

Norway Post

Results as of first quarter 2016



Highlights – Important events in the first quarter 2016



- The growth in e-commerce continues. The Group's total e-commerce volume increased by 4 % in the first quarter 2016
- The new Postal Services Act came into effect on 1 January 2016. The law will contribute to the Group's ability to adjust in line with changing customer needs. This entailed that Posten Norge discontinued distribution of mail on Saturdays from 5 March 2016
- Posten Norge suggests a single stream mail distribution with a two days transit time for addressed mail. A White paper was presented 11 May and is expected to be discussed in Parliament before summer
- Absence due to sickness was 6.5 % in the first quarter 2016, an improvement of 0.4 percentage points from the same period 2015
- Delivery quality for priority mail in the first quarter was 87.1 % (2.1 percentage points above the licence requirement). Delivery quality for priority mail in the first quarter 2015 was 83.9%
- At the end of the first quarter 2016 Digipost had approximately 800 000 registered users. More than 200 000 new users joined Digipost in the first quarter 2016

White paper regarding Posten Norge and the postal sector

■ Background

- White Paper number 31 (2015-2016) was presented by the Government on 11 May
- Expected to be discussed in Parliament before summer

■ Easing of regulatory requirements for Posten Norge

- From today's two mail streams (priority and non-priority) to a single, two-day-delivery mail stream
 - Taken into agreement for mandatory delivery services to be concluded with Posten Norge during 2016
- Adjustments to the mobile post offices in rural areas
 - Harmonisation of the coverage areas; to be limited to households with more than 4 km to the nearest Post in shop / post office
- Number of delivery days:
 - Current requirements to distribute mail five days a week is continued, but more flexibility could be introduced in line with the continuing decline in letter volumes
 - The white paper references reduced delivery frequency in e.g. Italy, Denmark and Iceland
- Distribution network:
 - The requirement for a minimum number of Post in shop / post office is discontinued
 - Room for greater flexibility in service requirements

■ Governmental ownership in Posten Norge

- Universal service requirements will continue through the signing of contracts and sector-specific regulation - not through ownership
 - Discontinue Posten Norge's special filing requirement to the owner (Section 10 of the Statutes) and the statute concerning certain public sector requirements in the Norwegian Language Usage Act
 - Discontinue the practice of presenting a White Paper to Parliament on Posten Norge's activities

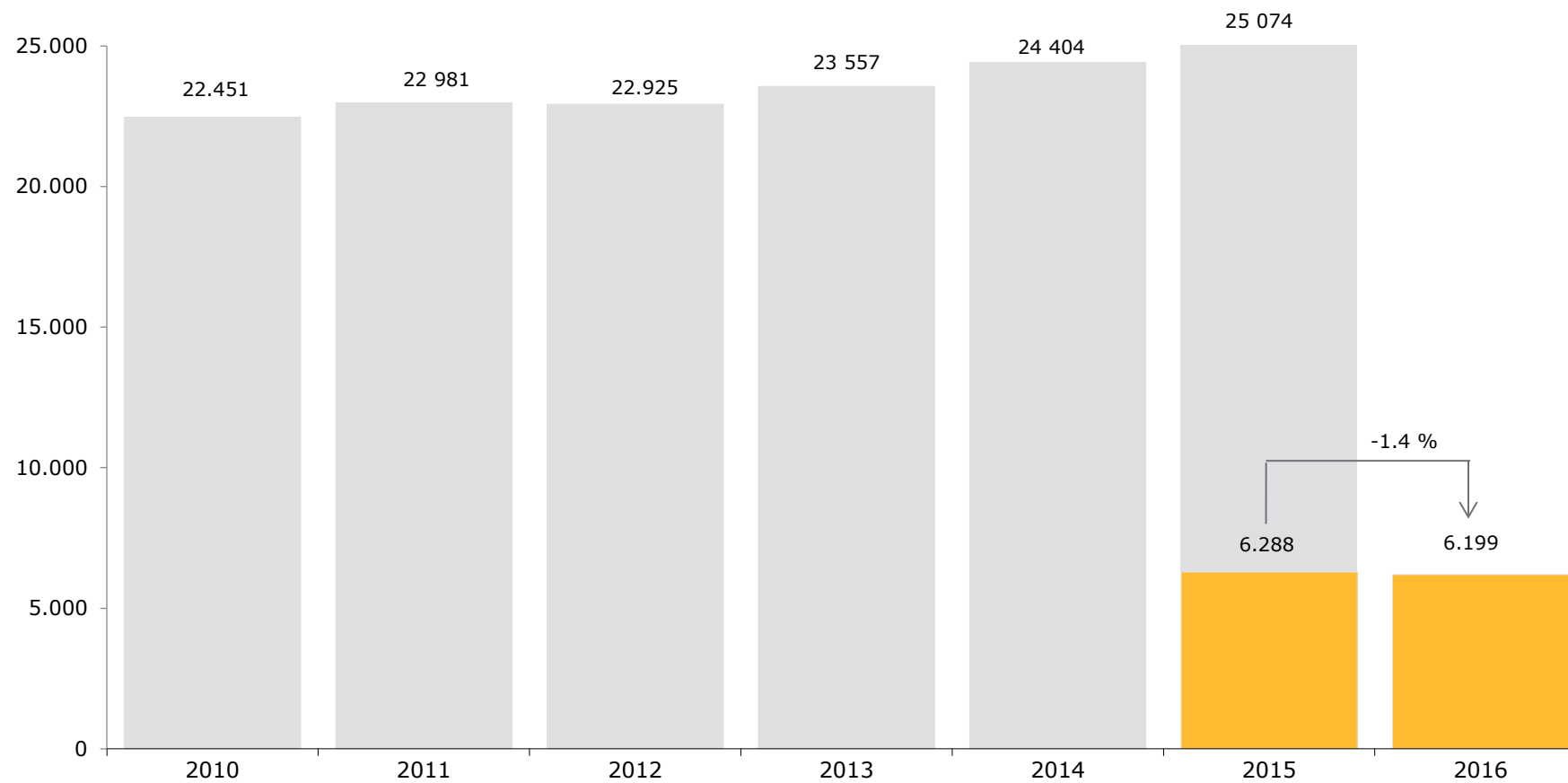


Highlights – Important events in the first quarter 2016

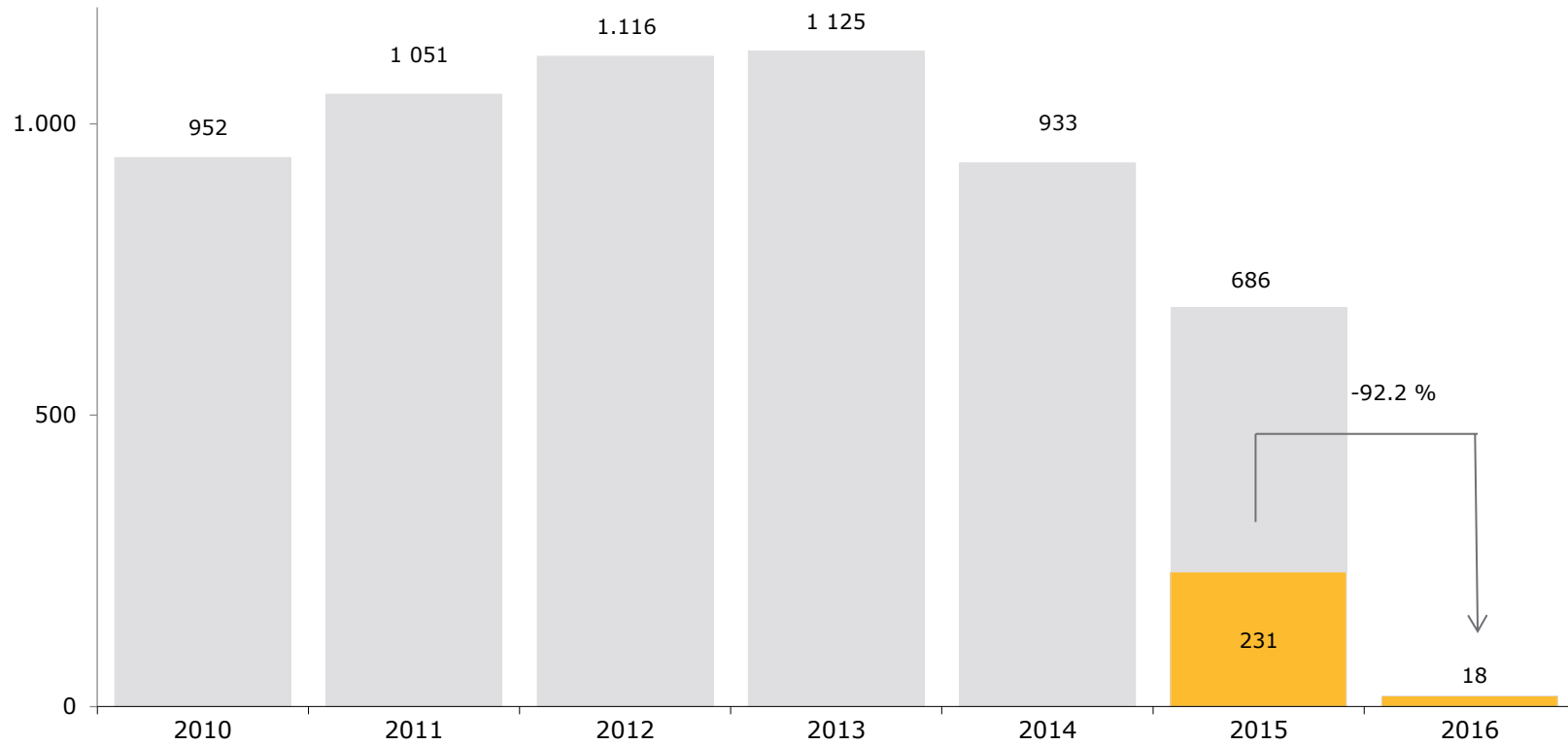
- Operating revenues:
MNOK 6 199, down 1.4 % from 2015
- Earnings before interest and taxes*:
MNOK 18, down 92.2 % from 2015
- Return on invested capital (last 12 months)*:
6.8 %, down 7.6 percentage points from 2015



Operating revenue (MNOK)

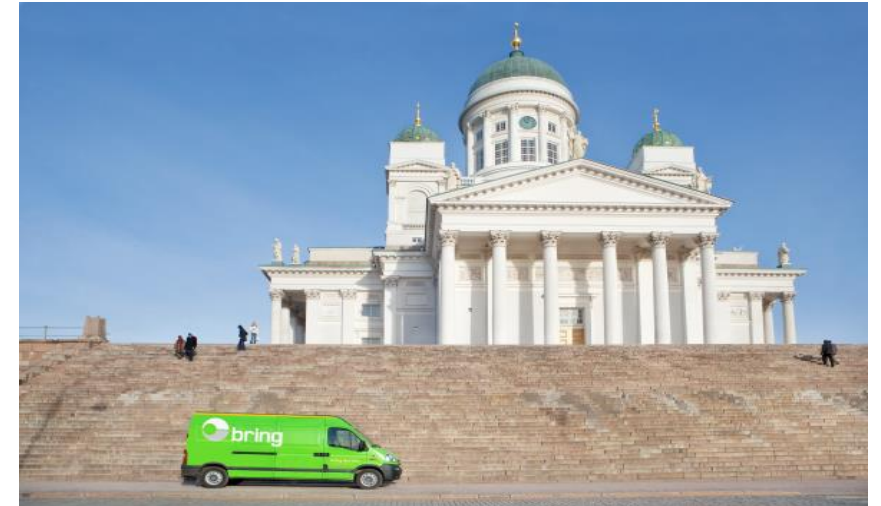
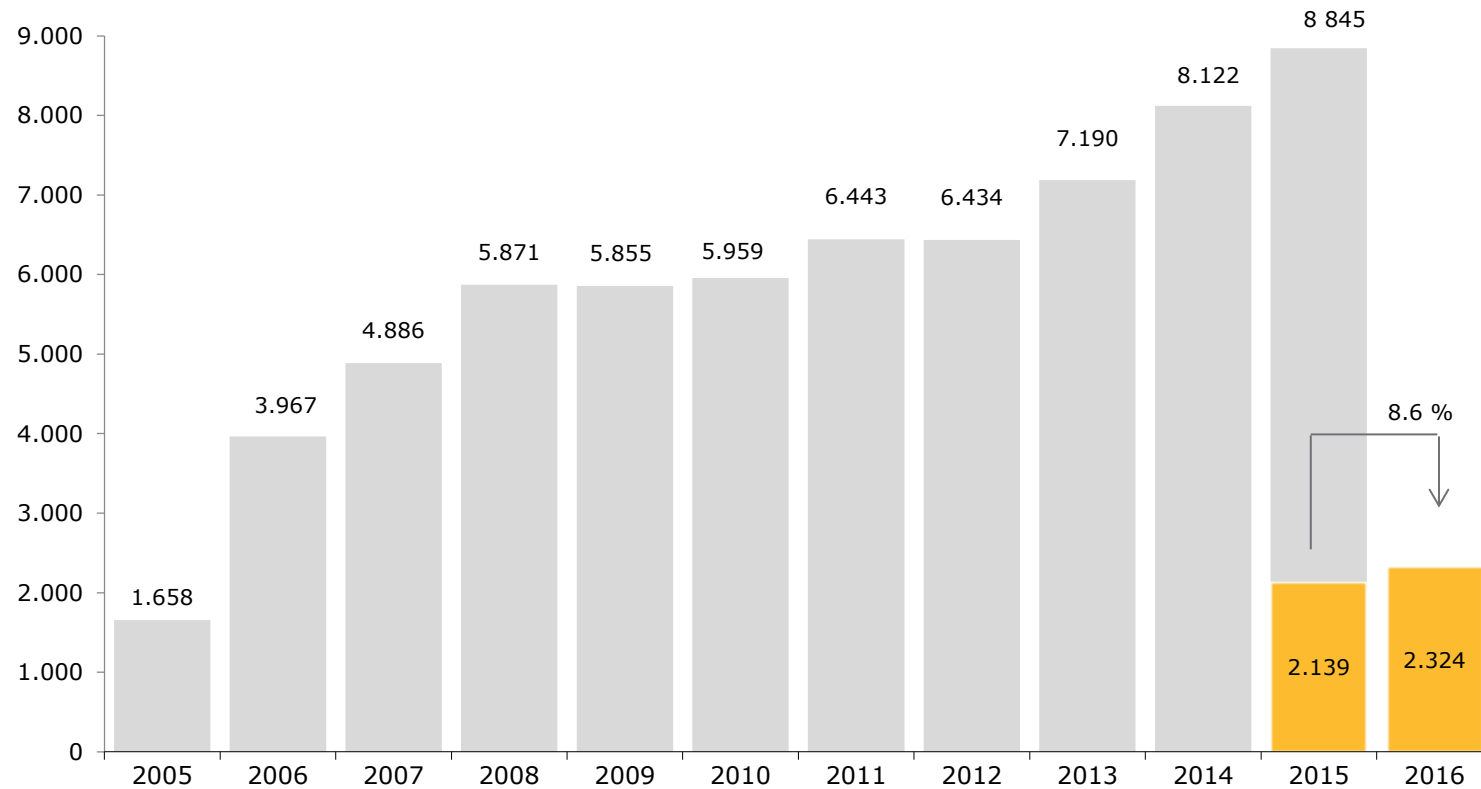


Earnings (EBIT) before non-recurring items and write downs (MNOK)



Operating revenues from foreign companies

Operating revenues in MNOK



Operating revenues from foreign companies constitute 37.5 % of the Groups total revenues, a growth of 3.5 percentage points from last year

Results

Q1 2016	Q1 2015	MNOK	Året 2015
6 199	6 288	Operating revenues	25 074
195	437	EBITDA	1 474
18	231	EBIT before non-recurring items and write-downs	686
1	0	Write-downs	385
(1)	(2)	Non-recurring expenses/(income)	307
7	249	Share of profit from associates*	245
25	482	EBIT	239
3	(26)	Net financial income/(cost)	(88)
28	456	Income before tax	151
8	57	Taxes	212
20	399	Net income	(61)

* Includes gain from the sale of shares in EVRY ASA

Norway Post's Segment Structure



Group

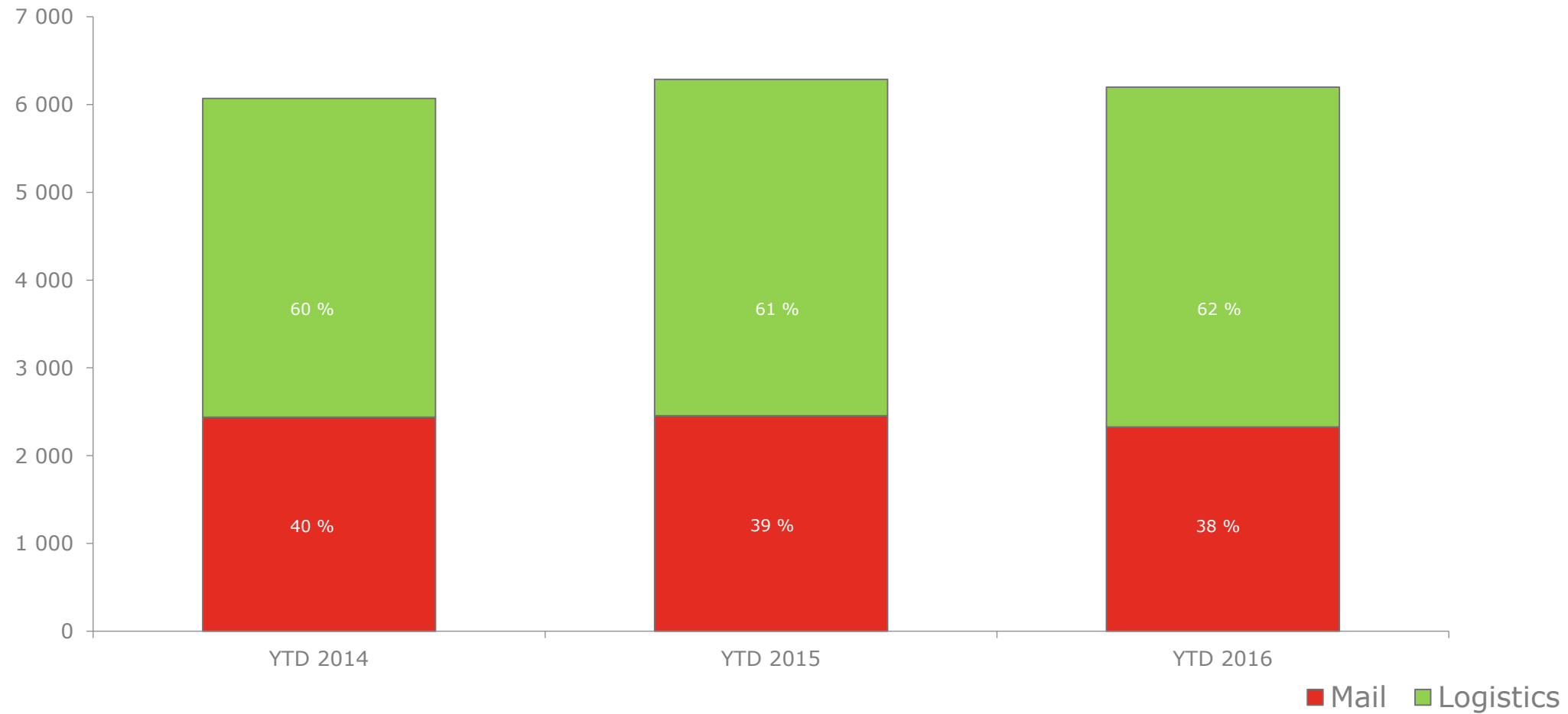
Mail



Logistics



Segment distribution of external revenues





Letter Products
Banking services
Dialogue services

Key figures 2016

mail

logistics

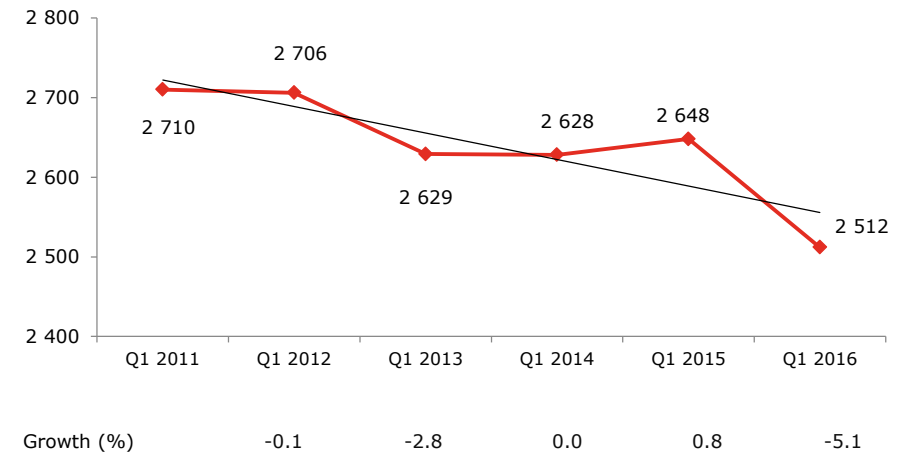
- Operating revenues first quarter 2016 were **MNOK 2 512** MNOK 136 lower than last year

- Volume decrease addressed mail 13.9 %
- Volume decrease unaddressed mail 6.2 %
- Bring Citymail Sweden had a volume increase of 8.4 %
- The decline in volume was due to increased digitization and was also affected by the timing of Easter

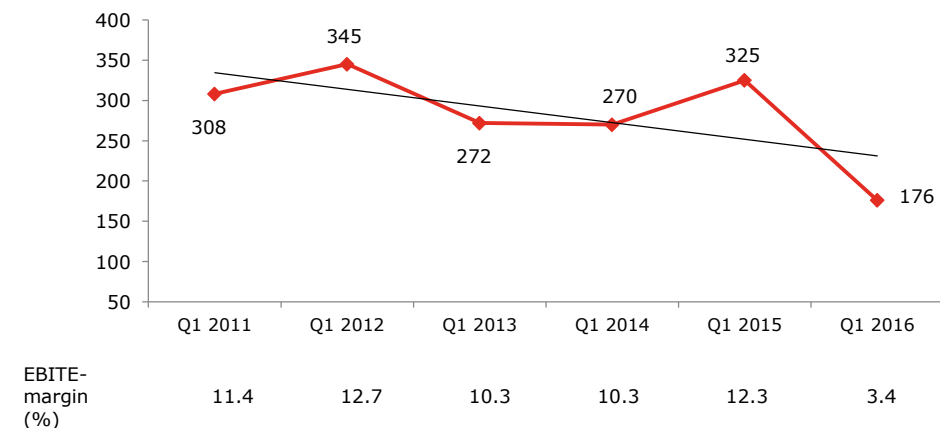
- Earnings before write-downs and non-recurring items were **MNOK 176** in the first quarter 2016, MNOK 149 lower than 2015

- Positive effects from cost reducing measures partly compensated for the decline in volumes
- The volume decline is expected to accelerate in the future

Operating revenue



EBITE





- Parcels
- Express
- Cargo
- Frigo
- Warehousing
- Supply Services

Key figures 2016

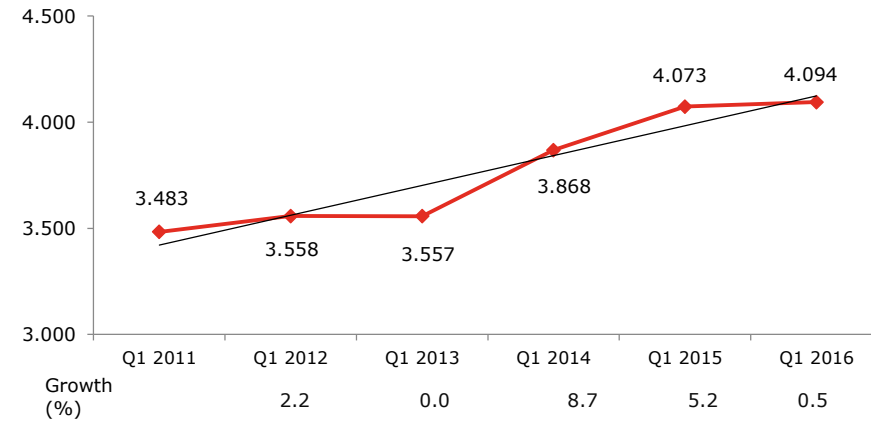
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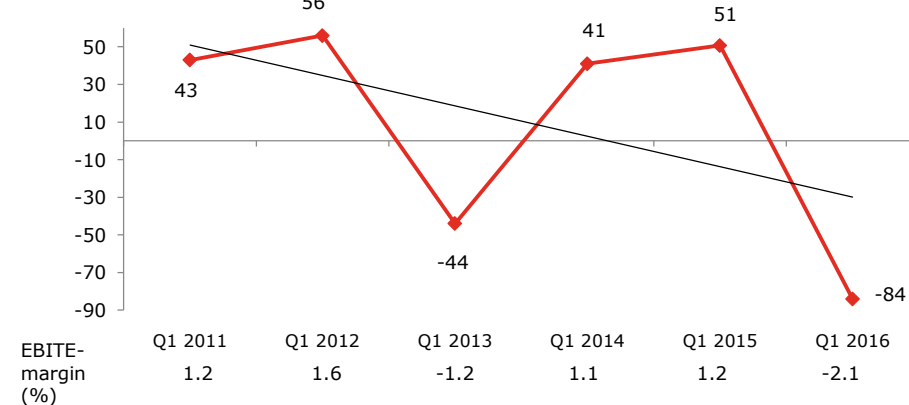
- Operating revenues first quarter 2016 were **MNOK 4 094**, an increase of 0.5 % from 2015
 - The increase in private e-commerce continued
 - Significantly affected by lower economic activity as a consequence of low oil prices
 - Timing of Easter affects revenue compared with last year

- Earnings before write-downs and non-recurring items were negative with **MNOK 84** in the first quarter 2016, a decrease of MNOK 135 from the same period 2015
 - The decrease in earnings is mainly a consequence of weaker markets in Norway and a decline in the profitability of parcels
 - A shift towards services with lower margins
 - Market conditions are still challenging for the logistics operations in Sweden and Denmark

Operating revenue



EBITE



Summary



- Accelerating volume decline in the Mail segment due to increased digitization
- The economic downturn and uncertain market prospects in the Logistics segment makes 2016 a challenging year for the Group
- The Group is continuing focus within the Logistics segment. The establishment of the new logistics structure in Norway proceeds according to plan
- Further measures to compensate for the volume decline in the Mail segment include the introduction of a single mail stream with a two-day delivery service (assuming political clarification)
- The development in the profitability requires further cost adjustments. A process to reduce support functions staff with approximately 100 full time employees is completed. Further efficiency measures have been initiated