'Any operational convergence must be customer led'

Paul Witham
Strategic Management Officer
April 2011

Separation in 2011

TNT to split on the promise of €10bn Express delivery

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19

TNT to split mail, express operations

By Robin van Daalen

AMSTERDAM—Dutch postal and express company **TNT NV** said Monday it will split its mail and express operations into separate companies because it no longer sees compelling reasons to keep them together.

TNT had previously planned to legally split the businesses and look at a partial sale or listing of the mail unit, a move that fueled speculation that the express unit could … a takeover target.

The … sure fro… that mo… breaking … than buil…

work ahead of the full liberalization of the postal market scheduled for 2011.

"It's a pity" that the strategy is in large part determined by the way European liberalization is shaping up, said TNT Chief Executive Peter Bakker. The opening of the European postal market has be… by local legisla… said, …

panies.

Mr. Bakker, who had long resisted shareholder pressure, said that the case for keeping the two businesses together … weaker since … became …

the Netherlands.

"Express doesn't need to be bought to carry out its strategy," Mr. Bakker said, pointing toward growth in China, India and Latin America. There has been persistent speculation that the express operations could become a target for U.S. peers FedEx Corp. and **United Parcel Service Inc.**, although both companies have declined to comment on what they call market rumors.

The announcement of the split … as the Hoofddorp, Nethe…-based company reported … decline in second-quarter ne… due to a big charge and pric… pressures at its express business… said its chief financial officer

was leaving the company to take the same role at Russian telecommunications provider Vimpelcom Ltd.

TNT said net profit fell to €3 million ($3.9 million) from €81 million a year earlier, after it booked a charge of €168 million for laying off its remaining full-time mail workers. Faced with declining mail volume, the company has been restructuring the unit and increased its reliance on temporary staff to give it … flexibility.

TNT to take big stake in demerged Express unit

LOGISTICS

LOGISTICS firm TNT said yesterday that it will keep a 29.9 per cent stake in its Express unit once it is spun off from its Mail division in a bid to avoid raising funds, cheering investors who had feared a cash call.

The move, details of which were announced in a capital markets day presentation in London, means the firm is reduced to its former incarnation as a postal business.

It also makes the Express operations a more attractive takeover target for the likes of FedEx and UPS.

A full split of operations would have resulted in an equity shortfall of around $1.19bn (£763m), while TNT could face an additional shortfall of around €900m against equity in 2012 or 2013 due to accounting changes, TNT said.

TNT has a market capitalisation of €7bn, or $9bn, against $70bn for UPS and FedEx's $28bn. TNT Express could be worth a little less than €10bn to a rival, while mail was worth between €3bn and €4bn, depending whether it remained public or was bought by a private equity firm, ING analyst Axel Funhoff said.

TNT chief to depart after split

News digest

TNT spins off express unit

Dutch logistics group TNT is to separate its express activities from its mail business and keep a 29.9 per cent stake in the demerged unit.

Thursday's move cut TNT down to its old postal activities and could make express a takeover target.

TNT shares rose 8 per cent to €20.35 on relief that it had not sought fresh funds from shareholders.

The mail business will include postal operations in the Netherlands, Germany, Italy and the UK.

It will grow with its parcels business and international activities.

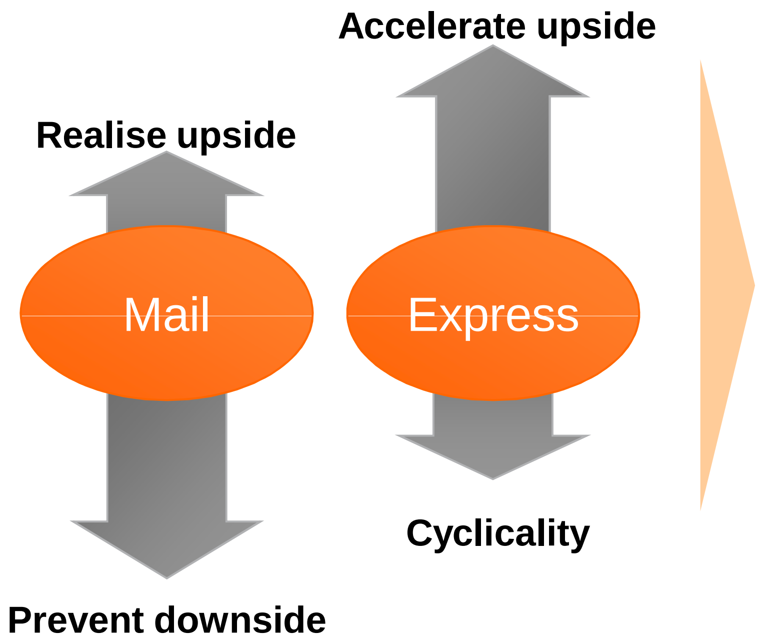
Express will focus on fast high-end standard parcels and freight and value-added services.

Express will get a new listing.

Reuters, Amsterdam

Reasons for Separation

Diverging business profiles

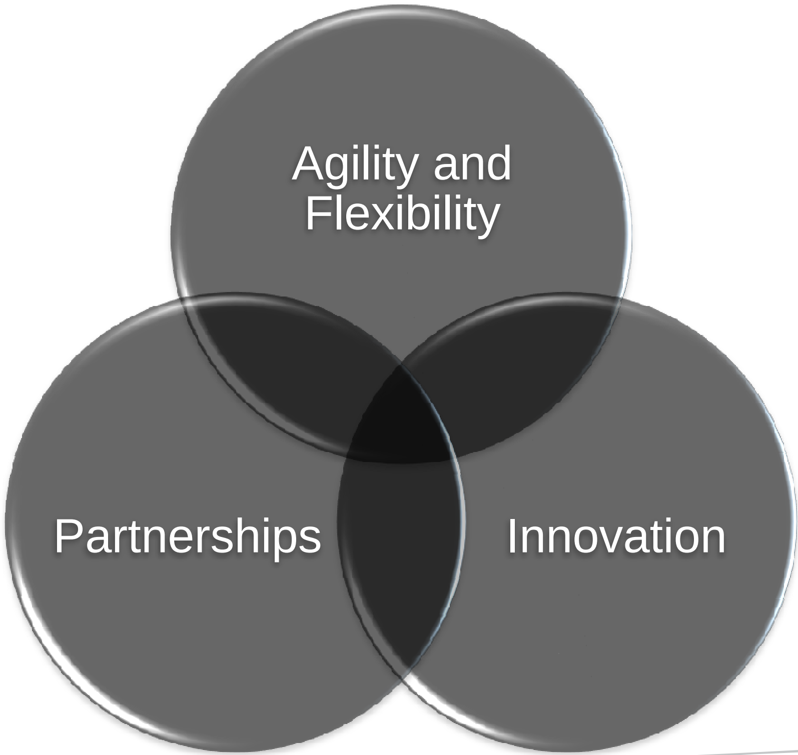


Reason for separation

- Diverging strategic challenges
  - Express: fast, cyclical growth, global footprint
  - Mail: structural volume decline, Euro centric
- No significant synergies
  - Limited commercial and operational overlap
  - Especially after refocusing European mail activities

Rationale

- Question:
- *Why would we do this if there is a convergence in Mail and Express?*



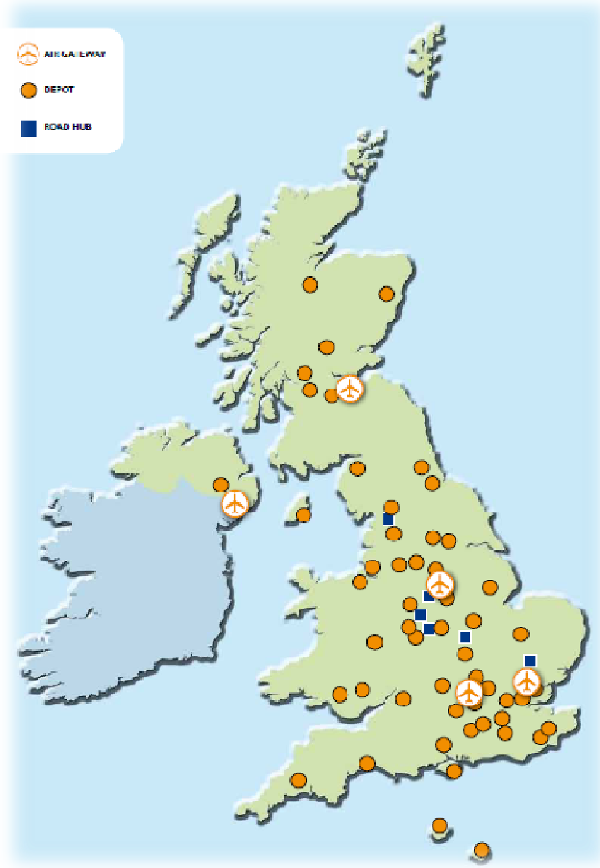
UK - Setting The Scene

- **Where are our Customers leading us?**

- Greater choice and more transparent value
- Relationship and experience
- Growth in E Commerce…and M Commerce

- **…In the context of**

- Global Economic power shift
- UK Economic outlook
- Inflationary cost pressures



Pos. Trend ↗
Neutral →
Neg. Trend ↘

Macroeconomic Indicators

	High-level trend of main economic indicators	’08	’09	‘10
GDP →	Longest recession on record. +1.3% in 2010	↘	↘	↗
Export Quota →	Lowest point in Q1 2009, returning to positive growth Q4 2009 and during 2010	↘	↘	↗
Unemployment rate →	Increased during 2008 and 2009, starting to recover during 2010	↘	↘	↗
Production Index →	Lowest point of 10% year on year decline during 2009	↘	↘	↗
Procurement Index →	Growth rates still relatively modest	↘	↘	↗

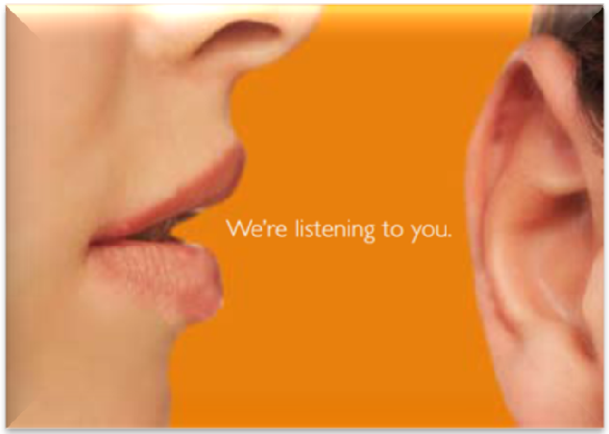
Source: Consensus Economics and Office of National Statistics (ONS)

What has Shaped us

- Commoditisation of the Express Market and decreased volumes
- Increase in customers wanting price over speed
- Companies redeploying operations outside the UK
- Increase in bad debt and write offs
- Customer need for emotional as well as functional relationship
- Customers increasingly using the internet to manage accounts
- Internet continues to drive price led competition within the B2C market.
- Brent oil has climbed above $119 a barrel

What We Did/What This Means

- The Customer Promise: market differentiation
- Removed Silos: one company, one approach
- Developed solutions for vertical markets: new revenue streams
- Introduced Lean systems: reduced waste
- Invested in Innovation & employee ideas program: long term solutions
- Increased the level of customer research: understand customer needs
- Developed Partnerships: fill service gaps
- Invested in online systems and technology: smarter, faster, greener



More flexible and Agile

Increasing Demands of Customers

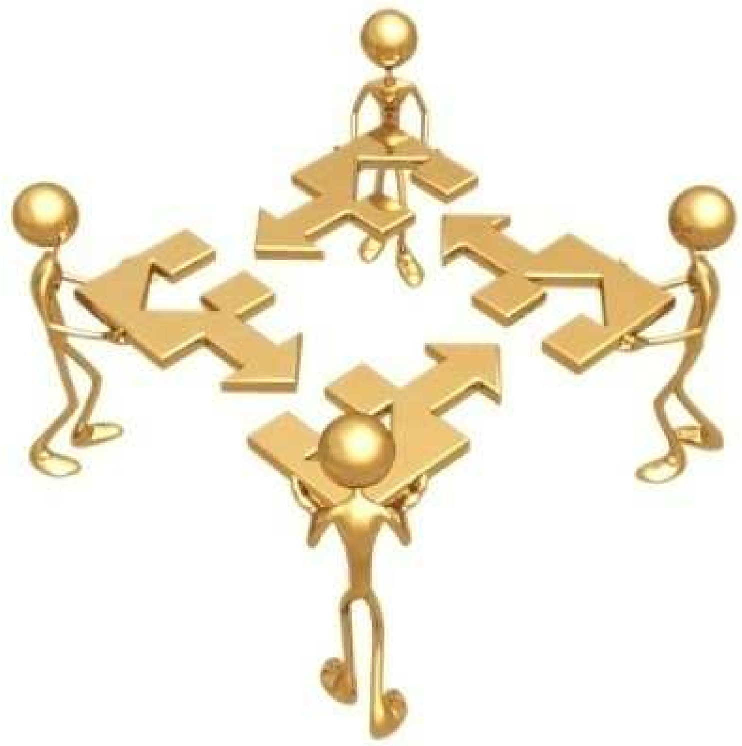
- ✓ Understand their business
- ✓ Challenge their thinking
- ✓ Convenience
- ✓ Value for money
- ✓ Trust
- ✓ Service
- ✓ Security
- ✓ Provide seamless integration
- ✓ Flexibility
- ✓ Green, but with a fiscal benefit (Environomics)
- ✓ Technology & Innovation
- ✓ Efficiency
- ✓ Resourceful
- ✓ Proactive

"I want it all, I want it all, I want it all, and I want it now"

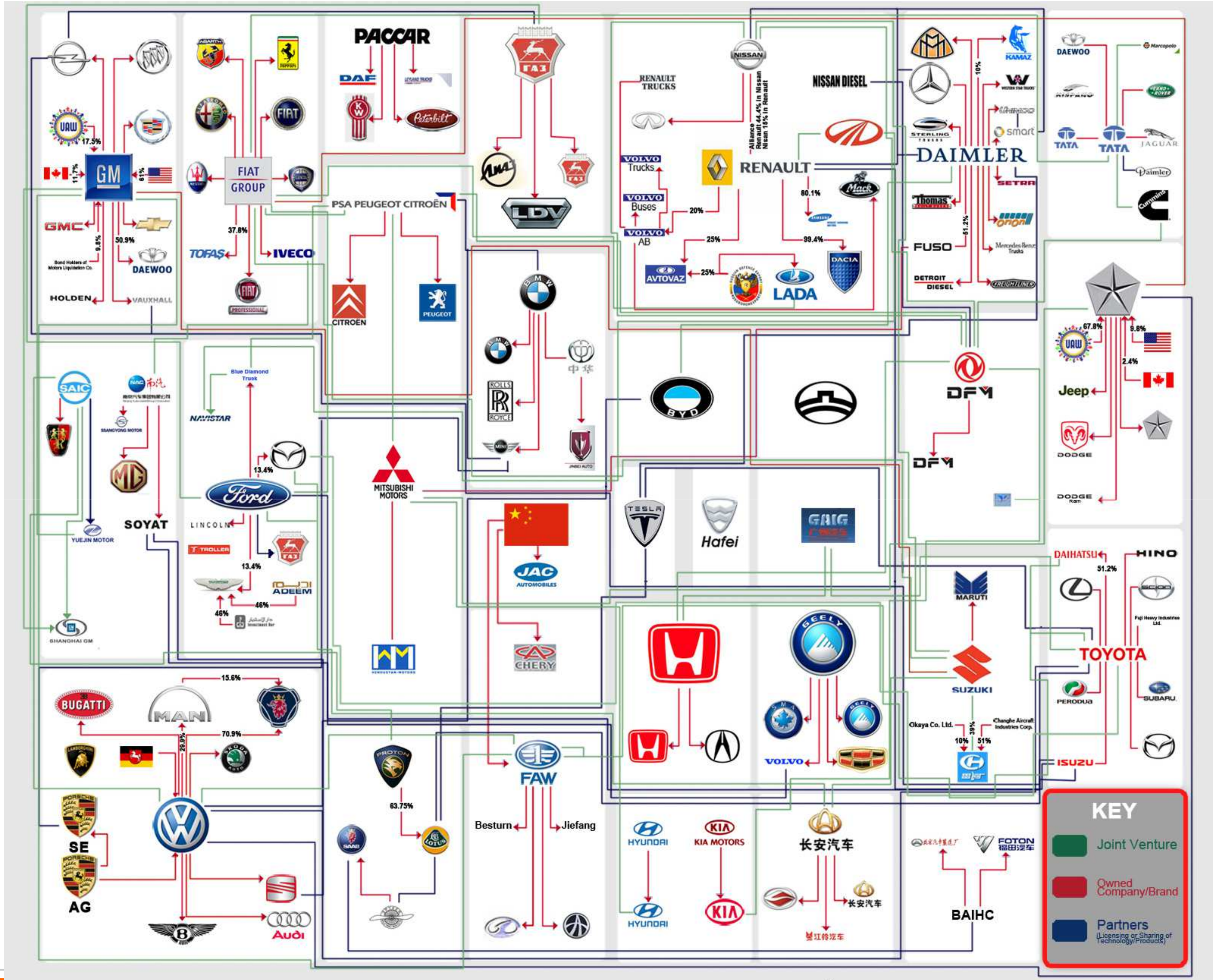
Brian May, 1989

Summary

- Agile and Flexible
  - Growth in Mobile Commerce
- Harnessing Innovation
  - Collaboration
  - Co creation
- Partnering
  - Existing networks
  - New business models
- Learning from other industries:
  - Telecoms
  - Automotive



- **Take our own medicine!**


PACCAR
DAF
Peterbilt
FIAT GROUP
TOFAS
IVECO
GM
UAW
17.5%
11.7%
61%
GMC
9.8%
50.9%
Bond Holders of Motors Liquidation Co.
DAEWOO
HOLDEN
VAUXHALL
37.8%
PSA PEUGEOT CITROËN
CITROËN
PEUGEOT
LDV
RENAULT TRUCKS
NISSAN
Alliance Renault 44.4% in Nissan Nissan 15% in Renault
NISSAN DIESEL
RENAULT
VOLVO Trucks
VOLVO Buses
VOLVO AB
20%
80.1%
25%
99.4%
25%
AVTOVAZ
LADA
DACIA
Mack
10%
KAMAZ
smart
DAIMLER
STERLING
SETRA
Thomas
FUSO
DETROIT DIESEL
51.2%
Mercedes-Benz Trucks
FREIGHTLINER
DAEWOO
TATA
JAGUAR
Daimler
SAIC
Blue Diamond Truck
NAVISTAR
SSANGYONG MOTOR
13.4%
SOYAT
YUEJIN MOTOR
LINCOLN
TROLLER
13.4%
ADEEM
46%
46%
SHANGHAI GM
MITSUBISHI MOTORS
CHERY
JAC AUTOMOBILES
BYD
DFM
67.8%
9.8%
2.4%
Jeep
DODGE
DODGE Ram
Hafei
GAIG
MARUTI
SUZUKI
Okaya Co. Ltd.
Changhe Aircraft Industries Corp.
10%
39%
51%
DAIHATSU
HINO
51.2%
Fuji Heavy Industries Ltd.
TOYOTA
PERODUA
SUBARU
ISUZU
BUGATTI
MAN
15.6%
70.9%
29.9%
SE
AG
Audi
PROTON
63.75%
SAAB
LOTUS
FAW
Besturn
Jiefang
HYUNDAI
KIA MOTORS
HYUNDAI
KIA
VOLVO
长安汽车
长安汽车
FOTON 福田汽车
BAIHC
KEY
Joint Venture
Owned Company/Brand
Partners (Licensing or Sharing of Technology/Products)

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sure we can