding operations in the less developed, higher margin Asia markets. In terms of overall intercontinental traffic flows out of the Asia-Pacific region, TNT Express currently ranks fourth with 12 percent market share behind DHL (31

[13] That is, on a mean-adjusted basis (i.e., coefficient of variation).

percent), FedEx (25 percent) and UPS (16 percent). Since 2005, TNT Express has increased revenues derived from the Asia-Pacific region from EUR 876 million to EUR 1,656 million, an annualized growth rate of 13.6 percent.

And, though these newer markets will undoubtedly attract a certain degree of interest from the potential growth investor, the potential acquirer is apt to focus on exploiting the company's existing networks within Europe as well. That is, while increased competitiveness has forced TNT Express to search for other opportunities outside of Europe, from the perspective of a much larger integrator, the prospect of leveraging economies of scale to capture an entirely new market as the low cost service provider is an attractive proposition as well.

Historic Data *EUR millions*	TNT Exp. Rev. Asia	YoY Change	% of Tot. TNT Exp.
12/31/2005	876	n/a	16.33%
12/31/2006	980	11.87%	16.30%
12/31/2007	1,209	23.37%	17.76%
12/31/2008	1,292	6.87%	18.65%
12/31/2009	1,243	-3.79%	20.02%
12/31/2010	1,656	33.23%	23.48%
Annl. Gr. Rate	-	13.58%	-

Note: TNT Express does not report segregated geographic data historically, though substantially all revenue from Asia has been derived from the Express operations.
Source: Company Reports

In short, one should acknowledge that while the company is of relatively smaller size and market reach than UPS or FedEx, its smaller size, dominance of the European business-to-business express mail market, potential growth prospects outside of Europe, and conservative capital structure may very well make it suitable for acquisition once it is separated from its less well endowed parent.

Valuation Considerations
With regard to a valuation of the respective entities—TNT Mail and TNT Express—the exercise is complicated somewhat by the fact that all of the incumbent European postal services providers are either private or held as part of a larger entity (e.g., Deutsche Post and DHL). That said, given that the capital structures and operational performance histories of TNT Express and FedEx are reasonably similar, one might proceed on the basis of establishing what the implied valuation of TNT Mail is under the assumption that TNT Express is priced consistently with the multiples of some of its closest competitors.

At the current enterprise values of UPS and FedEx of USD 79,227 million and USD 29,657 million, respectively, and with L12M EBIT of USD 6,258 million and USD 2,292 million, respectively, UPS and FedEx trade at enterprise value-to-EBIT multiples of 12.66 times and 12.94 times, respectively. Given the more similar operating and capital structure characteristics of TNT Express and FedEx—as compared to UPS—the FedEx multiple of 12.94 times is preferred.

At the current TNT N.V. enterprise value of EUR 7,281 million, the pre-demerger parent company trades at a multiple of 7.93 times 2010 adjusted (i.e., 'underlying') EBIT of EUR 918 million.[14] With 2010 adjusted EBIT of EUR 338 million, the fair enterprise value of TNT Express is EUR 4,374 million if capitalized at the current FedEx enterprise value-to-EBIT multiple of 12.94 times. The implied enterprise value, then, of TNT Mail is simply the difference between EUR 7,281 million and EUR 4,374 million; that is, EUR 2,908 million. Relative to TNT Mail's 2010 adjusted EBIT of EUR 580 million, the implied valuation is equivalent to an enterprise value-to-EBIT multiple for the mail business of 5.01 times.

Valuation	Current	L12M	EV/EBIT
Local Crncy mm	Ent. Value	EBIT	Multiple
UPS	79,227	6,258	12.66
FedEx	29,657	2,292	12.94
Average Mult.	n/a	n/a	12.80
Implied TNT Mail EV/EBIT Multiple:			
TNT N.V.	7,281	918	7.93
TNT Express	4,374	338	12.94
TNT Mail	2,908	580	5.01

Source: Company Reports

Though rather low, such a valuation may very well be justified given the rapid erosion of the Dutch domestic mail market. As a result of declines in traditional mail volumes and due to the introduction of competitive mail markets in the Netherlands, TNT Mail expects declines in underlying EBIT of between 9.5 percent and 18.1 percent by the end of 2011, as presented in the exhibit below.[15] While significant, such estimates appear consistent with declines in mail volume during 2010 (i.e., 9.0 percent)—the first full year of competitive mail markets in the Netherlands.

[14] The company reports 'EBIT', 'underlying EBIT', and 'underlying cash EBIT'. Underlying EBIT adjusts for non-recurring expenses. Underlying cash EBIT is underlying EBIT net of any pension contributions made during the year. In the TNT N.V. 2010 Annual Report (i.e., pdf page 23), the company states that its estimate for TNT Mail's underlying cash EBIT is between EUR 130 million and EUR 170 million; however, these estimates include the negative impact of restructuring costs of between EUR 80 million and EUR 90 million. In order to make 'underlying cash EBIT' consistent with the definition used elsewhere, our underlying cash EBIT estimates for 2011 add back these expected restructuring costs, resulting in a range of between EUR 210 million and EUR 260 million. In 2011, TNT Mail expects pension contributions to amount to EUR 265 million; therefore, underlying EBIT estimates for 2011 add back such costs, resulting in estimates of between EUR 475 million and EUR 525 million. For the company's 2015 estimates, no pension contribution estimates are provided; we have used EUR 265 million as a proxy.

[15] This figure is based on underlying EBIT and adds back non-recurring costs associated with the restructuring (i.e., EUR 80 to EUR 90 million).

And, while TNT Mail estimates for 2015 reflect a more optimistic outlook and a stabilization of EBIT, the ability of management to stem continued, longer-term declines in EBIT is dependent on the ability to offset domestic volume and market share losses with market share gains internationally. This may prove to be the case; however, heretofore, certain political impediments have prevented significant market share gains. The political need to prevent unrest that could result from losses of historically protected postal services jobs may lead to an extension of such policies over a period longer than one might expect.

One could easily argue, however, that while in the short to intermediate term, country specific political interests may outweigh the longer-term desire for European market integration, ultimately the ‘single market’ philosophy of the European Union must prevail if the EU is to survive as a political institution. Therefore, in the longer-term, TNT Mail may very well thrive as it gains market share internationally.

Importantly, such market share gains must be significant enough to offset the inexorable decline in traditional mail volumes. It should be noted, however, that while TNT Mail is the incumbent mail provider in the Netherlands, mail volumes in the Netherlands comprise only five percent of the entire European mail market. In other words, in the success scenario, the potential growth rate of TNT Mail relative to Germany’s Deutsche Post, for example, is superior simply due to its smaller market share.[16]

Valuation: TNT Mail	Reported	Min Est.	Max Est.	Min Target	Max Target
Local Crncy mm	2010	2011	2011	2015	2015
Underlying Cash EBIT	341	210	260	300	370
Add: Est. Pension Cont.	240	265	265	265	265
Underlying EBIT	580	475	525	565	635
EBIT Ann. Gr. Rate	*n/a*	*-18.1%*	*-9.5%*	*-0.5%*	*1.8%*
Less: Est. Net Int. Costs	n/a	120	120	120	120
Est. Tax Rate	*n/a*	*25%*	*25%*	*25%*	*25%*
Less: Est. Taxes	n/a	89	101	111	129
= Est. Adj. Earnings	n/a	266	304	334	386

Valuation: TNT Express	Reported	Min Est.	Max Est.	Min Target	Max Target
Local Crncy mm	2010	2011	2011	2015	2015
Underlying EBIT	338	400	420	900	1,000
EBIT Ann. Gr. Rate	*n/a*	*18.3%*	*24.3%*	*21.6%*	*24.2%*
Less: Est. Net Int. Costs	n/a	30	30	30	30
Est. Tax Rate	*n/a*	*35%*	*35%*	*31%*	*33%*
Less: Est. Taxes	n/a	130	137	270	320
= Est. Adj. Earnings	n/a	241	254	600	650

Source: Company Reports

[16] Obviously, one must consider whether this smaller market share in any way prevents the company from successfully competing against much larger postal service providers such as Deutsche Post. One could argue that as the fulfillment of postal services becomes less capital intensive (i.e., less dependent on physical delivery networks), successful competition becomes more about providing cheaper, more reliable, more secure, etc. services to consumers.

The degree of uncertainty associated with TNT Mail is significant. Such uncertainty is reflected by the very low implied enterprise value to EBIT multiple, as well as by questions regarding the longer-term trend of traditional mail volume and by the political palatability of the continued liberalization of European mail markets.

Therefore, in the valuation analysis below, we have presented the potential valuations of TNT Mail and TNT Express under the assumption that no value is derived from future multiple expansion. Any incremental share price appreciation will come from the company's ability to meet its 2011 and 2015 estimates. Importantly, given the negligible growth prospects of TNT Mail, the longer-term potential share price appreciation highlighted in the exhibit below is derived almost entirely from TNT Mail's 29.9 percent interest in TNT Express.

Valuation: TNT Mail	Reported	Min Est.	Max Est.	Min Target	Max Target
Local Crncy mm	2010	2011	2011	2015	2015
Underlying Cash EBIT	341	210	260	300	370
Add: Est. Pension Cont.	240	265	265	265	265
Underlying EBIT	580	475	525	565	635
x EV Multiple	5.01	5.01	5.01	5.01	5.01
= Est. EV	2,908	2,381	2,632	2,832	3,183
Less: PF Net Debt	1,200	1,200	1,200	1,200	1,200
= Est. Mkt. Cap.	1,708	1,181	1,432	1,632	1,983
Add: 29.9% TNT Express	1,300	1,539	1,617	3,474	3,861
= Est. Mkt. Cap.	3,007	2,721	3,049	5,106	5,844
Div: Shares Out.	380	380	380	380	380
= Est. Share Price	7.91	7.16	8.02	13.44	15.38

Valuation: TNT Express	Reported	Min Est.	Max Est.	Min Target	Max Target
Local Crncy mm	2010	2011	2011	2015	2015
Underlying EBIT	338	400	420	900	1,000
x EV Multiple	12.94	12.94	12.94	12.94	12.94
= Est. EV	4,374	5,176	5,435	11,645	12,939
Less: PF Net Debt	27	27	27	27	27
= Est. Mkt. Cap.	4,347	5,149	5,408	11,618	12,912
Less: 29.9% Min. Interest	1,300	1,539	1,617	3,474	3,861
= Est. Mkt. Cap.	3,047	3,609	3,791	8,145	9,052
Div: Shares Out.	380	380	380	380	380
= Est. Share Price	8.02	9.50	9.98	21.43	23.82
Sum-of-the-Parts	15.93	16.66	18.00	34.87	39.20

Source: Company Reports

Though there are no independently traded mail operators to which one can compare the low implied valuation of TNT Mail, Deutsche Post AG operates a combined mail and express business model similar to TNT NV. By way of confirming the general validity of what appears to be an extremely low valuation for TNT Mail, the implied enterprise value-to-EBIT multiple for the Deutsche Post Mail is summarized in the exhibit below.

The combined 2010 adjusted EBIT for the DHL Express and Deutsche Post Mail businesses was EUR 2,601 million. With a market capitalization of EUR 16,745 million and company reported net liquidity (as opposed to net debt) of EUR 1,382 million, Deutsche Post supports an enterprise value of EUR 15,363 million, or a multiple of 5.91 times 2010 combined adjusted EBIT. As presented previously, the lower margins and higher margin variability of the DHL Express business—compared to competitors such as FedEx—suggests that the DHL Express business is deserving of a somewhat lower multiple. For example, using a significantly lower multiple of eight times adjusted EBIT (i.e., compared to 12.94 times for FedEx), one finds that the implied valuation of Deutsche Post Mail is 3.27 times adjusted EBIT (i.e., compared to 5.01 times for TNT Mail), evidence that much lower multiples for mail businesses may very well be justified.

Valuation	Current	2010	EV/EBIT
Local Crncy mm	Ent. Value	EBIT	Multiple
Deutsche Post AG	15,363	2,601	5.91
DHL Express	11,592	1,449	8.00
Deutsche Post Mail	3,771	1,152	3.27

Note: 'DHL Express' includes Express, Global Forwarding & Freight, and Supply Chain.

Source: Company Reports

And, though one may debate the quantitative assumptions used above, the more important qualitative considerations of continued falling demand for traditional mail services, combined with increasing competitiveness within the European mail market clearly support the use of much lower multiples for postal services businesses.

With respect to TNT Express and as a more objective alternative to the valuation estimates provided above, one may wish to view the operations in the context of a return to 'normalized' EBIT margins. For example, at the 2010 level of TNT Express revenues, or EUR 7,053 million, should the company return to the EBIT margin achieved in 2008, or 6.05 percent, one might expect a fair value of EUR 10.14 per share. By comparison, with a return to the average EBIT margin experienced between 2005 and 2008, or 7.47 percent, a higher fair value of EUR 12.53 per share appears to be a reasonable expectation.

Normailzed		
Valuation	#1	#2
2010 Revenue	7,053	7,053
x Potential Margin	6.05%	7.47%
= Normalized EBIT	427	527
x EV Multiple	12.94	12.94
= Est. EV	5,521	6,818
Less: PF Net Debt	27	27
= Est. Mkt. Cap.	5,494	6,791
Less: Min. Interest	1,643	2,030
= Est. Mkt. Cap.	3,851	4,760
Div: Shares Out.	380	380
= Est. Share Price	10.14	12.53

Margin History	TNT Exp.	TNT Exp.	TNT Exp.	EBIT
Local Crncy	Revenues	EBIT	Adj. EBIT	Margins
12/31/2005	5,363	373	373	6.96%
12/31/2006	6,014	515	515	8.56%
12/31/2007	6,807	566	566	8.31%
12/31/2008	6,926	349	419	6.05%
12/31/2009	6,208	176	240	3.87%
12/31/2010	7,053	258	338	4.79%

Source: Company Reports

Investment Summary

The three valuation scenarios presented below summarize the valuations using reported 2010 EBIT, minimum estimated 2011 EBIT, and minimum target 2015 EBIT. Importantly, the TNT Mail and TNT Express valuations assume as constant the EBIT multiples of 5.01 and 12.94, respectively. The minimum target 2015 EBIT is presented on an undiscounted basis and for reference purposes only, not necessarily as an affirmation of the validity of management's projections. With respect to TNT Express, one should also interpret the initial, post-demerger trading price in the context of the 'normalized' EBIT exercise found at the conclusion of the valuation section above.

Though, it should be noted that the potential for achieving such management estimates appears more likely for the more advantageously positioned TNT Express business, as opposed to the TNT Mail business. Should TNT Mail succeed in stemming longer-term declines in domestic market share loss and ultimately achieve minimum target 2015 EBIT, the appropriate multiple would likely be significantly higher than the multiple of 5.01 used below.

Scenario	*#1*	*#2*	*#3*
Valuation: TNT Mail	Reported	Min Est.	Min Target
Local Crncy mm	2010	2011	2015
Underlying Cash EBIT	341	210	300
Add: Est. Pension Cont.	240	265	265
Underlying EBIT	580	475	565
x EV Multiple	5.01	5.01	5.01
= Est. EV	2,908	2,381	2,832
Less: PF Net Debt	1,200	1,200	1,200
= Est. Mkt. Cap.	1,708	1,181	1,632
Add: 29.9% TNT Express	1,300	1,539	3,474
= Est. Mkt. Cap.	3,007	2,721	5,106
Div: Shares Out.	380	380	380
= Est. Share Price	7.91	7.16	13.44
Valuation: TNT Express	Reported	Min Est.	Min Target
Local Crncy mm	2010	2011	2015
Underlying EBIT	338	400	900
x EV Multiple	12.94	12.94	12.94
= Est. EV	4,374	5,176	11,645
Less: PF Net Debt	27	27	27
= Est. Mkt. Cap.	4,347	5,149	11,618
Less: 29.9% Min. Interest	1,300	1,539	3,474
= Est. Mkt. Cap.	3,047	3,609	8,145
Div: Shares Out.	380	380	380
= Est. Share Price	8.02	9.50	21.43
= Est. Mkt. Cap.	6,054	6,330	13,251
Div: Shares Out.	380	380	380
Sum-of-the-Parts	15.93	16.66	34.87

Source: Company Reports

Appendix A: 2010 Annual Financial Statements – TNT N.V. (PostNL N.V.)[17]

Consolidated income statement

Year ended at 31 December	Notes	2010	variance %	2009
Net sales	(16)	4,274		4,187
Other operating revenues	(17)	19		25
Total revenues		4,293	1.9	4,212
Other income	(18)	22	(40.5)	37
Cost of materials		(178)		(163)
Work contracted out and other external expenses		(1,701)		(1,514)
Salaries and social security contributions	(19)	(1,561)		(1,473)
Depreciation, amortisation and impairments	(20)	(120)		(252)
Other operating expenses	(21)	(275)		(260)
Total operating expenses		(3,835)	(4.7)	(3,662)
Operating income		480	(18.2)	587
Interest and similar income		14		17
Interest and similar expenses		(120)		(165)
Net financial (expense)/income	(22)	(106)	28.4	(148)
Results from investments in associates		(1)		(6)
Profit before income taxes		373	(13.9)	433
Income taxes	(23)	(91)		(136)
Profit for the period from continuing operations		282	(5.1)	297
Profit/(loss) from discontinued operations	(9)	69		(8)
Profit for the period		351	21.5	289
Attributable to:				
Non-controlling interests		4	(50.0)	8
Equity holders of the parent		347	23.5	281
Earnings per ordinary share (in € cents) [1]		92.9		76.7
Earnings per diluted ordinary share (in € cents) [2]		92.5		76.2
Earnings from continuing operations per ordinary share (in € cents) [1]		74.4		78.9
Earnings from continuing operations per diluted ordinary share (in € cents) [2]		74.1		78.3
Earnings from discontinued operations per ordinary share (in € cents) [1]		18.5		(2.2)
Earnings from discontinued operations per diluted ordinary share (in € cents) [2]		18.4		(2.1)

(in € millions, except percentages and per share data)

1 In 2010 based on an average of 373,536,123 of outstanding ordinary shares (2009: 366,322,316). See note 32.

2 In 2010 based on an average of 375,026,008 of outstanding ordinary shares (2009: 368,966,939). See note 32.

[17] See 2010 Annual Report for more details (i.e., pdf page 62). Note that the 2010 consolidated financial statements presented herein report the former Express division as discontinued operations/assets held for demerger. The 2010 Annual Report Supplement is provided for further information on TNT Express, a summary of which can be found in Appendix B.

Consolidated statement of financial position

At 31 December

	Notes	2010	variance %	2009
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		120		1,803
Other intangible assets		46		258
Total		166	(91.9)	2,061
Property, plant and equipment	(2)			
Land and buildings		294		809
Plant and equipment		119		342
Aircraft		0		280
Other		33		151
Construction in progress		53		28
Total		499	(69.0)	1,610
Financial fixed assets	(3)			
Investments in associates		4		62
Other loans receivable		3		6
Deferred tax assets	(23)	21		233
Other financial fixed assets		3		23
Total		31	(90.4)	324
Pension assets	(11)	1,153	30.4	884
Total non-current assets		1,849	(62.1)	4,879
Current assets				
Inventory	(4)	8		24
Trade accounts receivable	(5)	412		1,370
Accounts receivable	(5)	38		221
Income tax receivable	(23)	3		28
Prepayments and accrued income	(6)	108		236
Cash and cash equivalents	(7)	65		910
Total current assets		634	(77.3)	2,789
Assets classified as held for sale	(8)	123		27
Assets classified for demerger	(9)	5,531		
Total assets		8,137	5.7	7,695
Liabilities and equity				
Equity	(10)			
Equity attributable to the equity holders of the parent		2,424		2,060
Non-controlling interests		19		20
Total		2,443	17.5	2,080
Non-current liabilities				
Deferred tax liabilities	(23)	327		391
Provisions for pension liabilities	(11)	231		292
Other provisions	(12)	255		165
Long term debt	(13)	1,582		1,925
Accrued liabilities		0		5
Total		2,395	(13.8)	2,778
Current liabilities				
Trade accounts payable		154		470
Other provisions	(12)	134		203
Other current liabilities	(14)	257		687
Income tax payable	(23)	135		265
Accrued current liabilities	(15)	582		1,212
Total		1,262	(55.5)	2,837
Liabilities related to assets classified as held for sale	(8)	26		0
Liabilities related to assets classified for demerger	(9)	2,011		
Total liabilities and equity		8,137	5.7	7,695

(in € millions, except percentages)

Consolidated statement of cash flows

Year ended at 31 December	Notes	2010	variance %	2009
Cash flows from continuing operations				
Profit before income taxes		373		433
Adjustments for:				
Depreciation, amortisation and impairments		120		252
Share based payments		5		5
Investment income:				
(Profit)/loss of assets held for sale	(8)	(11)		(16)
(Profit)/loss on sale of Group companies/joint ventures		(3)		(20)
Interest and similar income		(14)		(17)
Interest and similar expenses		120		165
Results from investments in associates		1		6
Changes in provisions:				
Pension liabilities		(281)		(223)
Other provisions		170		(31)
Changes in working capital:				
Inventory		2		0
Trade accounts receivable		(28)		30
Accounts receivable		(16)		42
Other current assets		(5)		31
Trade accounts payable		30		(38)
Other current liabilities excluding short term financing and taxes		12		59
Cash generated from operations		475	(29.9)	678
Interest paid		(99)		(94)
Income taxes received/(paid)		(205)		116
Net cash from operating activities	(24)	171	(75.6)	700
Interest received		3		7
Acquisition of subsidiaries and joint ventures (net of cash)		(5)		(20)
Disposal of subsidiaires and joint ventures		2		23
Investments in associates				(4)
Capital expenditure on intangible assets		(21)		(26)
Disposal of intangible assets		1		1
Capital expenditure on property, plant and equipment		(88)		(73)
Proceeds from sale of property, plant and equipment		17		22
Other changes in (financial) fixed assets				4
Changes in non-controlling interests		(1)		(5)
Net cash used in investing activities	(25)	(92)	(29.6)	(71)
Repurchases of shares				
Cash proceeds from the exercise of shares/options		2		2
Proceeds from long term borrowings				37
Repayments of long term borrowings		(12)		(2)
Proceeds from short term borrowings				2
Repayments of short term borrowings		(2)		
Repayments of finance leases		(3)		(2)
Dividends paid		(119)		(34)
Financing related to discontinued business		41		(612)
Net cash used in financing activities	(26)	(93)	84.7	(609)
Change in cash from continuing operations		(14)		20
Cash flows from discontinued operations	(9)			
Net cash from operating activities		241		316
Net cash used in investing activities		(150)		(185)
Net cash used in financing activities		(121)		261
Change in cash from discontinued operations		(30)		392
Total changes in cash		(44)		412

(in € millions, except percentages)

Appendix B: 2010 Annual Financial Statements – TNT Express N.V.[18]

Combined income statement

Year ended at 31 December	Notes	2010	variance %	2009
Net sales	(15)	6,945		6,109
Other operating revenues	(16)	108		99
Total revenues		7,053	13.6	6,208
Other income	(17)	12		-
Cost of materials		(401)		(290)
Work contracted out and other external expenses		(3,650)		(3,157)
Salaries and social security contributions	(18)	(2,190)		(2,007)
Depreciation, amortisation and impairments	(19)	(209)		(237)
Other operating expenses	(20)	(435)		(456)
Total operating expenses		(6,885)	(12.0)	(6,147)
Operating income		180	195.1	61
Interest and similar income		22		64
Interest and similar expenses		(59)		(77)
Net financial (expense)/income	(21)	(37)	(184.6)	(13)
Results from investments in associates	(3)	(17)		(13)
Profit before income taxes		126	260.0	35
Income taxes	(22)	(57)		(43)
Profit/(loss) for the period		69	962.5	(8)
Attributable to:				
Non-controlling interests		3	-	3
Equity holders of the parent		66	700.0	(11)

(in € millions, except percentages and per share data)

18 See 2010 Annual Report Supplement for more details (i.e., pdf page 32). The segregated financial statements are provided in lieu of actual 'pro formas'. Please see notes to the financial statements presented herein, specifically the notes found on pdf page 18 of the 2010 Annual Report Supplement concerning the 'Change in format, presentation and scope of results'.

Combined statement of financial position

At 31 December	Notes	2010	variance %	2009
Assets				
Non-current assets				
Intangible assets	(1)			
Goodwill		1,703		1,646
Other intangible assets		189		207
Total		1,892	2.1	1,853
Property, plant and equipment	(2)			
Land and buildings		453		452
Plant and equipment		245		213
Aircraft		259		280
Other		108		119
Construction in progress		24		13
Total		1,089	1.1	1,077
Financial fixed assets	(3)			
Investments in associates		42		58
Other loans receivable		3		3
Deferred tax assets	(22)	230		204
Other financial fixed assets		19		20
Total		294	3.2	285
Pension assets	(10)	6		4
Total non-current assets		3,281	1.9	3,219
Current assets				
Inventory	(4)	15		13
Trade accounts receivable	(5)	1,075		953
Accounts receivable	(5)	166		183
Income tax receivable	(22)	26		33
Prepayments and accrued income	(6)	157		130
Cash and cash equivalents	(7)	807		830
Total current assets		2,246	4.9	2,142
Assets classified as held for sale	(8)	4		10
Total assets		5,531	3.0	5,371
Liabilities and net investment				
Net investment	(9)			
Equity of entities contributed in kind		2,994		2,751
Non-controlling interests		8		3
Total		3,002	9.0	2,754
Non-current liabilities				
Deferred tax liabilities	(22)	35		52
Provisions for pension liabilities	(10)	49		53
Other provisions	(11)	77		69
Long term debt	(12)	301		348
Accrued liabilities		6		53
Total		468	(18.6)	575
Current liabilities				
Trade accounts payable		414		316
Other provisions	(11)	91		84
Other current liabilities	(13)	845		984
Income tax payable	(22)	31		26
Accrued current liabilities	(14)	680		632
Total		2,061	0.9	2,042
Total liabilities and net investment		5,531	3.0	5,371

(in € millions, except percentages)

Combined statement of cash flows

Year ended at 31 December	Notes	2010	variance %	2009
Profit before income taxes		126		35
Adjustments for:				
Depreciation, amortisation and impairments		209		237
Share based payments		14		13
Investment income:				
(Profit)/loss of assets held for sale	(8)	(9)		3
Interest and similar income		(22)		(64)
Foreign exchange (gains) and losses		4		7
Interest and similar expenses		55		70
Results from investments in associates		17		13
Changes in provisions:				
Pension liabilities		(6)		(3)
Other provisions		(1)		(23)
Changes in working capital:				
Inventory		(1)		2
Trade accounts receivable		(76)		10
Accounts receivable		21		(56)
Other current assets		(30)		19
Trade accounts payable		58		66
Other current liabilities excluding short term financing and taxes		(3)		87
Cash generated from operations		356	(14.4)	416
Interest paid		(39)		(66)
Income taxes received/(paid)		(76)		(34)
Net cash from operating activities	(23)	241	(23.7)	316
Interest received		13		22
Acquisition of subsidiairies and joint ventures (net of cash)		(23)		(62)
Investments in associates		(8)		(15)
Disposal of associates		8		
Capital expenditure on intangible assets		(50)		(36)
Disposal of intangible assets		2		1
Capital expenditure on property, plant and equipment		(121)		(120)
Proceeds from sale of property, plant and equipment		26		26
Other changes in (financial) fixed assets		2		(1)
Changes in non-controlling interests		1		-
Net cash used in investing activities	(24)	(150)	18.9	(185)
Proceeds from long term borrowings		5		24
Repayments of long term borrowings		(19)		(9)
Proceeds from short term borrowings		9		32
Repayments of short term borrowings		(51)		(377)
Repayments of finance leases		(24)		(21)
Financing related to TNT		(41)		612
Net cash used in financing activities	(25)	(121)	(146.4)	261
Total changes in cash		(30)		392

(in € millions, except percentages)

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