

## I. LETTER TO STAKEHOLDERS



Dear Stakeholders,

2015 has been a very important year in the history of TNT. A transitional year, in which we took action to effect structural change, and secure a profitable and sustainable future for our company.

Yet, the biggest event of the year was the announcement of the intended acquisition of TNT by FedEx Corporation (FedEx). Although not initiated by TNT, the Executive Board fully supports this transaction, as TNT and FedEx share a commitment to serve customers and deliver value for stakeholders. Together, TNT and FedEx will create a leading global company providing logistics, transportation and express delivery services. Customers will enjoy access to an enhanced, integrated global network, combining TNT's strong European capabilities with FedEx's strength in other regions globally. Substantial progress has been made towards finalising the intended acquisition and we continue to expect the transaction to close in the first half of 2016.

2015 was also the year that we presented the *Outlook* strategy to the capital markets. *Outlook* is a comprehensive turnaround and transformation programme that was developed in 2014 and is now in full execution mode. We made progress on all three pillars of the strategy. After years of decline, we have returned to sound and robust revenue growth. This growth was realised by an increase in revenues from small and medium-sized enterprise (SME) customers as well as growth with large local customers. Revenue management and strict pricing discipline were implemented and resulted in good revenue growth by customer. We strongly improved our service quality measured by on-time performance which resulted in a significant improvement in our customer experience scores (Orange Experience Score).

In line with our four-year investment programme we made significant steps to improve operational excellence and drive productivity. We opened new hubs and modernised our infrastructure. We made good progress in the automation of our hubs and depots, and took steps to simplify and standardise our core processes. We opened new destinations and improved connections to further optimise our unique European Road Network.

With our third *Outlook* pillar, *Organise to Win*, we are building a new organisation that will help us serve our customers even better, whilst realising global competencies and efficiencies in our support functions. We outsourced our existing shared-service centres by signing a business process outsourcing (BPO) contract and started the total overhaul of our IT infrastructure. We further strengthened our leadership team and were able to attract strong talent in many of our core markets. We were able to lower our overheads and invested in industry leading e-commerce capabilities.

We are progressing remarkably well with the wide-ranging transformation of TNT, and even though the full benefits of *Outlook* will only be unlocked from 2018 onwards, we are increasingly confident that we will turn the corner and succeed in achieving year-on-year improvements in 2016.

Thanks to the Orange spirit of our employees and our loyal customers, we enter 2016 with positive momentum and celebrate 70 years of TNT and a bright future with FedEx.

Thank you for your confidence now and in the future.

A handwritten signature in black ink, appearing to read 'T. Gunning'.

Tex Gunning  
Chief Executive Officer

## II. REPORT OF THE EXECUTIVE BOARD

- ◆ Revenue growth: 3.5%
- ◆ Reported loss for the period attributable to the equity holders of the parent: €50 million
- ◆ Net cash: €231 million
- ◆ No dividend will be paid over 2015
- ◆ Reported operating income: €38 million
- ◆ Adjusted operating income<sup>1</sup>: €151 million
- ◆ Net cash used in operating activities: €6 million

### FINANCIAL HIGHLIGHTS<sup>2</sup>

Financial highlights	Reported			Adjusted (non-GAAP)		
	2015	variance %	2014	2015	variance %	2014
Year ended at 31 December						
Total revenues	6,914	3.5	6,680			
Other income	4	(76.5)	17			
Operating income/(loss)	38		(86)	151	(27.8)	209
Net financial expense	(34)	(41.7)	(24)			
Income taxes	(67)	23.0	(87)			
Results from investments in associates and joint ventures	7		7			
Profit/(loss) for the period	(56)	70.5	(190)			
Attributable to:						
Non-controlling interests	(6)		5			
Equity holders of the parent	(50)	74.4	(195)			
Cash generated from operations	109	(55.7)	246			
Net cash from/(used in) operating activities	(6)		106			
Net cash from/(used in) investing activities	(159)	(35.9)	(117)			
Net debt/(cash)	(231)	48.6	(449)			

(in € millions, except percentages)

### 2015 PERFORMANCE HIGHLIGHTS

2015 was a challenging year of transition for TNT, marked by the progressive ramp-up of new and upgraded facilities and other wide-ranging projects, such as the outsourcing of IT. These transformations triggered restructuring and other one-off charges, which reduced operating income by €113 million. 2015 was also a year of progress on many fronts, demonstrated by the return to a revenue growth position, despite economic volatility in some markets, including Brazil and China. Revenues from small and medium-sized enterprise (SME) customers, in particular, rose 5.1%.

As part of *Outlook*, TNT invested €309 million in its transport and IT infrastructure, launched new road and air connections, expanded network coverage and improved on-time delivery performance globally. As a result, TNT's customer satisfaction score increased significantly.

Overall, revenues increased by 3.5% to €6,914 million. Adjusted operating income declined by 27.8% to €151 million. In International Europe, adjusted operating income decreased by 13.6%, due to *Outlook*-related transition and project costs, the costs of introducing or upgrading services, higher volume-related costs and larger dollar-denominated air network costs. International AMEA recorded a 37.3% increase in adjusted operating income, supported by improved cost management. In Domestics, adjusted operating income decreased by 65.2%, attributable to price pressure and negative mix effects, notably in France and Australia, *Outlook*-related transition and project costs, and costs related to the ramp up of the new hubs in Brisbane, Melbourne and Sydney.

At the end of 2015, net cash was €231 million, 48.6% lower than in 2014, which reflects the investments made as part of *Outlook*. With available cash and cash equivalents of €464 million and an undrawn committed facility of €600 million, TNT's financial position is sound, as reflected in its credit ratings of BBB (Stable) by S&P and Baa2 (Stable) by Moody's.

<sup>1,2</sup> Adjusted operating income is calculated as operating income after adjusting for one-offs and is prepared by management to analyse the results, excluding non-recurring items for a better understanding of the business performance. The calculation of adjusted operating income has been updated to reflect respective foreign exchange rates. The presentation and disclosure of adjusted operating income does not conform to IFRS.

## REVIEW OVER THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The following analyses provide more detail on TNT's financial results and should be read in conjunction with the rest of the annual report.

### Total operating revenues

In 2015, overall revenues increased by 3.5%, supported by an increase in revenues from SMEs (5.1%). Underlying revenue growth, at a comparable scope and constant foreign exchange rates, adjusted for the negative impact of lower fuel surcharges was 3.4%.

Revenues in International Europe increased 4.4% to €2,864 million, as a result of higher revenues from SMEs and faster revenue growth in parts of Europe. In International AMEA, revenues increased 10.6% to €1,002 million, largely due to favourable currency effects, despite lower revenues in China. In Domestic, revenues increased 1.3% to €2,581 million, as revenue growth in European markets more than offset the recession-induced drop in demand in Brazil and Australia.

### Other income

Other income in 2015 included the profit on the sale of TNT Business Solutions Ltd. of €1 million (related to the outsourcing of the shared-service centres as part of the BPO contract), and other assets held for disposal of €3 million.

### Operating expenses

Total reported operating expenses increased to €6,880 million (2014: 6,783). When adjusted for one-offs (€113 million), the adjusted operating expenses were €6,767 million (2014: 6,481).

Operating expenses			
Year ended at 31 December	2015	variance %	2014
Cost of materials	347	(14.7)	407
Work contracted out and other external expenses	3,897	7.6	3,623
Salaries and social security contributions	2,095	(1.5)	2,126
Other operating expenses	340	(8.5)	417
Operating expenses excluding depreciation, amortisation and impairments	6,679	1.6	6,573
Depreciation, amortisation and impairments	201	(4.3)	210
<b>Total operating expenses</b>	<b>6,880</b>	<b>1.4</b>	<b>6,783</b>

(in € millions, except percentages)

### Cost of materials

Cost of materials decreased by €60 million, mainly due to lower fuel expenses.

### Work contracted out and other external expenses

Work contracted out and other external expenses include fees paid for subcontractors, external temporary staff, rent and leases. These costs increased by €274 million (7.6%) compared to 2014, due to a number of factors including a weaker euro and the cost of handling increased volumes.

### Salaries and social security contributions

Salaries and social security contributions decreased by €31 million to €2,095 million (1.5%) in 2015 compared to 2014. Average FTEs decreased from 57,485 in 2014 to 56,095 in 2015.

In 2015, salary costs included €56 million in restructuring costs related to *Outlook*. Pension costs in 2015 of €77 million were higher than in 2014 (€50 million), mainly due to a lower discount rate.

### Other operating expenses

Other operating expenses consisted of government legal fees, marketing, consulting, shared-service costs and auditors' fees.

Other operating expenses decreased by €77 million in 2015 compared to 2014, due to the reduction in consulting fees related to the transformation of TNT and marketing costs.

Total operating expenses excluding depreciation, amortisation and impairments increased by €106 million (1.6%) to €6,679 million (2014: 6,573), mainly due to the weakening of the euro.

### Total depreciation, amortisation and impairment costs

Total depreciation, amortisation and impairment costs decreased by €9 million, due to lower impairment charges.

### Adjusted operating income for the financial years ended 31 December 2015 and 2014

In 2015, total reported operating income was €38 million. TNT calculates an adjusted operating income by adjusting for one-offs. These figures were prepared by management to analyse the results excluding non-recurring items for a better understanding of the business performance. The presentation and disclosure of adjusted operating income is not in conformity with IFRS and is unaudited.

The adjusted operating income should not be considered in isolation or as a substitute for analysis of TNT's operating results, including its income statement and consolidated statement of cash flows, as reported under IFRS.

The following table sets out the unaudited adjusted operating income per segment for the financial years ended 31 December 2015 and 2014.

#### Adjusted operating income

Year ended at 31 December	Reported		Adjusted			Reported
	2015	One-offs	2015	2014	One-offs	2014
International Europe	69	33	102	118	88	30
International AMEA	64	6	70	51	1	50
Domestics	(14)	37	23	66	74	(8)
Unallocated	(81)	37	(44)	(26)	132	(158)
<b>Operating income/(loss)</b>	<b>38</b>	<b>113</b>	<b>151</b>	<b>209</b>	<b>295</b>	<b>(86)</b>

(in € millions)

Significant contributors to TNT's 2015 and 2014 performance include miscellaneous one-offs, which are discussed below.

In 2015, one-offs included:

- In International Europe: restructuring and related charges of €22 million, property, plant and equipment impairment of €8 million, software impairment of €1 million, and €2 million FedEx related costs.
- In International AMEA: restructuring and related charges of €3 million, €2 million related to a claim, and €1 million FedEx related costs.
- In Domestics: restructuring and related charges of €34 million, a fair value adjustment of €2 million in relation to the fleet in Brazil, €2 million FedEx related costs, and profit related to the sale of TNT Business Solutions Ltd. of €-1 million.
- In Unallocated: €24 million FedEx related costs, €8 million related to the French competition case, restructuring and related charges of €3 million, property, plant and equipment impairment of €1 million, and software impairment of €1 million.

In 2014, one-offs included:

- In International Europe: restructuring and related charges of €56 million, and goodwill impairment of €32 million in CGU Spain.
- In International AMEA: restructuring and related charges of €1 million.
- In Domestics: restructuring and related charges of €65 million, and impairment and depreciation of €9 million in Brazil.
- In Unallocated: €50 million implementation costs related to *Deliver!*, €50 million provision related to the French competition case, restructuring and related charges of €37 million, profit related to the sale of TNT Fashion of €-7 million, and software impairment of €2 million.

### Net financial expense

#### Net financial expense

Year ended at 31 December	2015	variance %	2014
Interest and similar income	15	25.0	12
Interest and similar expenses	(49)	(36.1)	(36)
<b>Net financial expense</b>	<b>(34)</b>	<b>(41.7)</b>	<b>(24)</b>

(in € millions, except percentages)

Net financial expense results mainly from long-term borrowings (primarily finance leases) and net interest expense on foreign currency hedges. The expenses are only partially offset by interest income

on cash positions. While centralised cash is significant, it only generated marginal interest due to the current low interest rates in the market.

Net financial expense increased by €10 million, due to an increase in net foreign exchange losses of €4 million, an increase of €3 million in interest expense on bank overdrafts and bank loans, and an increase in interest on taxes of €3 million.

## Income taxes

### Income taxes

Year ended at 31 December	2015	variance %	2014
Current tax expense/(income)	49	(2.0)	50
Deferred tax expense/(income)	18	(51.4)	37
<b>Total income taxes</b>	<b>67</b>	<b>(23.0)</b>	<b>87</b>

(in € millions, except percentages)

In 2015, the tax expense amounted to €67 million (2014: 87) on income before taxes of €11 million (2014: -103), and resulted in an effective tax rate of 609.1% (2014: -84.5%).

The current tax expense was €49 million compared to €50 million in 2014. The difference between the total income taxes in the income statement and the current tax expense is due to movements in deferred tax assets and deferred tax liabilities. Refer to chapter 5 for more information.

## Condensed consolidated cash flow statement

### Condensed consolidated cash flow statement

Year ended at 31 December	2015	variance %	2014
Cash generated from operations	109	(55.7)	246
Interest paid	(39)	(25.8)	(31)
Income taxes received/(paid)	(76)	30.3	(109)
<b>Net cash from/(used in) operating activities</b>	<b>(6)</b>		<b>106</b>
Net cash from other investing activities	109		19
Net cash from acquisitions and disposals	2	(94.7)	38
Net cash used in capital investments and disposals	(270)	(55.2)	(174)
<b>Net cash from/(used in) investing activities</b>	<b>(159)</b>	<b>(35.9)</b>	<b>(117)</b>
Net cash used in dividends and other changes in equity	(12)	42.9	(21)
Net cash used in debt financing activities	(10)	16.7	(12)
<b>Net cash from/(used in) financing activities</b>	<b>(22)</b>	<b>33.3</b>	<b>(33)</b>
<b>Changes in cash and cash equivalents</b>	<b>(187)</b>		<b>(44)</b>

(in € millions, except percentages)

### Net cash from operating activities

In 2015, cash generated from operations decreased by €137 million to €109 million.

### Net cash used in investing activities

Net cash used in investing activities increased to €159 million.

## Capital expenditure on property, plant and equipment and intangible assets

### Net capital expenditure

Year ended at 31 December	2015	variance %	2014
Property, plant and equipment	245	67	147
Intangible assets	64	49	43
<b>Cash out</b>	<b>309</b>	<b>63</b>	<b>190</b>
Proceeds from sale of property, plant and equipment	38		14
Disposals of intangible assets	1	(50)	2
<b>Cash in</b>	<b>39</b>		<b>16</b>
<b>Total net capital expenditure</b>	<b>270</b>	<b>55</b>	<b>174</b>

(in € millions, except percentages)

Capital expenditure on property, plant and equipment and intangible assets (excluding finance leases) totalled €309 million (2014: 190). Capital expenditure on property, plant and equipment is mainly related to construction-related activities at a number of depots, and investments in vehicles, IT equipment and depot equipment. The capital expenditure on intangible assets is primarily related to purchased software and software development projects.

### Net capital expenditure by segment

Year ended at 31 December	2015	variance %	2014
International Europe	44		20
International AMEA	17	13	15
Domestics	126	94	65
Unallocated	83	12	74
<b>Total net capital expenditure</b>	<b>270</b>	<b>55</b>	<b>174</b>

(in € millions, except percentages)

Net capital expenditure amounted to 3.9% of revenues (2014: 2.6%).

### Proceeds from sale of property, plant and equipment

Proceeds from the sale of property, plant and equipment in 2015 (mainly related to the sale of land and buildings, vehicles and other depot equipment) amounted to €38 million (2014: 14).

### Net cash used in financing activities

In 2015, net cash used in financing activities of €22 million, decreased by €11 million compared with 2014. No interim cash dividend was paid in 2015.

### Net cash

The net cash position at 31 December 2015 was €231 million compared to €449 million in 2014. The decrease reflects the investments made as part of the *Outlook* strategy.

### Borrowings

In November 2015, TNT successfully extended the €600 million multi-currency revolving credit facility with one year till November 2020 without incurring any costs. This facility was entered into in November 2014 for a period of five years plus two one-year extension options, of which one is now exercised. The facility secures access to committed future financing capacity and can be used for general funding purposes and includes a €300 million liquidity back-up for TNT's euro commercial paper programme.

The facility bears interest at the applicable interbank rate plus a margin depending on TNT's credit rating. The facility does not contain financial covenants and cannot be accelerated in case of a rating downgrade, but does contain a change of control clause and other common market practice clauses.

On 6 December 2006, TNT Airways N.V./S.A. (TNT Airways), an indirectly wholly-owned subsidiary of TNT, entered into agreements for the lease of two Boeing 747 freighters, which are guaranteed by TNT. The outstanding debts at 31 December 2015 under these finance leases with maturities of December 2016 and May 2017 were US\$81 million and US\$87 million, respectively.

The annual amortisation included in the lease term is approximately US\$15 million per year. The leases bear interest at the six-month interbank dollar-rate plus a credit charge, which depends on TNT's credit rating. The finance leases do not include financial covenants and cannot be accelerated in case of a rating downgrade, but do contain a change of control clause and other common market practice clauses. The floating interest payments in the lease are fixed via interest rate swaps for the remaining life of the leases.

### Dividend

In consideration of FedEx's all-cash public offer to acquire all the issued and outstanding shares of TNT, the Executive Board of TNT decided with the approval of the Supervisory Board, not to pay a dividend over 2015. If TNT were to pay a dividend, the dividend amount would be subtracted from the offer price upon the purchase by FedEx of the shares from TNT's shareholders.

### III. EXECUTIVE BOARD COMPLIANCE STATEMENT

The 2015 annual report of TNT Express N.V. has been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union and additional Dutch disclosure requirements for annual reports.

The Executive Board is responsible for establishing and maintaining adequate internal control over TNT's financial reporting. Consequently, the Executive Board has implemented a wide range of complementary processes and procedures designed to provide control over the company's operations. TNT has embedded the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) – Integrated Framework (2004) as the foundation of its risk management, internal control, business ethics and compliance framework. TNT's policies and key controls that direct business and reporting processes are built upon this framework. A dedicated organisation supports the development and implementation of these policies and controls. These processes and procedures facilitate the discharge of statutory and fiduciary obligations.

The Supervisory Board, the Audit Committee and other designated committees perform an oversight role. TNT's internal audit, risk management, internal control and business ethics functions, together with the findings from TNT's independent external auditors, support the Executive Board and the Supervisory Board in monitoring the effectiveness and efficiency of the risk management, internal control, business ethics and compliance framework.

#### DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH CORPORATE GOVERNANCE CODE

The Executive Board confirms that in addition to adequately functioning internal controls, it is responsible for TNT's risk management, business ethics and compliance systems, and has reviewed the operational effectiveness of all these systems for the year ended 31 December 2015. The outcome of this review and analysis has been shared with the Audit Committee and the Supervisory Board and has been discussed with TNT's external auditors.

TNT's risk management, internal control, business ethics and compliance framework is aimed at providing a reasonable level of assurance over the identification and management of those significant risks facing TNT, and ensuring that the Executive Board meets its operational and financial objectives in compliance with applicable laws and regulations. Refer to chapter 4 for a detailed description of the risk management, internal control over financial reporting and other compliance processes.

The Executive Board believes to the best of its knowledge, based on the outcome of TNT's specific approach to risk management, internal control, business ethics and compliance, that TNT's risk management and internal control over financial reporting have worked effectively over the year ended 31 December 2015 and provide a reasonable assurance that the financial reporting is free from material inaccuracies or misstatements.

The above does not imply that TNT can provide certainty as to the realisation of business and financial strategic objectives, nor can TNT's approach to internal control over financial reporting be expected to prevent or detect all misstatements, errors, fraud or violation of law or regulations. In view of the above, the Executive Board believes that it is in compliance with best practice provisions II.1.4 and II.1.5 of the Dutch Corporate Governance Code.

#### DIRECTORS' RESPONSIBILITY STATEMENT UNDER DUTCH FINANCIAL MARKETS SUPERVISION ACT

The Executive Board confirms to the best of its knowledge that:

- the 2015 financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit and loss of TNT Express N.V. and its consolidated companies;
- the additional management information disclosed in the 2015 annual report gives a true and fair view of TNT Express N.V. and its related companies at 31 December 2015 and the state of affairs during the financial year to which the report relates; and
- the 2015 annual report describes the main risks facing TNT Express N.V. These are described in detail in chapter 4.

Hoofddorp, 16 February 2016

Tex Gunning

Chief Executive Officer

Maarten de Vries

Chief Financial Officer

## IV. STRATEGY

TNT is in a unique position to provide combined parcel and pallet deliveries, express and economy express services to the business-to-business (B2B) markets. TNT's customers range from multinationals to small and medium-sized enterprises (SME). TNT excels in serving the industry-specific needs of large global customers in the industrial, automotive, high-tech and healthcare industries. TNT's specialised Industry Service Propositions (ISP) address specific requirements and are of great value to the supply chains of these customers. SMEs are an important part of the global economy and are particularly interested in TNT's product/service proposition, as it provides a one-stop solution to their customer service needs.

In 2014, TNT introduced the *Outlook* strategy, a comprehensive turnaround and transformation programme. A new management team, comprising of experienced industry leaders and corporate turnaround professionals was appointed, with a clear mandate to create a sustainable future for the company.

### OUTLOOK

The *Outlook* strategy builds on TNT's strengths, particularly its European Road Network and European Air Network with excellent connections to the rest of the world, its large base of loyal customers and its people who are always willing to go the 'Extra Mile'.

*Outlook* targets substantial improvements in performance to meet TNT's stakeholders' needs:

- Competitive products and services, delivered perfectly at competitive prices for customers
- A secure and meaningful future for employees
- Improving results and a solid return on investment for shareholders

To realise these objectives, *Outlook* has three priorities: focus on profitable growth; invest in operational excellence; and organise to win.

#### - Focus on profitable growth

To realise profitable growth, TNT focuses on the services and priority industries, where it can truly be competitive and deliver the most value. Comprehensive service, productivity and efficiency plans have been developed and are in full execution mode. Strengthening the European Road Network to 'move more by road' and deliver both Express as well as Economy Express services to even more destinations is a key priority. In addition, particular attention is given to improving profitability in TNT's domestic operations in France, Italy, the United Kingdom, Brazil, Australia and New Zealand.

#### - Invest in operational excellence

Realising the 'Perfect Transaction' is at the core of the company's drive to improve end-to-end processes and to realise a step-change in service and reliability. The aim is to be the 'fastest and most reliable' and to provide an easy, hassle-free customer experience. Increased service reliability will also reduce avoidable costs. Alongside the 'Perfect Transaction', the company is working to optimise operational efficiency and productivity through process improvements and investments in automation and infrastructure. Transforming the IT function and expanding the scope of global business service centres will help drive productivity. A disciplined revenue management function will be developed, to optimise pricing and capacity usage. Finally, regarding corporate responsibility, priority will be given to employees and subcontractor health and safety, with the accelerated roll-out of recognised industry best practices.

#### - Organise to win

TNT has integrated its multi-local international express organisation in Europe into one European express organisation with one Profit and Loss account. This will enable improved service to international customers and unified performance management. TNT will create a customer-centric organisation in all its operating units supported by Global Business Services (GBS), Global Networks and Operations (GNO) and a Global Strategic Accounts Organisation (GSO). This new organisation will allow TNT to focus on improving service to its customers, whilst realising global competencies and efficiencies in support functions.

The transformation of TNT will be based upon the Orange spirit of its people, the loyalty of its customers and the unique European network with good connections to the rest of the world. Since 2014, comprehensive productivity and efficiency plans have been developed and are in full execution mode. TNT expects to achieve year-on-year improvements from 2016. The full benefits of *Outlook* will be unlocked from 2018 onwards with the ambition to double TNT's 2014 adjusted operating income margin percentage per segment by 2018/19.



## FINANCIAL STRATEGY

TNT's financial strategy targets optimal and sustainable performance of the following aspects:

- Asset efficiency
- Capital structure
- Dividend policy
- Risk management

### Asset efficiency

TNT secures asset efficiency through stringent investment and working capital policies. A rigorous process is in place to maintain capital expenditure at approximately 3% to 5% of turnover, during the 2015 to 2017 period, with higher outlays linked to major investments. Cash and liquidity are centrally managed (centralised funding and surplus cash concentration) and supported by working capital initiatives to ensure that trade working capital is optimised.

### Capital structure

TNT aims to optimise the cost of capital while preserving the company's financial stability and flexibility. Internal and external funding is structured to optimise the cost of capital, within long-term sustainable targets. The strength of TNT's capital structure is also relevant to customers who rely on a long-term strategic service. TNT has set an investment grade target rating of BBB+ by S&P and Baa1 by Moody's. These credit ratings account for off-balance sheet liabilities, not just net debt, to give a more representative view of the company's level of leverage. The company is currently rated BBB (Stable) by S&P and Baa2 (Stable) by Moody's. Liquidity is ensured through the availability of a €600 million committed facility of which it is intended to use a maximum amount of €200 million for operational purposes.

### Dividend policy

TNT aims to meet shareholders' return requirements in the long term through growth in the value of the company and in the short term through dividend distribution of around 40% of normalised income.

Pending the intended acquisition by FedEx, TNT refrained from distributing a 2015 interim (pro forma) dividend, and will not pay a final dividend over 2015.

### Risk management

TNT is exposed to market risks (interest, currency and commodity risks), which are partly hedged through a combination of primary and derivative financial instruments (swaps, forward transactions and cross-currency swaps) and contractual terms (fuel surcharge). Operational risks are covered through business continuity planning and a comprehensive insurance policy, which includes a mix of self insurance, reinsurance and direct external insurance.

TNT operates integrated risk management systems of which the scope includes:

- internal control and compliance (refer to chapter 4);
- financial risk management and risk insurance structures (refer to chapter 5); and
- an aligned legal and funding structure.

## CORPORATE RESPONSIBILITY STRATEGY

Corporate responsibility (CR) is an integral part of TNT's business strategy. The CR strategy is reviewed on an ongoing basis and includes dialogues with stakeholders. It is embedded within TNT's business and operational activities.

As part of its strategic agenda, TNT aims to create sustainable value for customers by:

- ensuring a healthy and safe working environment for employees, subcontractors and business partners to guarantee the delivery of improved quality of service;
- minimising environmental impact on the supply chain of the customer and of TNT's activities in the world; and
- continuous development and engagement of employees to ensure that customers are dealing with knowledgeable and dedicated employees.

## 2016 GUIDANCE

- TNT reiterates its *Outlook* agenda and guidance for 2018/19, as presented during the capital markets day on 18 February 2015. The company expects to achieve structural improvements from 2016 onwards and to see the full benefit of the *Outlook* strategy from 2018/2019.
- TNT expects continued economic volatility in some markets outside Europe, especially in Brazil.
- Closing of the FedEx Offer to acquire TNT is anticipated in the first half of 2016.

## ASSUMPTIONS UNDERLYING THE EXECUTION OF *OUTLOOK*

- Revenue growth at a minimum in line with GDP growth from 2016 onwards.
- The plans assume no major adverse economic developments going forward.

## OUTLOOK AGENDA AND GUIDANCE FOR THE PERIOD 2018 – 2019

- The adjusted operating income margin percentage guidance per segment for 2018/19:
  - International Europe: 8% to 10%
  - International AMEA: 8% to 10%
  - Domestic: 4% to 5%
  - Unallocated: approximately -0.5 % (of Group revenue)
- €800 million to €900 million of capital expenditure investments during the period 2015 to 2017.
- €250 million of cost reductions to be realised by 2018 (versus baseline 2014), achieving a net cost reduction of €125 million by 2018.
- €250 million to €300 million planned restructuring charges for 2015 to 2017.
- Manage a positive net cash position.

## V. FEDEX

On 25 February 2015, TNT received a non-binding offer from FedEx, to jointly explore the possibility of a transaction in which FedEx would acquire all the issued and outstanding shares of TNT.

In April, FedEx and TNT reached a conditional agreement on the recommended all-cash public offer of €8.00 per share, which was approved by the board of directors of FedEx and TNT's Executive Board and Supervisory Board.

The all-cash public offer for all the issued and outstanding shares of TNT (the 'FedEx Offer') was announced by FedEx on 21 August 2015. By combining their businesses, TNT and FedEx have the intention to create a leading global player providing logistics, transportation, express delivery and related business services, drawing on the considerable strengths of both TNT and FedEx. The key elements of the strategic rationale for the combination are included in the Offer Memorandum.

The FedEx Offer was discussed during the Extraordinary Meeting of Shareholders on 5 October 2015. The Executive Board and the Supervisory Board of TNT fully support and unanimously recommend the FedEx Offer to all shareholders for acceptance. On 30 October 2015, FedEx and TNT extended the Acceptance Period for the FedEx Offer until 8 January 2016. Subsequent to that, on 8 January 2016, FedEx and TNT jointly announced that the Acceptance Period was further extended until two weeks following the satisfaction of the receipt of all competition clearances, but no later than 6 June 2016. Based on the required steps and subject to the necessary approvals, FedEx and TNT continue to anticipate that the FedEx Offer will close in the first half of 2016.