

Quarterly Report



2ND QUARTER 2019 POSTEN NORGE



Posten Norge

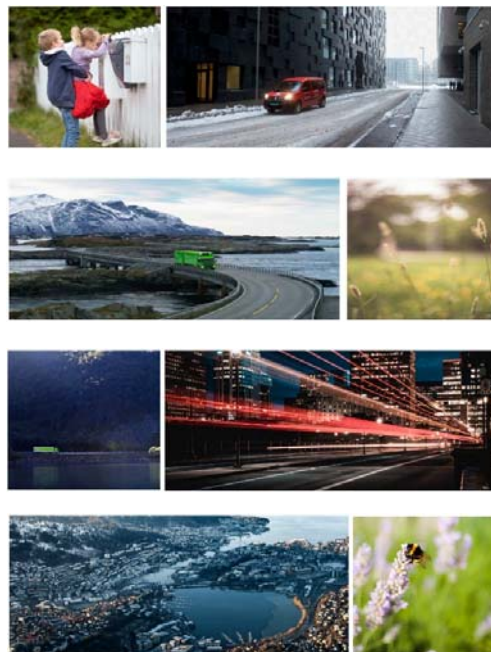
1st half-year 2019

PART 1:

- Highlights and development

PART 2:

- Results and segment review



1st half-year 2019

PART 1:

- Highlights and development





Highlights

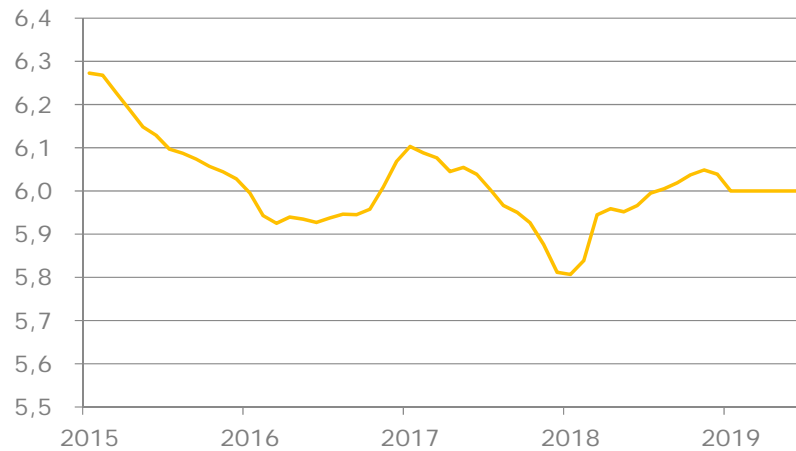
- **Organic growth** was positive by 2,4 % in the 1st half-year of 2019
- Results improved in the Logistics segment, while the Mail segment had reduced results
- **Result improvement** in the Logistics segment was driven by **high growth** and effects of implemented measures
- **Good growth** in e-commerce to private consumers. The e-commerce volume increased by 17 % in the last 12 months
- **Growth** in contract parcels, freight, home deliveries, international forwarding and offshore.
- Continued significant **fall in addressed mail volumes** (12 %)
- A major **restructuring** has been initiated - **cost reductions** in operations as well as administrative functions
- The Norwegian Parliament has approved **changes in the Postal Act** allowing for mail distribution every other day from 1 July 2020
- Good **delivery quality** with 91,5 % of addressed mail delivered within 2 days in the first half-year



HSE 2019

ABSENCE DUE TO SICKNESS, GROUP %

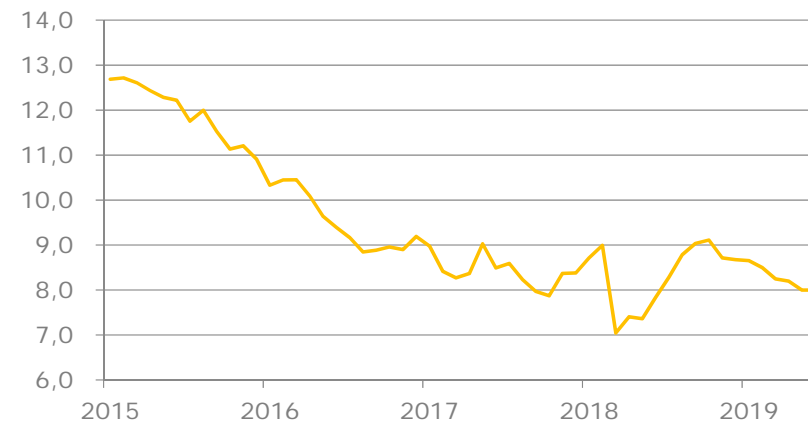
6,0 % (last 12 months)



- Absence due to sickness in the last 12 months was 6 %, the same level as a year ago

H2 IN THE GROUP

8,0 (last 12 months)



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 7,8 to 8 compared with 2018

Our goal is a health promoting working environment where nobody gets injured or sick as a consequence of their work in the Group. Efforts to improve the development through goal-oriented measures continue.

Financial highlights first half-year 2019

OPERATING REVENUES, MNOK

Q2 2019	Q2 2018	YTD 2019	YTD 2018
5 931	5 975	11 843	11 844

ADJUSTED OPERATING PROFIT*, MNOK

Q2 2019	Q2 2018	YTD 2019	YTD 2018
132	214	239	159

RETURN ON INVESTED CAPITAL/ROIC, %

Last 12 months	Last 12 months
6,5	8,6

*For descriptions of alternative performance measures, see appendix to the report



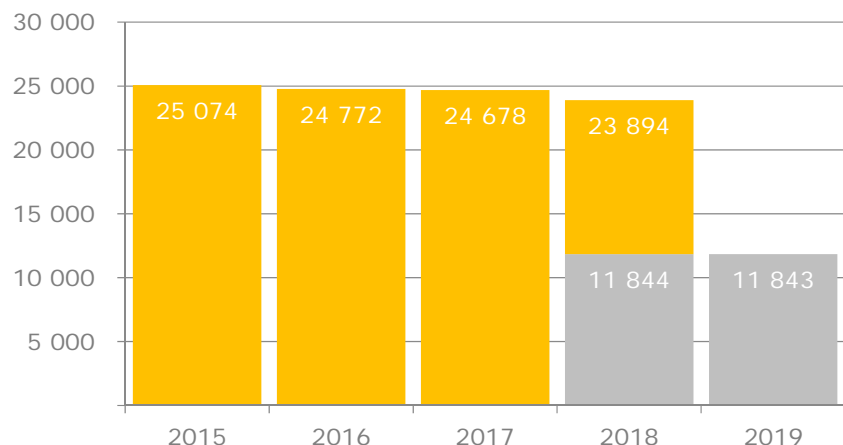
Posten Norge

The Group implemented IFRS 16 *Leases* on 1 January 2019. The 2018 figures have not been restated and do not include the effects of the standard..

Revenue and adjusted profit 2019

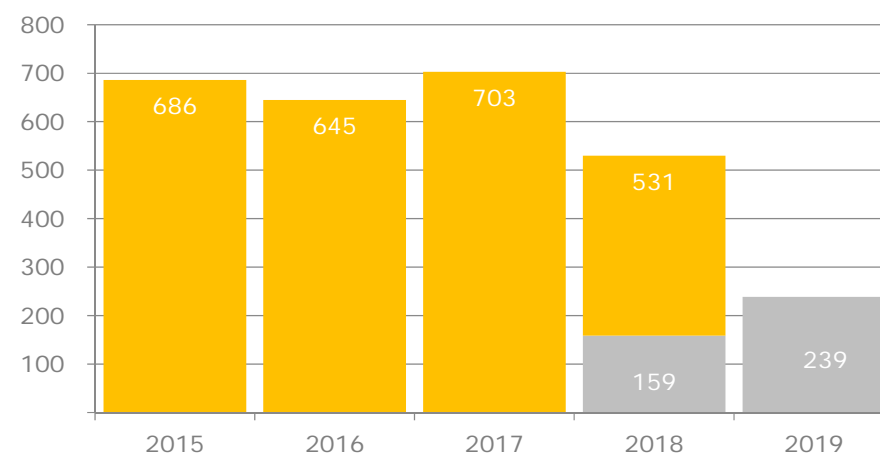
Revenue, MNOK

11 843



Adjusted operating profit, MNOK

239



- Organic growth in the 1st half-year of 2,4 %
- Turnover growth of MNOK 466 in the Logistics segment in the 1st half-year. Organic growth was 6 %.
- Reduced turnover in the Mail segment due to continued fall in addressed volumes (12 % in the 1st half-year)
- Unaddressed volumes in the 1st half-year on the same level as last year

- Adjusted operating profit for the Logistics segment was MNOK 151 better than the 1st half-year of 2018, due to strong growth and the effects of comprehensive improvement measures in the Norwegian parcels and freight network
- Result reduction in the Mail segment mainly caused by fall in volumes
- Comprehensive cost-adjustments of operations are still realised, but this will not be adequate to compensate for the large fall in addressed mail volumes.



Posten Norge

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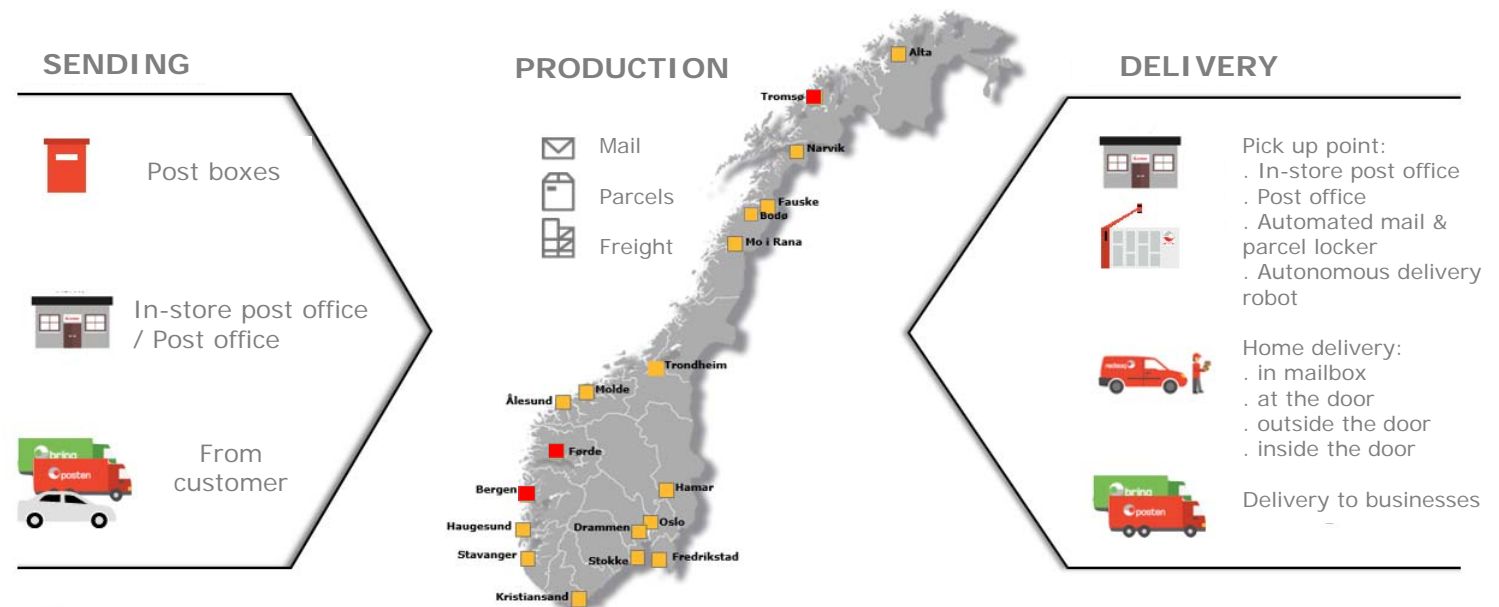
Results first half-year 2019

Q2 2019	Q2 2018		YTD 2019	YTD 2018	Year 2018
5 931	5 975	Revenue	11 843	11 844	23 894
518	383	EBITDA	1 007	492	1 185
132	214	Adjusted operating profit	239	159	531
(239)	233	Operating profit (EBIT)	(264)	212	415
(40)	(20)	Net financial items	(52)	(27)	(49)
(279)	213	Profit before taxes	(316)	185	366
(305)	161	Profit for the period/year	(343)	145	248

Alternative performance measures applied in the quarterly report are described in appendix to the report
See condensed financial statement

New group structure and establishment of Network Norway

- New group structure has fewer management levels and a joint regional structure
- Production and distribution of mail, parcels and freight are gathered together in Network Norway
- The Group is well positioned for growth in e-commerce
- Structural costs are being reduced to achieve increased competitiveness and profitability



In Norway the future network is being developed with industrial production and individualised delivery, where customers can choose between home delivery or pick-up points

The postal service of the future, offering *optional delivery points* was demonstrated during Arendal Week

Mail volumes are declining as e-commerce package volumes continue to grow. People want to choose where they want parcels delivered.

There are many possibilities, for example:

- In-home delivery – with digital door lock
- Hidden delivery – at an agreed location outside the home
- Autonomous delivery robot
- Automated mail and parcel locker
- Private mailbox remains
- In-store post office with mail delivery five days a week

We make everyday life easier by offering smart services and positive customer experiences



Minister of Transport Jon Georg Dale visited Posten Norge's stand and praised the Group's ability to renew and adapt



Posten Norge demonstrated optional delivery point at its stand during Arendal Week, a forum for Norwegian politicians and business representatives

Posten Norge is testing out *In-home delivery* – with digital door lock

- Before we roll out *In-home delivery* we want to ensure that the service works well, and that both the recipient and the mail carrier feel secure with such deliveries
- Mail recipients in Asker, Bærum, Vestfold, Brønnøysund, Arendal and Grimstad municipalities have been invited as trial customers
- Posten Norge's high levels of trust and customer loyalty are important for the success of in-home deliveries. One in three are willing to let the mail carrier into their home while away, according to a national survey conducted by Sentio Research in June 2019



Agderposten 1 July 2019



Steffen Iar Posten låse seg inn



Posten Norge

Posten Norge #1 – Norway's most innovative company

- The magazine InnoMag has named Posten Norge Norway's best innovator of 2019
- The jury stated: "Among this year's most innovative companies we find Agder Energi, DNB and Jotun, but right at the top we find 372-year-old Posten Norge.

This year's winner is – somewhat surprisingly – one of Norway's oldest businesses. In a 372-year-old that is publicly owned and that operates in a market that is almost disappearing, Tone Wille and her co-workers did not have an easy path to this success. However, they have committed themselves purposefully and strategically, and dared to build an innovation model that has impressed even MIT. Nevertheless, the jury placed more emphasis on all the specific initiatives of which Norwegian users already see the effect."

- "Let me take this opportunity to congratulate Posten Norge as a company and Tone Wille and her team with this year's top ranking, and the other 24 contestants on their formidable efforts", says Truls Berg, editor of InnoMag

Nyskaperne:



INNOVASJON

De ti mest nyskapende i Norge



1 POSTEN NORGE

Arbeidsvinner er noe overraskende om år Norges eldste virksomheter. Med et marked som nær mest forsvinner, 372 års historie og offentlig og har ikke Tone Wille og hennes medarbeidere hatt noen lett vei til førsteplassen. Imidlertid har

de valgt miljøvennlig, strategisk og har å bygge opp en innovasjonsmodell som selvviser MIT har latt seg imponere av. Jurymen la likevel mer vekt på alle de konkrete initiativene som norske brukere allerede ser effekten av.

22 Computeworld • Nr. 7 • september 2019

TOPP 25:

1. Posten
2. DNB
3. Agder Energi
4. Aker BioMarine
5. Skatteetaten/SI
6. KF
7. Jotun
8. Hurtigruten
9. DNV GL
10. Telenor
11. Yara
12. Miles
13. Itera ASA
14. Kongsberg Gruppen
15. Altinn/Brreg
16. OBOS
17. Visma
18. Norwegian
19. S-Banken
20. Strawberry
21. Maemo
22. Tine
23. NAV
24. Ferdi
25. Borregaard



Posten Norge

Climate change is the biggest challenge for sustainable development. Posten Norge has high environmental ambitions



- An ambition to use only renewable energy sources for vehicles and buildings by 2025
- Proactive environmental strategy where we test and use new environmentally-effective vehicles
- Set clear requirements for our suppliers
- Purchase new electric vehicles and invest in the Swedish clean-tech company Inzile
- Increase the use of trains, while freight volumes on rail in Norway decreased overall last year
- #Elskedeby reduces traffic and creates a cleaner urban environment. Electric vehicles carry parcels and freight to customers in city centres and take waste out again. The concept has been launched in Stockholm and Oslo, and is now coming to Malmö



Posten Norge

First half-year 2019

PART 2:

- Results and segment review



Segment reporting

Posten Norge



Segment Logistics



Segment Mail



MNOK	Revenue	Adjusted operating profit	Revenue	Adjusted operating profit	Revenue	Adjusted operating profit
Q2 2019	5 931	132	4 458	101	1 828	79
Q2 2018	5 975	214	4 307	51	2 035	206
YTD 2019	11 843	239	8 828	109	3 757	237
YTD 2018	11 844	159	8 362	(42)	4 215	311



Posten Norge

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Segment Logistics

E-commerce and logistics

Responsible for all package products for e-commerce customers, in addition to groupage and part load, thermo and warehouse in Norway

International logistics

Responsible for industrial goods and industry solutions for industrial and offshore customers

Express

Responsible for express and home delivery services



Posten Norge

Segment Logistics: Market development

E-commerce in Norway grew by 17 %²⁾ in the last 12 months, and is expected to grow by 12 – 17% annually

- In order to succeed with initiatives within e-commerce, innovation and digitalisation is high on the agenda to adjust deliveries to the customers' needs
- Economic growth in Norway is expected until 2021¹⁾. In Sweden the economic outlook is slightly reduced, i.e., the growth in the market will not be as positively as previously presumed.



1) The National Bureau of Statistics – the economic trends

2) DIBS' annual report on Norwegian e-commerce

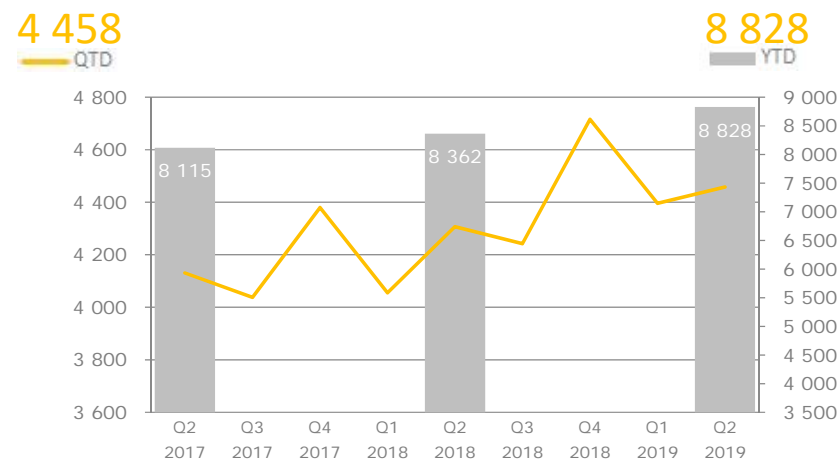
3) NIER (Konjunkturinstitutet)



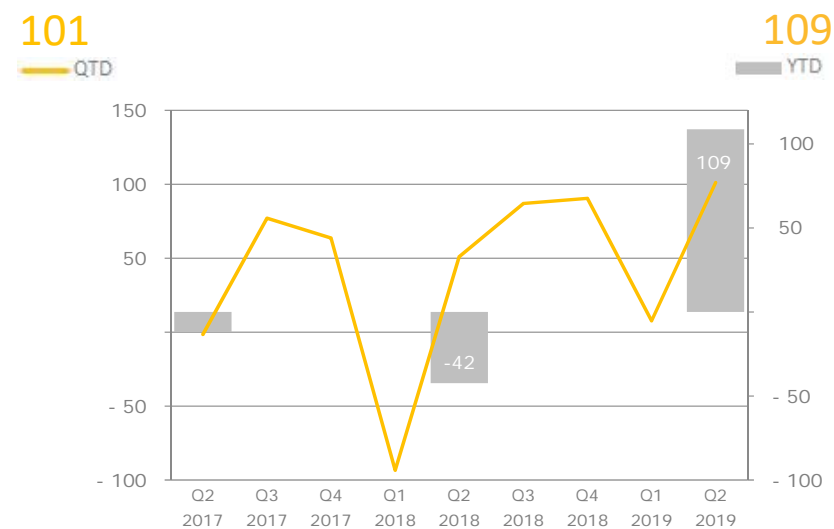
Segment Logistics: Key figures 2019

- Revenue in the 1st half-year was **MNOK 8 828**, an improvement of MNOK 466 compared with the 1st half-year of 2018
- Organic growth of 6 %
- The e-commerce volume increased by 17 % in the last 12 months
- Growth in contract parcels, freight, home deliveries, international forwarding and offshore
- Adjusted operating profit amounted to **MNOK 109** in the 1st half-year of 2019, an improvement of **MNOK 151** compared with the 1st half-year of 2018
- The improvement primarily came in the Norwegian parcels and freight network, which in the last 12 months has shown a positive trend. This confirms that implemented measures begin to give effect.
- The market is demanding with strong competition and low margins

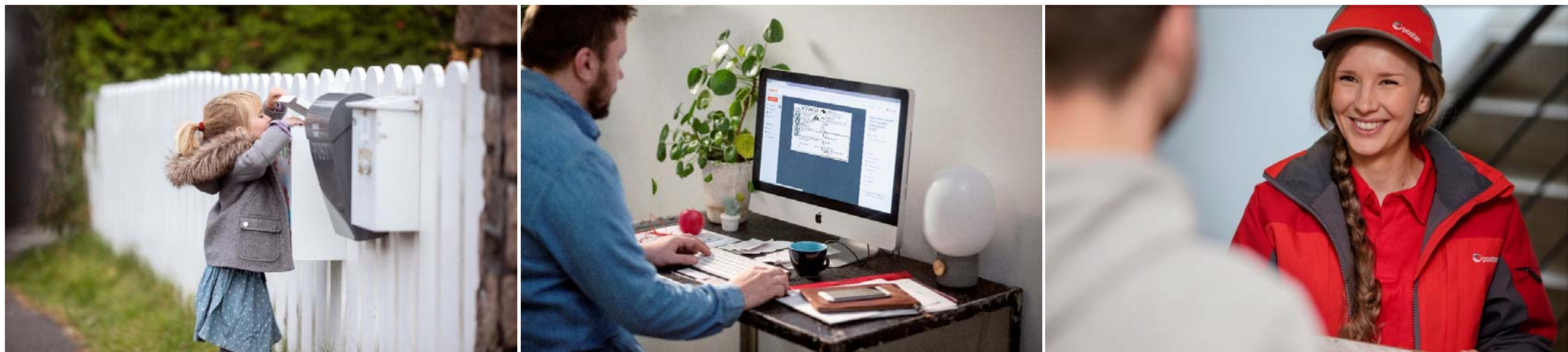
REVENUE, MNOK



Adjusted operating profit, MNOK



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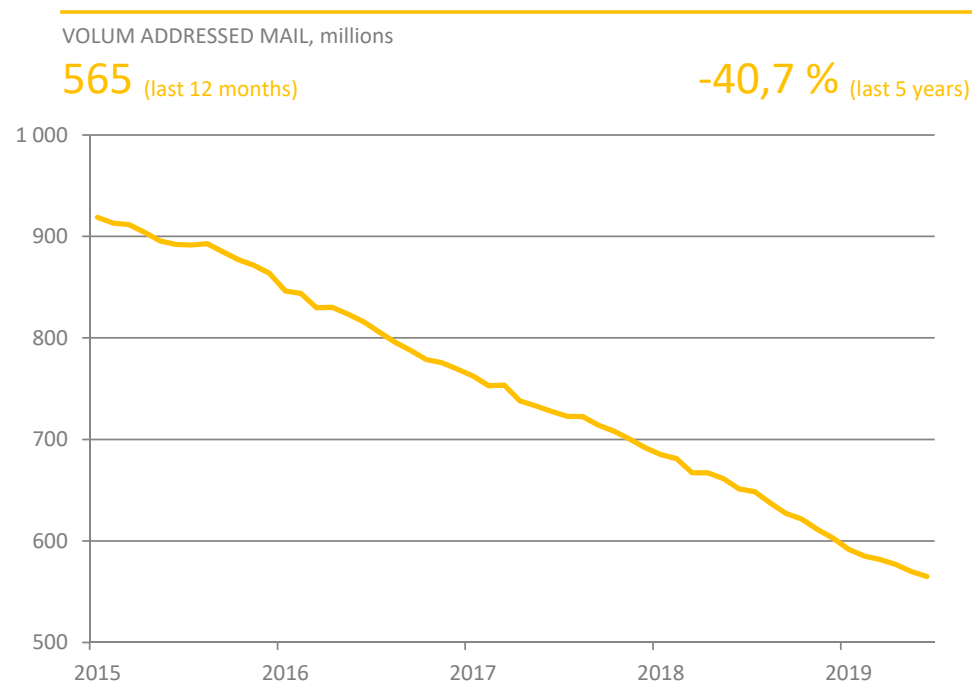
Segment Mail

Mail

Responsible for the traditional postal services in Norway (including licensed services) and includes letter products and banking services, as well as Digipost and dialogue services.

Segment Mail: Market development

- The fall in addressed mail volumes is expected to increase as a consequence of continued digitalisation within the private consumer market as well as the corporate market
- The decline in volumes of addressed mail in Norway was 12 % in the 1st half-year
- The decline in volumes was 13,3 % in the last 12 months
- As part of adjusting to the market, the introduction of mail distribution every other day is planned from the summer of 2020

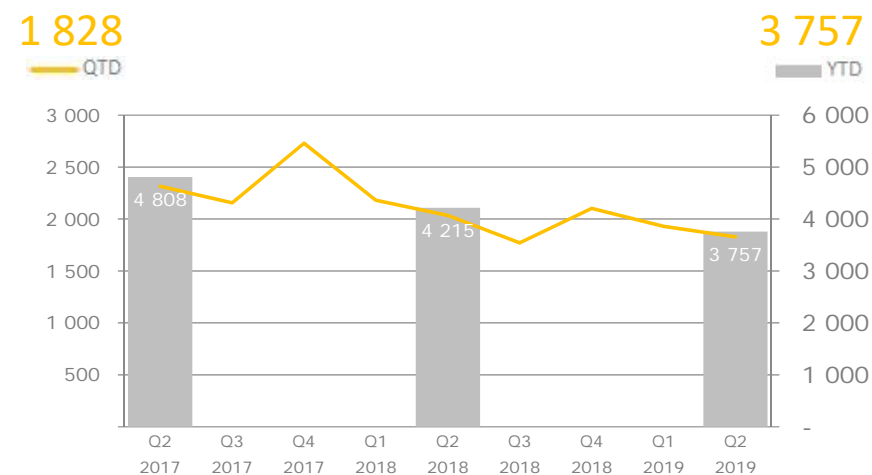


Segment Mail: Key figures 2019

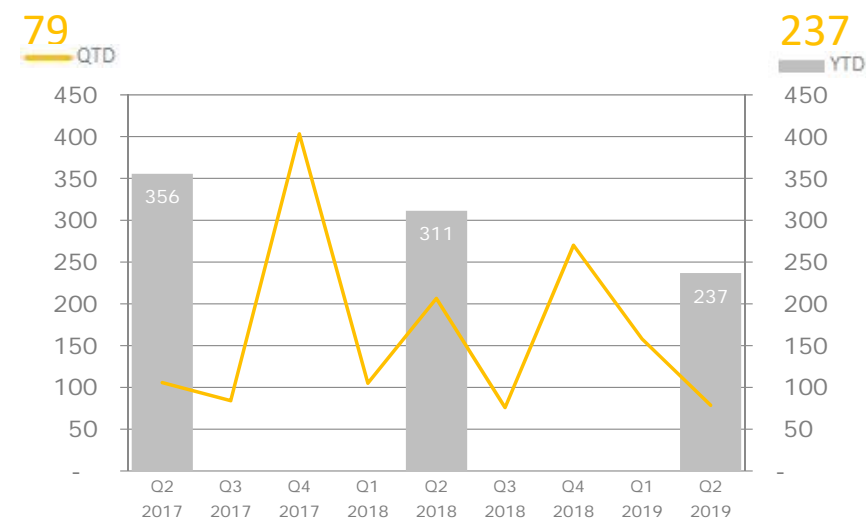
- Revenue in the 1st half-year was **MNOK 3 757**, a reduction of MNOK 458 compared with the same period in 2018
- The main reason was the decline in turnover caused by the fall in volumes in addressed mail.
- The adjusted operating result amounted to **MNOK 237** in the 1st half-year of 2019, a reduction of MNOK 74 compared with the same period in 2018
- The reduction is mainly due to continued fall in addressed mail in Segment Post
- Considerable cost adjustments of operations were realised, but this was not adequate to compensate for the large fall in addressed mail volumes



REVENUE, MNOK



Adjusted operating profit, MNOK



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Future prospects

- Distinct customer focus, innovation and digitalisation, together with investments in the future, is necessary
- Extended services and larger freedom of choice shall contribute to improve profitability
- The capacity is expanded and the efficiency increased to manage the growing logistics market. A joint network for letters, parcels and goods to be established.
- A new group structure will make the Group more dynamic and vigorous, laying the foundation for cost reductions in operations as well as administrative functions
- Investments in developing electric vehicles provide access to new technology and several types of electric vehicles
- The Norwegian Parliament has approved changes in the Postal Act, and Posten is planning for mail distribution every other day from 1 July 2020





We make everyday
life simpler and the
world smaller

