
# Strategy update
# &
# 4Q11 / FY11 results

Bernard Bot, CFO

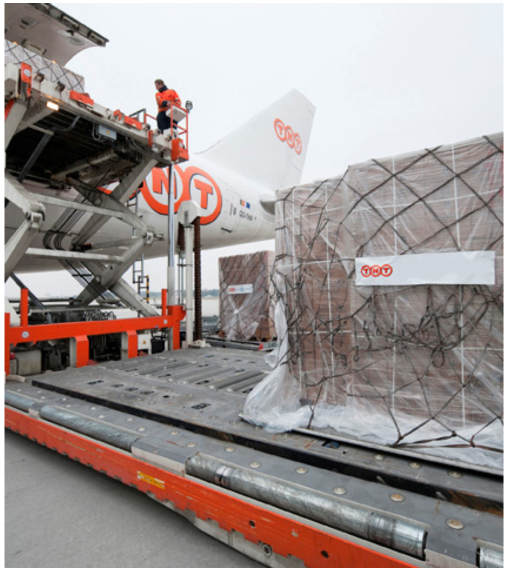
21 February 2012

TNT express

# Agenda

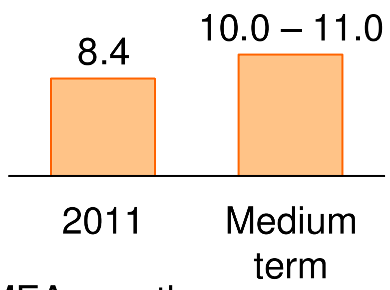
Strategic Update

4Q11 / FY11 results



# Profit improvement drivers EMEA
## Actions to secure medium term outlook

EMEA adjusted operating margin




EMEA growth

Growth EMEA

>

Organic GDP x multiplier growth

Assuming normal economic conditions

Yield and efficiency management

+

Restructuring initiatives

+

Growth opportunities

# Yield and efficiencies

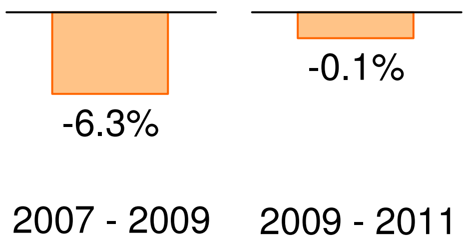
## Yield management and ongoing efficiencies to offset inflation

| | |
|---|---|
| **Yield management** | • Price increases targeting International Economy and Domestic<br>• Product and customer mix improvement (TSM, commissions, web channel)<br>• Surcharge application |
| **Ongoing efficiencies** | Examples:<br>• PUD / linehaul route optimisation (tariff setting tools)<br>• Lean warehouse processes<br>• Procurement |
| | > |
| **Inflation** | • Subcontractor and supplier inflation<br>• Moderate staff wage increases |

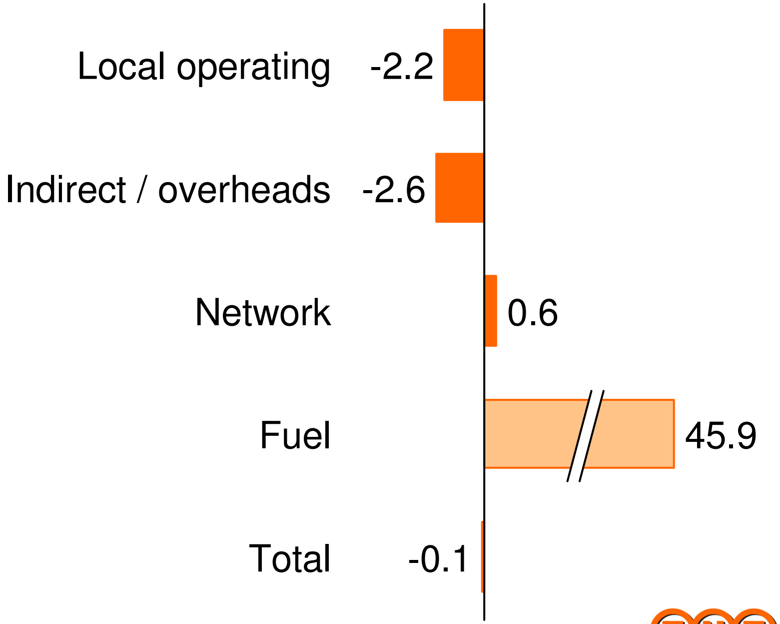
# Proven success in cost control

## Stringent cost control but impact higher fuel costs

EMEA 2007 – 2011 % average unit cost*




EMEA 2009 – 2011 % by category




* Average of CPC and CPK, including fuel



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# Restructuring initiatives

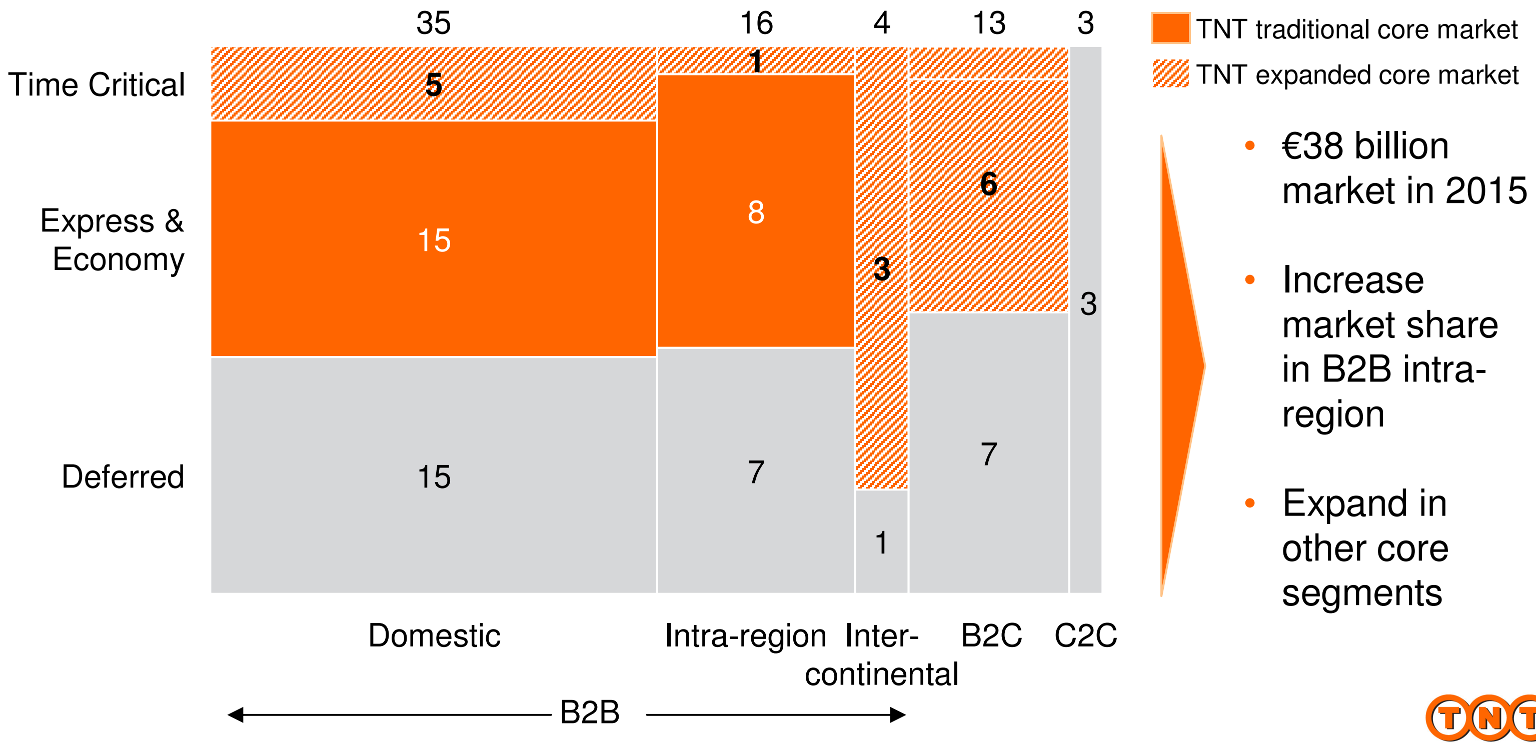
## Realising fixed cost savings

| | |
|---|---|
| **Indirect cost savings** | • Measures worth €30 million annualised savings implemented at the end of 2011 (related restructuring charges of €37m)<br>• €20 million savings initiatives identified and to be implemented in 2012 (related charges around €15 million)<br>• Total annualised cost savings €50 million<br>▪ Europe & MEA ~€20 million<br>▪ Asia Pacific ~€10 million<br>▪ Head office and ICS ~€20 million |
| **Fixed cost savings** | • Optimisation programme in Europe & MEA targeting €150m fixed cost reduction<br>• Related restructuring costs and write-offs of €150 million (approximately €125 million cash) |

# Focus on Europe

## Multiple growth opportunities in other segments

CEP market size at 2010 price level: 2010 = €60 billion; 2015 = €71 billion




- €38 billion market in 2015
- Increase market share in B2B intra-region
- Expand in other core segments

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- Focus Europe
- Connect rest of world
- Domestic emerging partnerships
- Corporate sustainability

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# Financial discipline = cash conversion

## Finance priorities in support of strategy

| | |
|---|---|
| **Optimise tax position** | • Target 31-33% Effective Tax Rate and cash tax rate |
| **Prioritise investments** | • Rigorous review process to keep fixed asset expenditure to around 3% of revenues |
| **Control working capital** | • Cash and liquidity centrally managed and supported by working capital initiatives to ensure trade working capital does not exceed 10% of revenues |
| **Optimise cost of capital; ensure financial stability and flexibility** | • Internal and external funding structured to optimise cost of capital, within long-term sustainable targets<br>• Investment grade rating BBB+/Baa1 targeted<br>• Liquidity ensured through €400-500m undrawn committed facilities |

# Target ETR and cash tax rate

## Initiatives to drive down tax rate

### Key elements

- ETR impacted by loss making countries, movements deferred taxes, impairments and non-deductibles
- Continuous initiatives to drive cash tax down
- Medium term target around 31-33% ETR and cash tax rate

| *Indicative figures* | Medium term rate |
|---|---|
| Profit making entities | ~28% |
| Non-deductible losses and local taxes offset by tax optimisation | ~3-5% |
| Non-deductible costs | ~5% |
| Optimisation measures | ~(5)% |
| **ETR** | **~31-33%** |

# Targets for capex and working capital

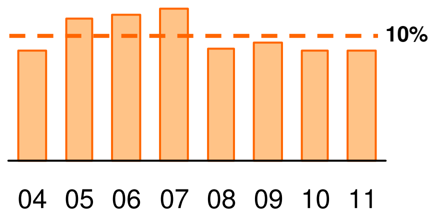
## Strict cash control to continue

### Key elements

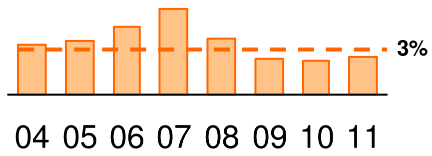
- Continue successful working capital initiatives, roll out globally
- Remain restrictive on capex

| *% of revenues* | Current | Range medium-term |
|---|---|---|
| Trade working capital | ~10% | <10% |
| Capex* | ~2.5% | ~3.0% |

*WC / revenues*




*Capex / revenues*




* Excluding operating leases

# Cash flow performance

## Attractive cash flow generated by focus entities

| *(€m)* | FY11 (incl. Domestic Brazil / China) | FY11 (excl. Domestic Brazil / China) |
|---|---|---|
| Net cash from operating activities | 191 | ~320 |
| Minus: net cash used in investing activities | (158) | (150) |
| Add back: demerger-related one-off* | 46 | 46 |
| **Free cash flow before dividend and financing** | **79** | **~216** |

* Transfer of real estate to TNT Express entities as part of the demerger, cash out for accelerated vesting of share based payments and demerger costs

# Solid capital structure

## Optimise cost of capital while maintaining stability and flexibility

### Key elements

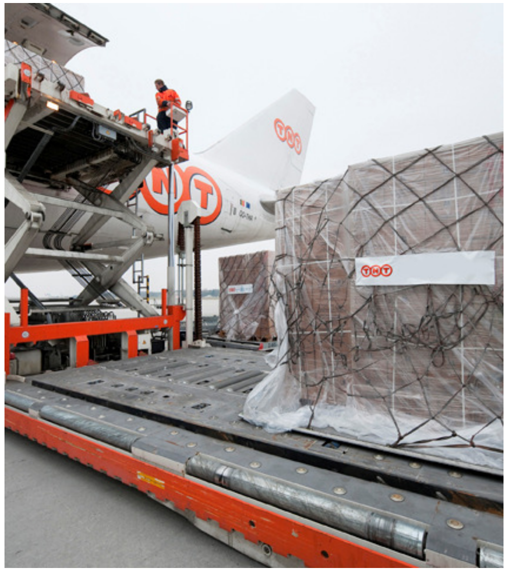
- Year end net debt €7m
  - Cash and cash equivalents of €250m
  - Gross debt €257m of which €192m relating to B747 leases
- Availability of €570m currently undrawn committed facilities
- Focus on free cash flow and cash concentration
- S&P credit rating ‘BBB+ Stable’; Moody’s credit rating 'Baa2 Negative'

| *Indicative figures based on S&P methodology* | Debt |
|---|---|
| **TNT Express net debt** | **~0** |
| Lease adjustments | 950 |
| Pension adjustments | 50 |
| De-central cash adjustments | 50 |
| **Adjusted net debt** | **~1,050** |
| Expected net interest ~€35-40 million per year *(finance leases, local loans and interest included in FX hedges)* | |

# Agenda

Strategic Update

4Q11 / FY11 results



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# 4Q11 results highlights

| | |
|---|---|
| **TNT** | • Reported operating income -€104m; adjusted operating income (at constant FX and excluding one-offs) €57m<br>• €50m indirect cost savings programme implemented, approximately €30m annualised savings realised in 2011 with associated costs of €9m in 4Q11 (2011: €37m) |
| **EMEA** | • Challenging trading environment<br>• International Economy growing, Express negative, Domestic moderate increase<br>• Pricing pressure, mitigated by strong cost control |
| **ASPAC** | • Decrease International volumes<br>• Aircraft impairment €39m as a result of market conditions and decision to divest capacity<br>• Positive development China domestic |
| **Americas** | • Positive volume and revenue development Brazil<br>• Operational performance continues to improve; focus on cost control<br>• Goodwill impairment €104m as a result of 4Q11 value assessment |

# Financial highlights

| *(€m)* | 4Q11 | 4Q10 | *%chg* | FY11 | FY10 | *%chg* |
|---|---|---|---|---|---|---|
| Reported revenues | 1,873 | 1,830 | *2.3* | 7,246 | 7,053 | *2.7* |
| Adjusted revenues* | 1,869 | 1,830 | *2.1* | 7,251 | 7,053 | *2.8* |
| Reported operating income | (104) | 24 | | (105) | 180 | |
| Adjusted operating income* | 57 | 85 | *-32.9* | 228 | 323 | *-29.4* |
| Net cash from operating activities | 133 | 138 | *-3.6* | 191 | 241 | *-20.7* |
| Net cash used in investing activities | (44) | (47) | *6.4* | (158) | (150) | *-5.3* |

- Reported revenues +2.3%, adjusted revenues +2.1%
- Reported operating income -€104m, includes -€162m one-off charges of which -€153m impairments
- Solid cash from operating activities; strict control of investments

* The adjusted revenues and operating income figures are at constant currency (2010 rates) and exclude the impact of restructuring/one-off charges in 2010 and 2011. Please see 4Q11 press release for details of these adjustments.

# 4Q11 statement of income

| *(€m)* | 4Q11 | 4Q10 | FY11 | FY10 |
|---|---|---|---|---|
| Revenues | 1,873 | 1,830 | 7,246 | 7,053 |
| **Operating income** | **(104)** | **24** | **(105)** | **180** |
| Net financial expense | (12) | (9) | (45) | (37) |
| Results from investments/associates | (22) | (17) | (22) | (17) |
| **Profit before taxes** | **(138)** | **(2)** | **(172)** | **126** |
| Income tax | (36) | 6 | (100) | (57) |
| **(Loss)/Profit for the period** | **(174)** | **4** | **(272)** | **69** |
| *Attributable to equity holders of the parent* | *(173)* | *4* | *(270)* | *66* |

- Associates: fair value adjustment of -€22m Logispring Investment fund – non-cash
- Income tax: 2011 adversely impacted by one-off deferred taxes (while 4Q10 was positively impacted), 4Q11 income tax reflects ~ 25% ETR on profit making countries (FY11: ~28%)


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# FY11 tax expense

| *Indicative figures FY 2011* | Profit before tax | Tax expense | ETR |
|---|---|---|---|
| Profit making entities | ~350 | ~100 | ~28% |
| Loss making countries with no DTA | ~(520) | ~0 | ~0% |
| Impairments | | | |
| Non-deductible costs | | | |
| **Total** | **~(170)** | **100** | **~(58)%** |



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# Adjusted operating income 4Q11

| (€m) | Reported 4Q11 | Business one-offs | Adjusted 4Q11 | Foreign exchange | Adjusted 4Q11 (at constant rates) | Adjusted 4Q10 | Business one-offs | Demerger related | Reported 4Q10 |
|---|---|---|---|---|---|---|---|---|---|
| Europe & MEA | 82 | 11 | 93 | - | **93** | **107** | 4 | - | 103 |
| Asia Pacific | (42) | 39 | (3) | (1) | **(4)** | **2** | - | - | 2 |
| Americas | (133) | 104 | (29) | - | **(29)** | **(7)** | 24 | - | (31) |
| Other Networks | 7 | - | 7 | - | **7** | **2** | - | - | 2 |
| Non-allocated | (18) | 8 | (10) | - | **(10)** | **(19)** | - | 33 | (52) |
| **Operating income** | (104) | 162 | 58 | (1) | **57** | **85** | 28 | 33 | 24 |

2011 adjustments

- Europe & MEA: €5m restructuring and €6m aircraft impairment
- Asia Pacific: €39m aircraft write down
- Americas: €104m goodwill impairment related to Brazil
- Non-allocated: €4m restructuring and €4m software impairment



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# 4Q11 results per segment

| (€m) | Adjusted revenues 4Q11 | Adjusted revenues 4Q10 | %chg | Adjusted operating income 4Q11 | Adjusted operating income 4Q10 | %chg |
|---|---|---|---|---|---|---|
| Europe & MEA | 1,159 | 1,148 | *1.0* | 93 | 107 | *-13.1* |
| Asia Pacific | 462 | 452 | *2.2* | (4) | 2 | |
| Americas | 129 | 123 | *4.9* | (29) | (7) | |
| Other networks | 121 | 109 | *11.0* | 7 | 2 | |
| Other/Non-allocated | (2) | (2) | | (10) | (19) | |
| **Total** | **1,873** | **1,830** | ***2.1*** | **57** | **85** | ***-32.9*** |

- Revenue development reflects nearly flat Europe & MEA revenues and slowing Asia Pacific growth
- Operating income down due to lower Europe & MEA results and losses in Americas (Brazil)
- Good cost control – better Other Networks and Non-allocated result

# EMEA

| (€m) | 4Q11 | 4Q10 | %chg YoY | FY11 | FY10 | %chg YoY |
|---|---|---|---|---|---|---|
| Adjusted revenue | 1,159 | 1,148 | 1.0 | 4,547 | 4,453 | 2.1 |
| Adj operating income | 93 | 107 | -13.1 | 380 | 384 | -1.0 |
| | | | | | | |
| Avg daily cons ('000) | 746 | 726 | 2.8 | 725 | 718 | 1.0 |
| RPC (€) (at constant FX) | 23.9 | 24.3 | -1.6 | 24.4 | 24.1 | 1.2 |
| Avg daily kilos ('000) | 15,087 | 14,839 | 1.7 | 14,661 | 14,288 | 2.6 |
| RPK (€) (at constant FX) | 1.18 | 1.19 | -0.8 | 1.21 | 1.21 | 0.0 |

- Revenue growth +1.0%
- Average consignments per day +2.8%, decline in weight per consignment
- International Economy mid single-digit volume growth, moderate increase Domestic and decline International Express
- Flat to slightly negative year-on-year prices in all segments. Further negative impact mix changes and lower average weight per consignment
- Adjusted operating income lower due to pricing pressure, partially mitigated by strong cost control

# EMEA trend 2011

| (€m) | 1Q11 | 2Q11 | 3Q11 | 4Q11 | FY11 |
|---|---|---|---|---|---|
| Adjusted revenue | 1,144 | 1,149 | 1,095 | 1,159 | 4,547 |
| *% chg YoY* | *4.0* | *2.4* | *1.1* | *1.0* | *2.1* |
| | | | | | |
| Avg daily cons (% chg) | 1.8 | -0.1 | -0.3 | 2.8 | 1.0 |
| RPC (€) (% chg) | 2.1 | 2.9 | 1.2 | -1.6 | 1.2 |
| Avg daily kilos (% chg) | 5.3 | 1.9 | 1.6 | 1.7 | 2.6 |
| RPK (€) (% chg) | -1.6 | 0.0 | -0.8 | -0.8 | 0.0 |
| | | | | | |
| Adjusted operating income | 105 | 109 | 73 | 93 | 380 |
| *% chg YoY* | 4.0 | 11.2 | -6.4 | -13.1 | -1.0 |

- Muted volume growth from 2Q11 onward
- Increasing pressure on RPC and RPK
- Volume and pricing developments mitigated by strong cost control

# Asia Pacific

| *(€m)* | 4Q11 | 4Q10 | *%chg YoY* | FY11 | FY10 | *%chg YoY* |
|---|---|---|---|---|---|---|
| Adjusted revenue | 462 | 452 | *2.2* | 1,773 | 1,656 | *7.1* |
| Adj operating income | (4) | 2 | | (33) | 14 | |
| | | | | | | |
| Avg daily cons ('000) | 180 | 185 | *-2.7* | 182 | 182 | *0.0* |
| RPC (€) (at constant FX) | 39.5 | 37.6 | *5.1* | 38.0 | 35.4 | *7.3* |
| Avg daily kilos ('000) | 13,179 | 14,061 | *-6.3* | 13,391 | 13,625 | *-1.7* |
| RPK (€) (at constant FX) | 0.54 | 0.49 | *10.2* | 0.52 | 0.49 | *6.1* |

- Revenue growth +2.2%
- Double digit decrease in international volumes; Domestic China (Hoau) healthy growth in consignments but decline in kilos in line with shift to lower weight Day definite services
- Positive RPC and RPK supported by fuel and increase in share higher priced Day definite volumes Hoau
- Operating income reflects pressure on China International

# Americas

| *(€m)* | 4Q11 | 4Q10 | *%chg YoY* | FY11 | FY10 | *%chg YoY* |
|---|---|---|---|---|---|---|
| Adjusted revenue | 129 | 123 | *4.9* | 474 | 502 | *2.1* |
| Adj operating income | (29) | (7) | | (125) | (39) | |
| | | | | | | |
| Avg daily cons (‘000) | 54 | 58 | *-6.9* | 54 | 61 | *-11.5* |
| RPC (€) (at constant FX) | 36.6 | 32.4 | *13.0* | 34.3 | 31.9 | *7.5* |
| Avg daily kilos (‘000) | 3,504 | 3,786 | *-7.4* | 3,289 | 4,023 | *-18.2* |
| RPK (€) (at constant FX) | 0.57 | 0.50 | *14.0* | 0.56 | 0.49 | *14.3* |

- Volume and revenue development Brazil positive, gap with prior year narrowing (however revenue comparison flattered by 2010 revenue adjustments)
- Operational performance continues to improve, focus on cost control
- 2H12 turnaround target reiterated
- Rest of Americas performed in line with expectations

# Financial outlook and aims

**Medium-term ambitions:**

- EMEA revenue to grow organically and through new initiatives in adjacent market segments, with an operating margin increasing to 10-11% assuming normal economic conditions
- Positive contributions from other operating segments
- Capital expenditure of around 3% of total revenue and trade working capital around 10% of total revenue
- Effective tax rate trending towards 31-33%

**2012:**

- Major uncertainty in the economic environment. Risk of European recession and slowdown in Asia
- Difficult start of the year in Europe & MEA, with general price pressure and negative volume growth International Express persisting
- Optimisation programme in Europe & MEA targeting €150m fixed cost reduction with related restructuring costs and write offs of €150m (approximately €125 m cash), on top of indirect cost savings programme
- Reduction of intercontinental fixed capacity
- Anticipated positive development of emerging domestic operations in Brazil and China – partnership opportunities to be explored
- Capital expenditures and working capital targets in line with medium-term ambitions

# AGM 2012 - Corporate governance

- The current threshold to appoint or remove a member of the Executive Board or Supervisory Board, other than on a nomination or proposal of the Supervisory Board, is a majority of at least two-thirds representing more than half of issued capital
- The next Annual General Meeting, to be held on 11 April 2012, will be requested to pass a resolution that will amend the Articles of Association, reducing the threshold to an absolute majority of the votes cast representing at least one-third of issued capital
- The verbatim text of the proposal to amend the Articles of Association and an explanation thereto will be made available as part of the 2012 AGM agenda, to be published on 28 February 2012


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# Warning about forward-looking statements

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

# 4Q11 one-offs, non-GAAP adjustments

| *(€m)* | EMEA | AsPac | Americas | Other networks | Non allocated | 4Q11 |
|---|---|---|---|---|---|---|
| **Operating income** | **82** | **(42)** | **(133)** | **7** | **(18)** | **(104)** |
| FX | | (1) | | | | (1) |
| Demerger related | | | | | | |
| Pension (asset recognition) | | | | | | |
| Share-based payments | | | | | | |
| Demerger costs | | | | | | |
| Business one-offs/Restructuring | | | | | | |
| Restructuring | 5 | | | | 4 | 9 |
| Software impairment | | | | | 4 | 4 |
| Aircraft impairment | 6 | 39 | | | | 45 |
| Brazil impairment | | | 104 | | | 104 |
| One-off Brazil | | | | | | |
| Customer relationship | | | | | | |
| **Adjusted operating income** | **93** | **(4)** | **(29)** | **7** | **(10)** | **57** |

# FY 2011 one-offs, non-GAAP adjustments

| *(€m)* | EMEA | AsPac | Americas | Other networks | Non allocated | FY 2011 |
|---|---|---|---|---|---|---|
| **Operating income** | **356** | **(76)** | **(360)** | **20** | **(45)** | **(105)** |
| FX | | (2) | (2) | | 7 | 3 |
| Demerger related | | | | | | |
| Pension (asset recognition) | 3 | | | | (14) | (11) |
| Share-based payments | 6 | 2 | 1 | | 5 | 14 |
| Demerger costs | | | | | 5 | 5 |
| Business one-offs/Restructuring | | | | | | |
| Restructuring | 9 | 4 | | | 12 | 25 |
| Software impairment | | | | | 16 | 16 |
| Aircraft impairment | 6 | 39 | | | | 45 |
| Brazil impairment | | | 209 | | | 209 |
| One-off Brazil | | | 12 | | | 12 |
| Customer relationship | | | 15 | | | 15 |
| **Adjusted operating income** | **380** | **(33)** | **(125)** | **20** | **(14)** | **228** |



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# FY 2011 non allocated

| *(€m)* | FY11 | FY10 |
|---|---|---|
| Projects | 6 | 7 |
| Demerger related | | |
| Pensions | (14) | 15 |
| Share-based payments | 5 | |
| Demerger costs | 5 | 45 |
| Business one-offs/Restructuring | | |
| Restructuring / software impairment | 28 | |
| Profit pooling | | 41 |
| Other costs | 15 | 48 |
| **Reported operating income** | **45** | **156** |

# Adjusted operating income FY 2011

| (€m) | Reported FY11 | Demerger related | Business one-offs | Adjusted FY11 | Foreign exchange | Adjusted FY11 (at constant rates) | Adjusted FY10 | Business one-offs[1] | Demerger related | Reported FY10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe & MEA | 356 | 9 | 15 | 380 | - | 380 | 384 | 4 | 9 | 371 |
| Asia Pacific | (76) | 2 | 43 | (31) | (2) | (33) | 14 | - | - | 14 |
| Americas | (360) | 1 | 236 | (123) | (2) | (125) | (39) | 28 | - | (67) |
| Other Networks | 20 | - | - | 20 | - | 20 | 19 | - | 1 | 18 |
| Non-allocated | (45) | (4) | 28 | (21) | 7 | (14) | (55) | - | 101 | (156) |
| **Operating income** | **(105)** | **8** | **322** | **225** | **3** | **228** | **323** | **32** | **111** | **180** |

1 The adjusted 2010 business one-offs in the prospectus included €15 million for bad weather

# 4Q11 and FY11 one-offs, non-GAAP adjustments

| *(€m)* | 4Q11 | 4Q10 | FY11 | FY10 |
|---|---|---|---|---|
| **Revenues** | **1,873** | **1,830** | **7,246** | **7,053** |
| FX | (4) | | 5 | |
| **Adjusted revenues** | **1,869** | **1,830** | **7,251** | **7,053** |
| | | | | |
| **Operating income** | **(104)** | **24** | **(105)** | **180** |
| FX | (1) | | 3 | |
| Demerger related | | 33 | 8 | 111 |
| Business one-offs/Restructuring costs | 162 | 28 | 322 | 32 |
| **Adjusted operating income** | **57** | **85** | **228** | **323** |



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# 2011 one-offs, non-GAAP adjustments

| *(€m)* | 1Q11 | 2Q11 | 3Q11 | 4Q11 | FY2011 |
|---|---|---|---|---|---|
| **Operating income** | **(79)** | **46** | **32** | **(104)** | **(105)** |
| FX | (1) | 5 | 0 | (1) | 3 |
| Demerger related | | | | | |
| Pension (asset recognition) | 5 | (16) | | | (11) |
| Share-based payments | | 14 | | | 14 |
| Demerger costs | 4 | 1 | | | 5 |
| Business one-offs/Restructuring | | | | | |
| Restructuring | | 5 | 11 | 9 | 25 |
| Software impairment | | 12 | | 4 | 16 |
| Aircraft impairment | | | | 45 | 45 |
| Brazil impairment | 105 | | | 104 | 209 |
| One-off Brazil | | 12 | | | 12 |
| Customer relationship | 15 | | | | 15 |
| **Adjusted operating income** | **49** | **79** | **43** | **57** | **228** |

# 4Q11 statement of cash flows

| *(€m)* | 4Q11 | 4Q10 | FY11 | FY10 |
|---|---|---|---|---|
| Cash generated from operations | 189 | 182 | 359 | 356 |
| | | | | |
| Net cash from operating activities | 133 | 138 | 191 | 241 |
| Net cash used in investing activities | (44) | (47) | (158) | (150) |
| Net cash used in financing activities | (20) | 97 | (589) | (121) |
| Total changes in cash | 69 | 188 | (556) | (30) |



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