



# TNT Express

## IQ14 results presentation

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# Improved performance supported by restructuring initiatives

## Group

- Reported operating income €17m (1Q13: €219m), reported revenues €1,608m (-6.6%)
- Higher adjusted operating income €51m (1Q13: €21m), adjusted revenues €1,673m (-2.8%)
- Revenues lower because of negative foreign exchange movements, disposal China Domestic and contract pruning
- Sale Dutch operations of TNT Fashion announced – closing expected in 2Q14
- Period end net cash €402m (4Q13: €469m)

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## Segments

- Europe Main: Overall better performance, with support from savings initiatives
- Europe Other & Americas: Strong adjusted operating profit growth
- Pacific: Persisting challenges, recovery plans in place
- AMEA: Higher operating profit in all units
- Brazil Domestic: Recovery continues with break-even quarter (1Q13: €(10)m)

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## Outlook

- 1Q14 savings €30m
- 1Q14 restructuring-related charges €14m; implementation costs €5m
- Investments in Liège Eurohub and road infrastructure
- Further details about *Outlook* will be provided in 2H14

# Segment adjusted financials

Adjusted revenues (€m)	IQ14	IQ13	%chg YoY
Europe Main	790	815	-3.1
Europe Other & Americas	291	274	6.2
Pacific	164	167	-1.8
Asia Middle East & Africa	214	262	-18.3
Brazil Domestic	79	71	11.3
Unallocated	138	136	1.5
Elimination	(3)	(3)	
<b>Total</b>	<b>1,673</b>	<b>1,722</b>	<b>-2.8</b>
<b>Adjusted operating income (€m)</b>			
Europe Main	38	29	31.0
Europe Other & Americas	17	9	88.9
Pacific	(3)	(2)	-50.0
Asia Middle East & Africa	7	(5)	
Brazil Domestic	0	(10)	
Unallocated	(8)		
<b>Total</b>	<b>51</b>	<b>21</b>	

# Outlook agenda – 10 initiatives

Focus on profitable growth

1. Move More by Road
2. Drive sales from four priority industries
3. Serve more SMEs even better
4. Increase profitability Domestic

Invest in performance & productivity

5. Realise the Perfect Transaction
6. Increase efficiency and productivity
7. Establish superior revenue management
8. Prioritise Health & Safety practices

Organise to win

9. Create focused and accountable units
10. Strengthen leadership culture

## Targets

- Leading customer 'Orange Experience Score'
- Strong employee engagement
- Continuous improvement financial performance

# Outlook initiatives on track

## Focus on profitable growth

- Further expansion coverage and faster transit times benefiting all core products intra-Europe
- Investments in Liège Eurohub, road infrastructure and local infrastructure

## Invest in performance & productivity

- Perfect Transaction “quick wins” initiatives started
- Further efficiency by alignment and standardisation operational processes

## Organise to win

- Management teams International Europe and Domestic announced
- Works council consultation in progress
- Previously announced projects on track

## Targets

- Leading customer ‘Orange Experience Score’
- Strong employee engagement
- Continuous improvement financial performance

# I Q14 financial highlights

(€m)	I Q14	I Q13	%chg YoY
Reported revenues	1,608	1,722	-6.6
Adjusted revenues*	1,673	1,722	-2.8
Reported operating income	17	219	-92.2
Adjusted operating income*	51	21	
Net cash from operating activities	(64)	157	
Net cash from (used in) investing activities	(14)	(29)	51.7

- Revenues include €65m negative foreign exchange impact
- I Q13 figures include China Domestic (€54m revenues and €(3)m operating income)
- Reported operating income and net cash from operating activities comparison distorted by €200m UPS fee received in I Q13

\* The adjusted figures are at constant currency (2013 rates) and exclude the impact of certain one-off charges. Please see I Q14 press release for details of these adjustments.

# IQ14 statement of income

(€m)	IQ14	IQ13*	%chg YoY
Revenues	1,608	1,722	-6.6
Operating income	17	219	-92.2
Net financial expense	(3)	(7)	57.1
Results from associates and joint ventures	2	2	0.0
Income taxes	(16)	(70)	77.1
<i>Effective tax rate</i>	<i>100.0%</i>	<i>32.7%</i>	
Profit for the period	0	144	

- Application of IFRS 11, 'Joint Arrangements', as per 1 January 2014 (equity method instead of proportionate consolidation)
- Reported ETR of 100.0% impacted by losses for which no tax credit could be recognised

\* Brazil Domestic historically restated (previously reported as discontinued) and China Domestic included in IQ13

# Operating income – required accounting changes

(€m)	IQ14 adjusted*	New IQ13 adjusted**	← IFRS 11	Brazil Domestic	Aircraft dep'n	Previous IQ13 adjusted*
Europe Main	38	29				29
Europe Other & Americas	17	9	(2)		(1)	12
Pacific	(3)	(2)				(2)
AMEA**	7	(5)			(2)	(3)
Brazil Domestic	0	(10)		(10)		
Unallocated	(8)	0				0
<b>Total</b>	<b>51</b>	<b>21</b>	<b>(2)</b>	<b>(10)</b>	<b>(3)</b>	<b>36</b>

\* The adjusted figures are at constant currency (2013 rates) and exclude the impact of certain one-off charges – see IQ14 press release for details of these adjustments.

\*\* 'New IQ13 adjusted' includes China Domestic's €(3)m operating loss



# IQ14 statement of cash flows

(€m)	IQ14	IQ13	%chg YoY
Cash generated from operations	(33)	184	
Net cash from operating activities	(64)	157	
Net cash used in investing activities	(14)	(29)	51.7
Net cash used in financing activities	(15)	(1)	
Total changes in cash	(93)	127	

- Decrease in net cash from operating activities largely due to €200m UPS payment received last year and the withdrawals from provisions in IQ14, mostly related to restructuring
- Decrease in net cash used in investing activities in part due to lower cash outflow from financial instruments (€21m)
- Net capex 1.2% of revenues
- Trade working capital 8.5% of revenues
- Solid net cash of €402m

# Europe Main

(€m)	IQ14	IQ13	%chg YoY
Adjusted revenues	790	815	-3.1
Adjusted operating income	38	29	31.0
Avg daily cons ('000)	658	693	-5.1
RPC (€) (at constant FX)	19.4	18.7	3.7
Avg daily kilos ('000)	11,119	11,071	0.4
RPK (€) (at constant FX)	1.15	1.17	-1.7

- Revenues impacted by ended Fashion UK contract and contract pruning in Italy; adjusting for both, revenues nearly flat with moderate volume growth but lower prices
- *Outlook* cost initiatives successful; adjusted operating expenses lower
- Higher results in nearly all units; Italy restructuring encouraging

# Europe Other & Americas

(€m)	IQ14	IQ13	%chg YoY
Adjusted revenues	291	274	6.2
Adjusted operating income	17	9	88.9
Avg daily cons ('000)	108	108	0.0
RPC (€) (at constant FX)	43.3	40.4	7.2
Avg daily kilos ('000)	4,238	4,129	2.6
RPK (€) (at constant FX)	1.11	1.05	5.7

- Commercial actions reflected in continued improvements in revenue quality with some volume growth
- Positive impact *Outlook* initiatives

# Pacific

(€m)	IQ14	IQ13	%chg YoY
Adjusted revenues	164	167	-1.8
Adjusted operating income	(3)	(2)	-50.0
Avg daily cons ('000)	79	76	3.9
RPC (€) (at constant FX)	33.3	34.9	-4.6
Avg daily kilos ('000)	2,849	2,957	-3.7
RPK (€) (at constant FX)	0.93	0.90	3.3

- Continued pressure on mining and retail volumes leading to lower weight per consignment and drop in revenue quality
- Efficiency and productivity gains offset wage and supplier cost increases
- Recovery plans in place. Melbourne, Sydney and Brisbane infrastructure developments on track, but will only impact in the longer term

# AMEA

(€m)	IQ14	IQ13	%chg YoY
Adjusted revenues	214	262	-18.3
Adjusted operating income	7	(5)	
Avg daily cons ('000)	59	90	-34.4
RPC (€) (at constant FX)	58.9	46.0	28.0
Avg daily kilos ('000)	1,073	6,980	-84.6
RPK (€) (at constant FX)	3.21	0.60	

- Year-on-year comparisons distorted by sale of China Domestic
- Excluding China Domestic, adjusted revenue would have been up 2.9% with nearly flat volumes and mid single-digit yield improvement; adjusted operating profit up €9m
- Intercontinental capacity utilisation strengthening
- Profitability improved in all units

# Brazil Domestic

(€m)	IQ14	IQ13	%chg YoY
Adjusted revenues	79	71	11.3
Adjusted operating income	0	(10)	
Avg daily cons ('000)	29	30	-3.3
RPC (€) (at constant FX)	44.4	37.8	17.5
Avg daily kilos ('000)	2,974	2,871	3.6
RPK (€) (at constant FX)	0.43	0.39	10.3

- High service levels supporting significant contract wins and strong customer retention
- Changes in customer portfolio, price adjustments and revenue protection initiatives supporting healthy revenue quality development
- Good cost control

# Unallocated

- Sale Dutch operations of TNT Fashion announced with completion expected in 2Q14 – assets and liabilities reported 'held for disposal'
- Other Networks (Fashion and In-night) performance lower
- Quarter's result also reflected certain timing effects of central cost allocation

# 2014 guidance

- Trading conditions remain volatile and uncertain; risk of continued negative FX impact
- Assuming continued improving external trend:
  - Combined Europe Main and Europe Other & Americas operating results to show positive development
  - Asia Middle East & Africa and Brazil Domestic operating results to be significantly better than prior year
  - Pacific operating results to remain under pressure
  - Unallocated around €(30)m
- Business as usual capex (excluding *Outlook* investments) up to around 3% of revenues