

# Quarterly Report



Posten Norge

1<sup>ST</sup> QUARTER 2019 POSTEN NORGE

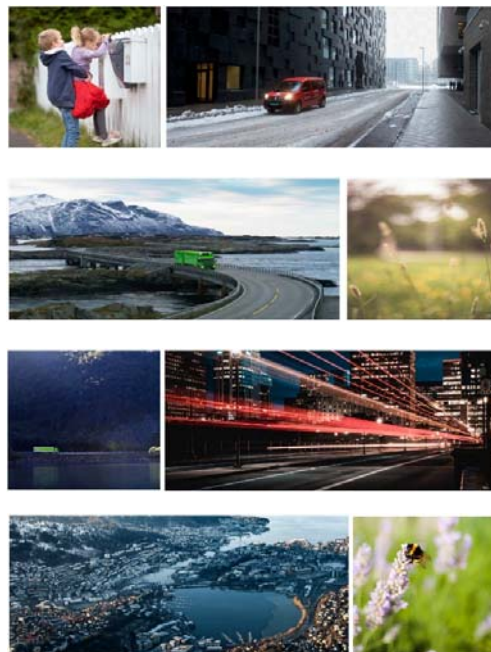
# 1<sup>st</sup> quarter 2019

## PART 1:

- Highlights and development

## PART 2:

- Results and segment review



# 1<sup>st</sup> quarter 2019

## PART 1:

- Highlights and development



## Highlights

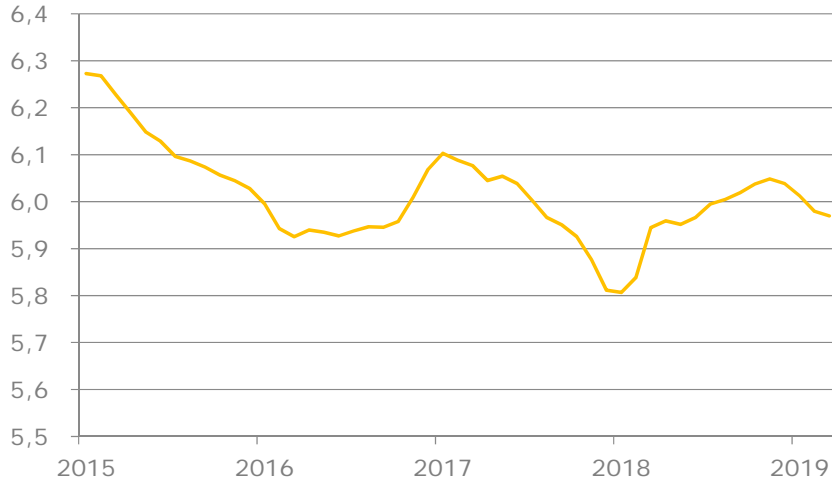
- **Organic growth** was positive by 4,4 % in the 1<sup>st</sup> quarter of 2019
- **Result improvement** in the Logistics segment, driven by **high growth** and effects of implemented measures
- Both segments influenced by **Easter** coming in the 2nd quarter in 2019, compared with the 1st quarter in 2018
- Continued significant **decline in addressed mail volumes** (12,5 %), but positive volume development for unaddressed mail volumes (6,4%)
- **Positive development** in profitability, but continued need for additional efforts
- **Good growth** in e-commerce to private consumers. E-commerce volume increased by 14 % last 12 months
- **Growth** in contract parcels, freight, international forwarding and offshore.
- On 10 April, the Government presented the parliamentary bill on **changes in the Postal Act**
- Good **delivery quality** with 88,6 % of addressed mail delivered within 2 days in the 1<sup>st</sup> quarter.



# HSE 2019

ABSENCE DUE TO SICKNESS, GROUP %

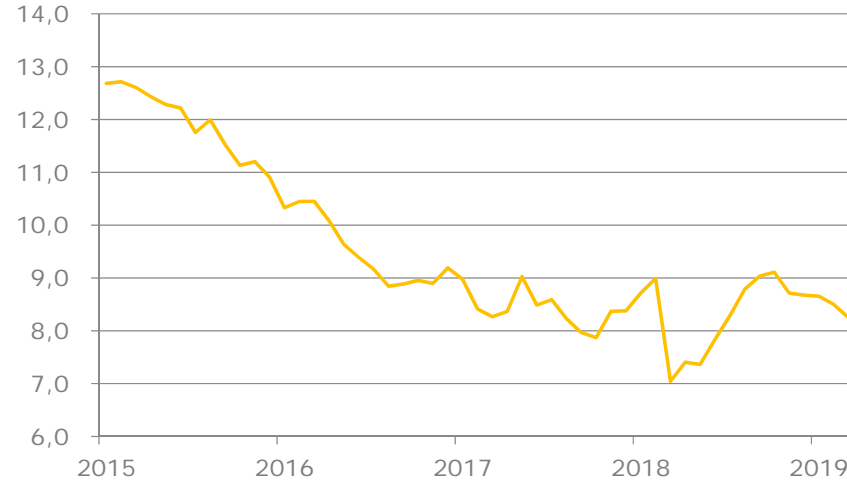
**6,0 %** (last 12 months)



- Absence due to sickness in the last 12 months was 6 %, 5,9 % in 2018

H2 IN THE GROUP

**8,2** (last 12 months)



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 7,0 to 8,2 compared with 2018

Our ambition is to create and maintain a working environment focusing on health where nobody gets injured or sick as a consequence of their work. Efforts to improve the development through goal-oriented measures continue. A security campaign comprising the entire Group has been initiated, and one of the carried-out projects is HSE manager training focusing on job security.



## Financial highlights 1<sup>st</sup> quarter 2019

### OPERATING REVENUES, MNOK

Q1 2019

5 913

Q1 2018

5 869

### ADJUSTED OPERATING PROFIT\*, MNOK

Q1 2019

106

Q1 2018

(55)

### RETURN ON INVESTED CAPITAL/ROIC, %

Last 12 mths

8,1

Last 12 mths

6,4

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



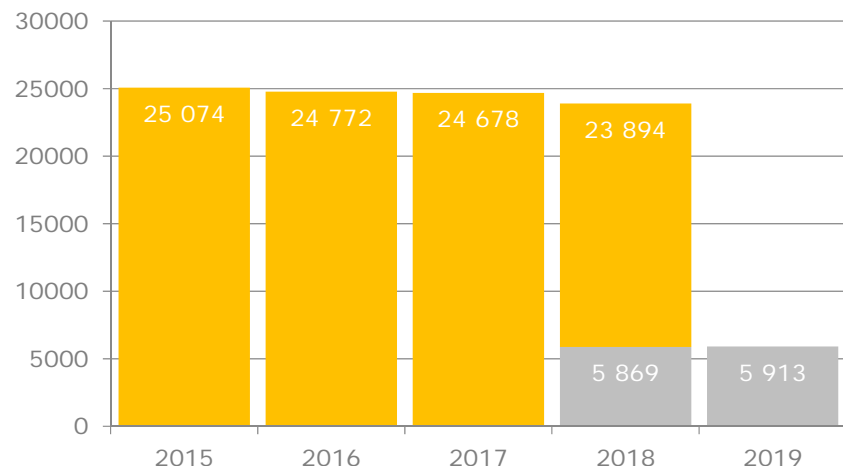
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On 1 January 2019, the Group implemented IFRS 16 *Leases*. The 2018 figures have not been restated and do not include the effects of the standard.

## Revenue and adjusted profit 2019

Revenue, MNOK

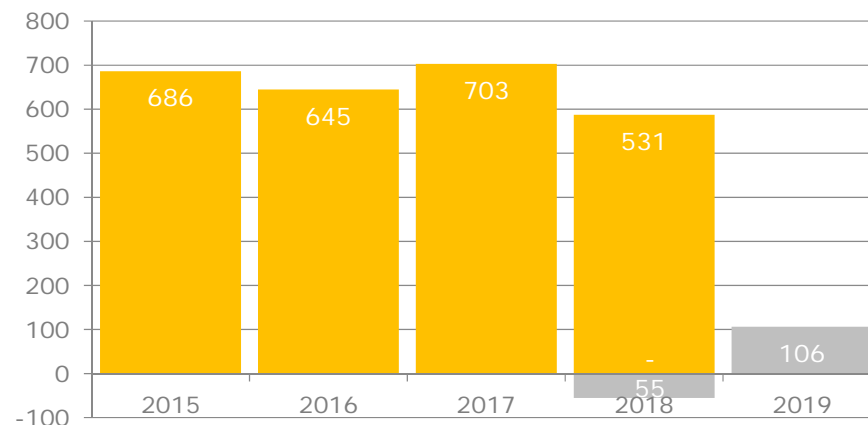
5 913



- Organic growth in the 1<sup>st</sup> quarter of 4,4 %
- Turnover growth in the Logistics segment in the 1<sup>st</sup> quarter of 7,8 % with an organic growth of 9,9 %
- Reduced turnover in the Mail segment due to continued decline in addressed volumes (12,5 % in the 1<sup>st</sup> quarter)
- Unaddressed volumes increased by 6,4 % as a consequence of new contracts

Adjusted operating profit, MNOK

106



- Adjusted operating profit for the Logistics segment was MNOK 101 better than the 1<sup>st</sup> quarter of 2018, due to strong growth and the effects of comprehensive improvement measures in the Norwegian parcels and freight network
- Resultat improvement in the Mail segment mainly caused by higher payments for government procurements of commercially non-viable services so far in 2019 compared with the same period in 2018
- Comprehensive cost-adjustments of operations are still realised, but this will not be adequate to compensate for the large fall in addressed mail volumes.



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## Results 1<sup>st</sup> quarter 2019

| Q1<br>2019  | Q1<br>2018  |                                   | Year<br>2018 |
|-------------|-------------|-----------------------------------|--------------|
| 5 913       | 5 869       | Revenue                           | 23 894       |
| 489         | 109         | EBITDA                            | 1 185        |
| 106         | (55)        | Adjusted profit                   | 531          |
| (25)        | (21)        | Operating profit (EBIT)           | 415          |
| (13)        | (7)         | Net financial items               | (49)         |
| (38)        | (28)        | Profit before taxes               | 366          |
| <b>(38)</b> | <b>(16)</b> | <b>Profit for the period/year</b> | <b>248</b>   |



# 1<sup>st</sup> quarter 2018

## 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

Q1 2019

5 913

106

4 371

8

1 929

158

Q1 2018

5 869

(55)

4 055

(93)

2 180

105



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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



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## Segment Logistics: Market development

- Turnover growth of 7,8 % in the 1<sup>st</sup> quarter and organic growth of 9,9 %
- The economic trends are decisive for the growth to be expected in the logistics market in the years to come
- E-commerce in Norway grew by 17 %\* in 2018 and is expected to grow significantly in the next years
- Economic growth is expected in Norway in 2019 and 2020. The Swedish economy is over the peak, and the growth in 2019 and furtheron is expected to be weaker than in recent years
- The market is demanding with strong competition and low margins, and the Group will continue to focus on making operations more effective and improve profitability within the various operations in the Logistics segment



\*DIBS' annual report on Norwegian e-commerce

## Segment Logistics: Key figures 2019

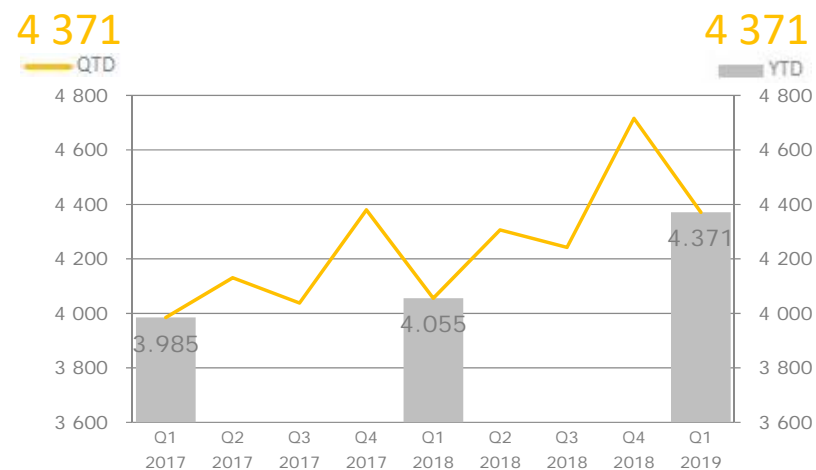
- Revenue in the 1<sup>st</sup> quarter was **MNOK 4 371**
- Organic growth of 9,9 %
- The e-commerce volume increased by 14 % in the last 12 months
- Growth in contract parcels, freight, international forwarding and offshore
- Adjusted operating profit amounted to **MNOK 8** in the 1<sup>st</sup> quarter, an improvement of **MNOK 101** compared with the same quarter in 2018
- The improvement primarily came in the Norwegian parcels and freight network, which in the last three quarters has shown a positive trend. This confirms that implemented measures begin to give effect.
- It is a demanding market with strong competition and low margins
- Other parts of the business still have profitability challenges



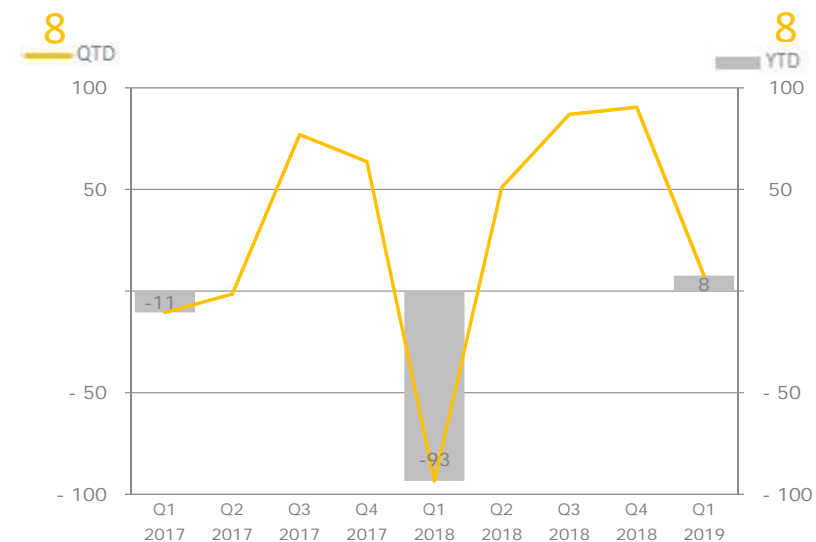
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REVENUE, MNOK



Adjusted operating profit, MNOK







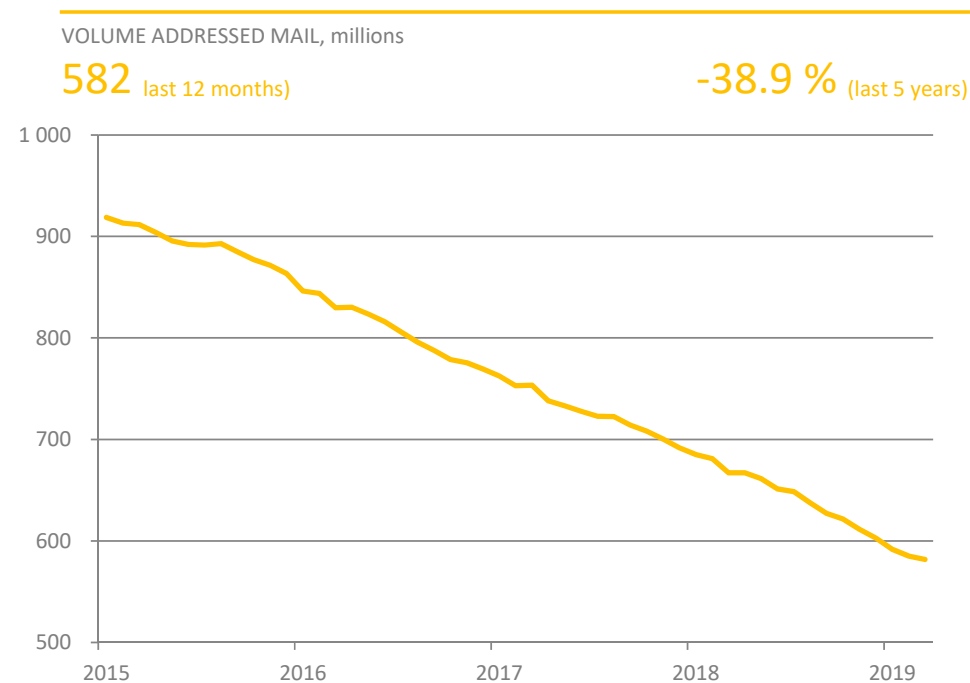
## Segment Mail

### *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 12,5 % in the 1<sup>st</sup> quarter
  - The bank and finance industry had a decline in volumes of 22 %, and public sector a volume decline of 12 %
- Depending on a prompt clarification in the Norwegian Parliament, the plan is to introduce mail distribution every other day from 1 July 2020



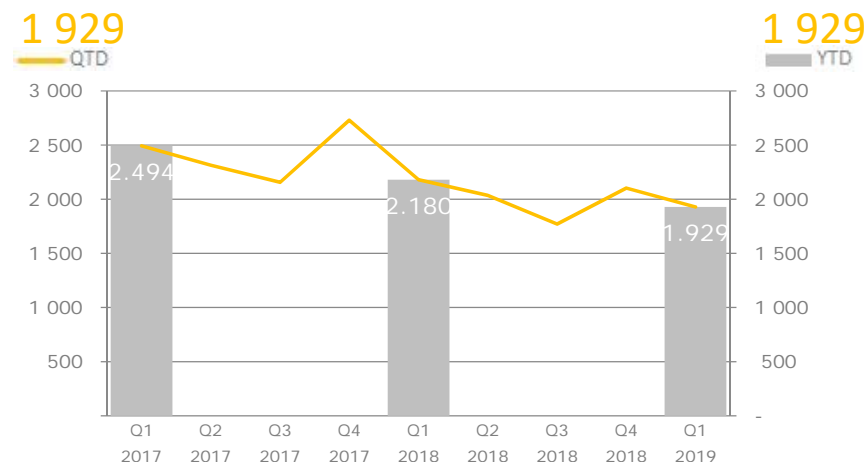
## Segment Mail: Key figures 2019

- Revenue in the 1<sup>st</sup> quarter was **MNOK 1 929**, a reduction of MNOK 251 compared with the same period in 2018
- The main reason was the sale of Bring Citymail Sweden on 1 March 2018. The decline in turnover caused by the fall in volumes in addressed mail was mitigated by government procurements of commercially non-viable services
- Adjusted operating profit amounted to **MNOK 158** in the 1<sup>st</sup> quarter, an increase of MNOK 53 compared with the same period in 2018
- The result was positively influenced by the number of working days due to the time of Easter and higher granted amounts to government procurements of commercially non-viable services (MNOK 134 in the 1<sup>st</sup> quarter compared with MNOK 41 in the 1<sup>st</sup> quarter of 2018)
- Cost adjustments of operations were not adequate to compensate for the large fall in addressed mail volumes

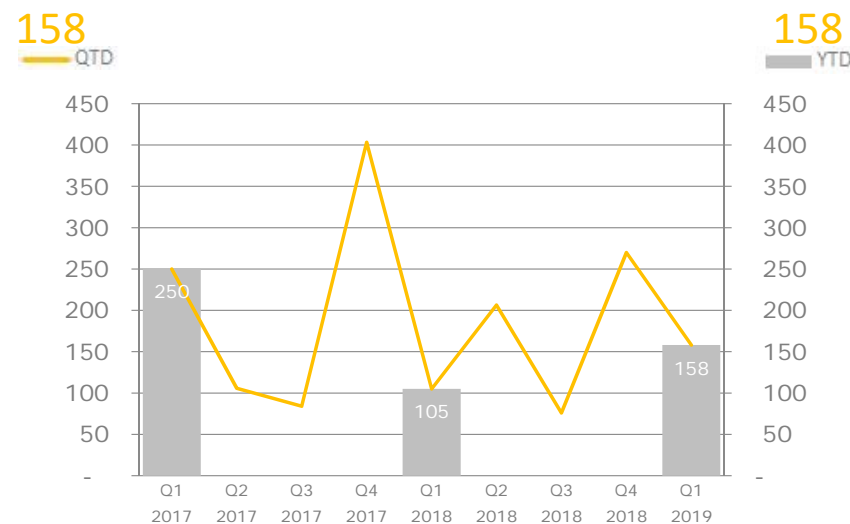


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REVENUE, MNOK



Adjusted operating profit, MNOK







## Future prospects

- Digitalisation and new technology provide many opportunities and quick changes for the Group's business
- *Deliveries inside the door* and *New home services with the postman/woman* are tested
- *#BelovedCity* was launched in Oslo in April
- Continued focus on making operations more effective and improve profitability
- The Group initiates several measures, including a new group structure making the Group more dynamic and vigorous
- The Norwegian Parliament will discuss the bill on changes in the Postal Act in June. The aim is mail distribution every other day from 1 July 2020.
- DNB has announced that today's agreement on bank services expires in 2019. Posten is working to find a solution for bank services in the rural postal network
- The decline in mail volumes will continue to increase if the Government decides to remove the 350 kroner limit for the VAT exemption on imports





We make everyday  
life simpler and the  
world smaller

