

QUARTERLY REPORT



1st QUARTER 2018

1st quarter 2018

PART 1:

- Highlights and development

PART 2:

- Results and segment review



1st quarter 2018

PART 1:

- Highlights and development



Highlights

- **Organic growth** was negative 1,6 % influenced by fewer working days and the decline in mail volumes
- **Reduced profit** due to fewer working days (the Easter effect), decline in mail volumes and deficient payment for government procurements of commercially non-viable postal services. There have also been additional costs related to operational restructuring in both segments
- Large growth and good result development within **express and home delivery**.
- **Bring Citymail Sweden** was sold
- **Innovation and digitalisation** are high on the agenda. New services: 'Digital stamp' and 'Send from your own mailbox'
- One of the most **significant operational shifts** in Posten's history was the transition to one addressed mail flow from 2018
- Good **delivery** quality In the first quarter with 87,4 % addressed mail distributed within 2 days
- Continued low **absence due to sickness** of 5,8 % last twelve months

Financial highlights 1st quarter 2018

OPERATING REVENUES, MNOK

Q1 2018	Q1 2017
5 869	6 094

Adjusted profit*, MNOK

Q1 2018	Q1 2017
-55	191

RETURN ON INVESTED CAPITAL/ROIC, %

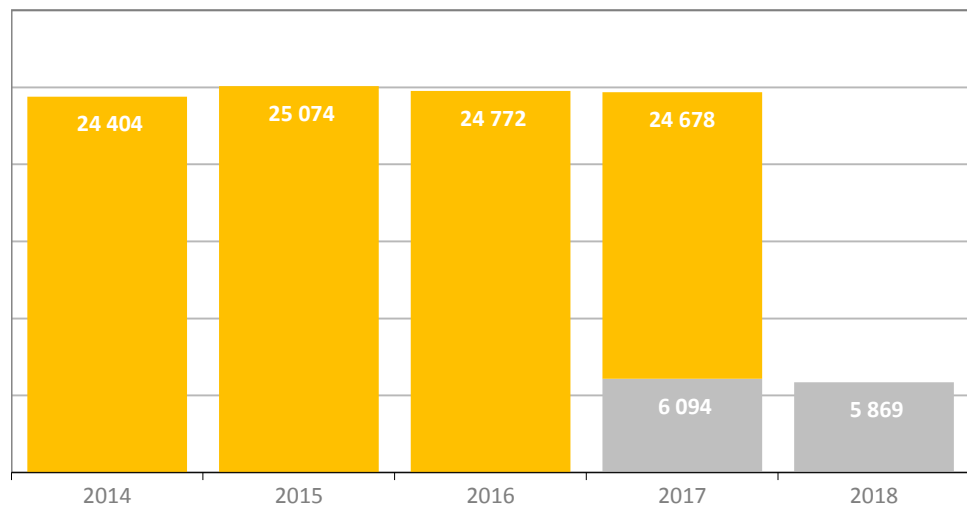
Last twelve months	Last twelve months
6,4	11,2



Revenue and adjusted profit, 1st quarter 2018

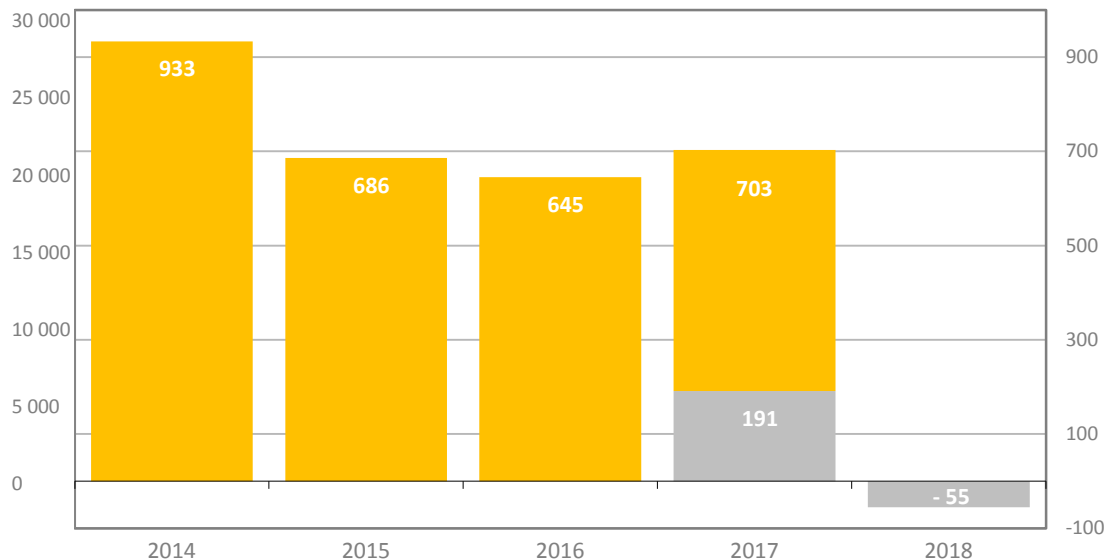
Revenue MNOK

5 869



Adjusted profit MNOK

-55



- Organic growth was negative 1,6 %
- Revenue growth of 2 % in the Logistics segment
- Reduced revenue in the Mail segment due to volume decline, and the sale of Bring Citymail Sweden (accounting effect from March 1)
- The decline in addressed mail volume was 12,8 %. Adjusted for fewer working days, the decline in volume was 10,2 %

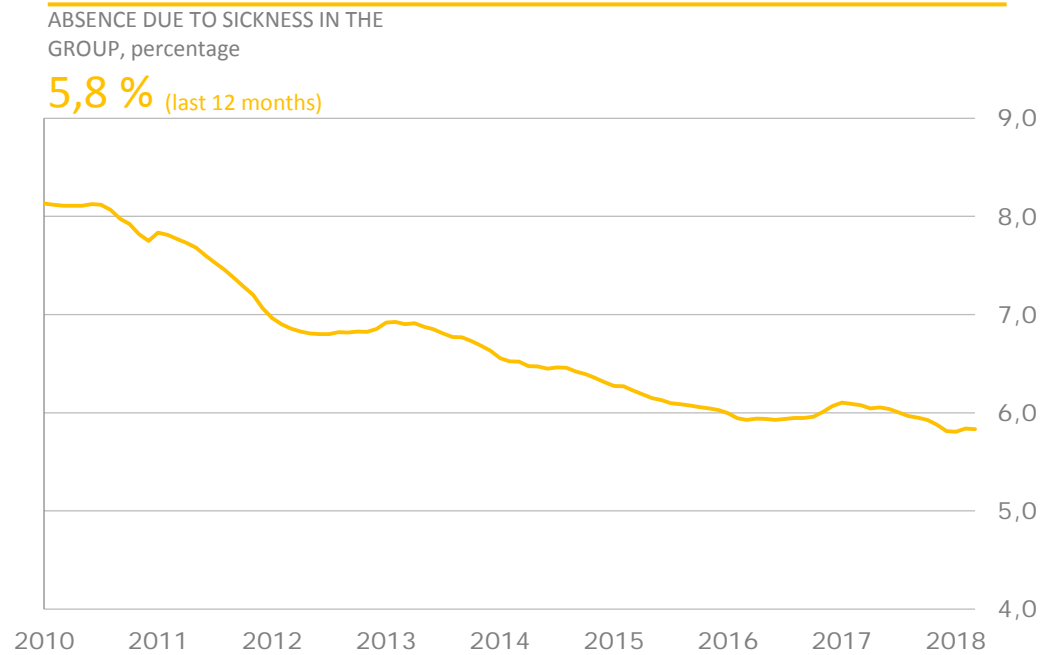
- Reduced result in the Logistics segment mainly due to fewer working days, in addition to costs related to initialising new processes and reorganising production
- Reduced results in the Mail segment due to the decline in volumes, in combination with deficient government procurements, fewer working days than last year and the reorganisation of production.

Results 1st quarter 2018

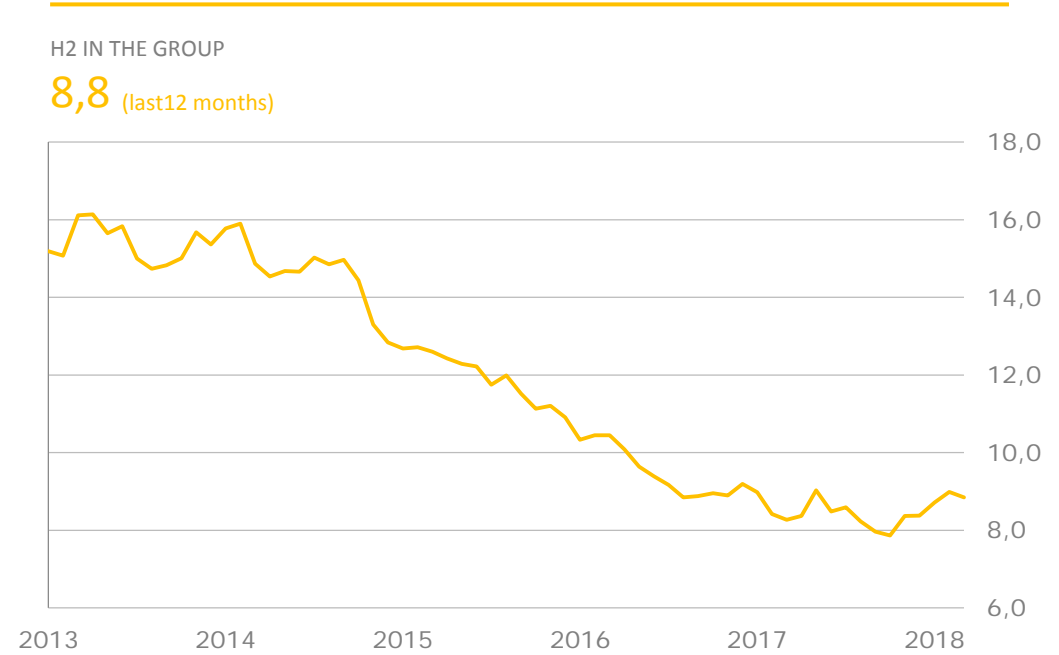
Q1 2018	Q1 2017		Year 2017
5 869	6 094	Revenue	24 678
109	353	EBITDA	1 386
-55	191	Adjusted profit	703
-21	203	EBIT	692
-7	1	Net financial items	(71)
-28	204	Profit before taxes	621
-16	156	Profit/-loss for the period	388

For the definition of adjusted profit (EBITE) see appendix to the quarterly report

HSE: Absence due to sickness still low in 2018



- Absence due to sickness in the last 12 months was 5,8 %, a reduction of 0,3 percentage points compared with a year ago
- The Group's ambition is to maintain a health-promoting working environment, where nobody becomes injured or sick from working in the Group.



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 8,3 to 8,8 compared with the same period in 2017. A winter with a lot of snow and slippery roads was a significant reason for this development

Posten supports the proposal of a transition to mail distribution every other day, but will still be present throughout the entire country - all week

- In January, the Ministry of Transport and Communication submitted a consultation paper for comments about changing the Postal Act. One of the proposals was a transition to mail distribution every other day. The deadline for comments was 6 April
- Posten's comments support the transition to mail distribution every other day and later to one day per week. Those who wish to have mail delivered daily can still have that by renting a Post box
- Posten will continue to be present all over the country the whole week. Both consumers and businesses can have what they need when they need it. Posten will offer new delivery methods and larger freedom of choice – while the fixed distribution days will be fewer
- For some groups, like paper-based newspapers in areas without their own distribution net, there should be better solutions to cover specific customer needs than maintaining daily mail distribution with the high, fixed structural costs that this involves



Posten Norge recommends changing to postal distribution every other day from 2020

Both individuals and businesses can get what they need when they need it. Posten offers new delivery services and greater freedom of choice

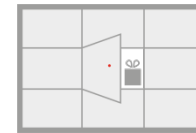
Mail recipients want flexibility and the freedom of choice.

Posten is launching and testing new services for the private market:

- Buy 'Digital stamps' on the net and 'Send mail from your own mailbox', launched in the first quarter
- Parcel machines in housing cooperatives, tested in the first quarter



Home delivery



Parcel machines



Delivered as you want



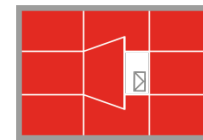
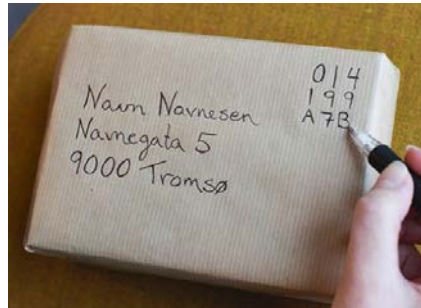
Digital mail



Post in shop/
Post office



Nå kan du sende post fra din egen postkasse



Post boxes



Mail box



Rural Postal
route

The Group is cooperating with leading digital competence environments

- MIT sponsor: Posten Norge is sponsoring Massachusetts Institute of Technology Center for information systems research (MIT CISR) at Sloan School of Management. MIT is offering research and is developing insight to assist enterprises in the transition to the digital economy



" We are happy to welcome Posten Norge as a sponsor in the MIT CISR family. We look forward to Posten Norge's participation in our research processes and on our arrangements, and to share ideas and learning", says Leslie Owens, CEO for MIT CISR.

- CSI partner: The CSI partnership is a competence environment for innovation in a rapidly changing market exposed to heavy competition. During several years as a participant in CSI, Posten has implemented various innovation activities throughout the entire organisation – both independently and together with CSI partners

NHH



Posten has sold Bring Citymail Sweden to German company Allegra

- Posten Norge has sold Bring Citymail Sweden to the German private equity company Allegra Capital GmbH, with accounting effect from March 1.
- The sale comprises the mail business in Sweden, which in 2017 had a turnover of close to 1,5 billion SEK with approximately 1 500 employees
- Posten Norge purchased Citymail in 2002. The company has contributed to competition in the Swedish postal market, primarily within industrial mail. But the mail market is falling, and profitability in the company has not developed satisfactorily. The company is now changing its name back to Citymail. Citymail will continue operations ensuring continuity for both customers and employees
- The sale of Bring Citymail Sweden will not impact Bring's other operations in Sweden. The Nordic business will continue its offensive efforts within e-commerce, home deliveries and international logistics



1st quarter 2018

PART 2:

- Results and segment review

Segment reporting

Posten Norge



Segment Logistics



Segment Mail



MNOK

Revenue

Adjusted profit

Revenue

Adjusted profit

Revenue

Adjusted profit

Q1 2018

5 869

-55

4 055

-93

2 180

105

Q1 2017

6 094

191

3 985

-11

2 494

250



Segment Logistics

E-commerce and logistics

Responsible for all package products for e-commerce customers, in addition to bulk 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

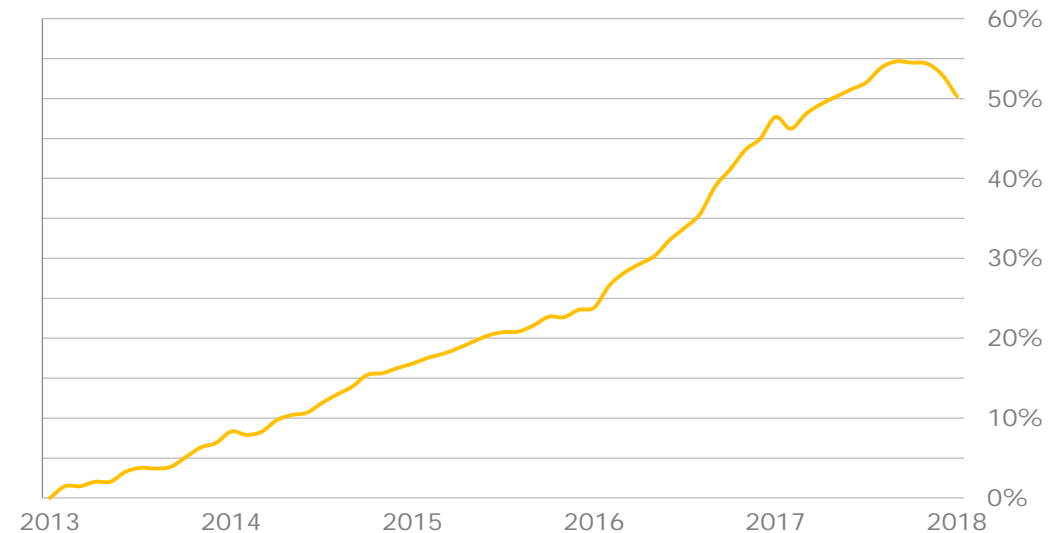
Segment Logistics: Market development

- Growth within the parcel and freight business outside Norway
- Increased demand for express and home delivery, and international freight
- Low project activity in the oil sector affected the industrial and offshore business
- The low growth in e-commerce volume over the last 12 months is strongly affected by the timing of Easter, as both Easter periods fall within the last 12 months. By the end of February, growth in the last 12 months was 5,5%

DEVELOPMENT IN E-COMMERCE FROM Q1 2013, %

1,7 % (last 12 months)*

50,3 % (last 5 years)



*Easter fell in 2017 in April and in 2018 in March. The development includes the effect of fewer business days from both years.

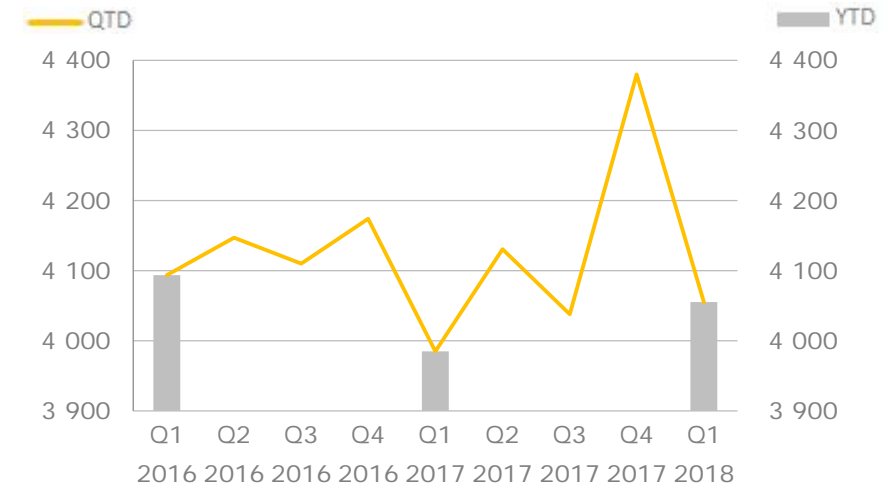
Segment Logistics: Key figures 1st quarter 2018

- Revenue in the first quarter 2018 was **MNOK 4 055**
 - Organic growth of 1,4 %
 - Growth within the parcels and freight business outside Norway, international freight, and express and home delivery
 - Decline in turnover in the Norwegian parcels and freight business influenced by fewer working days, but turnover per workday increased.
 - Low project activity in the oil sector
- Adjusted result was a loss of **MNOK 93** in the first quarter 2018, a decrease of **MNOK 82** from the first quarter 2017
 - Fewer working days compared with last year significantly affected the profit
 - There were also additional costs when changing production. This is linked to the initiation of a new terminal set-up in Norway and the transition of transport from aircraft to ground. Challenging weather conditions at the beginning of the quarter also caused additional costs
- Result improvement in express and home delivery and international freight due to large increase in demand



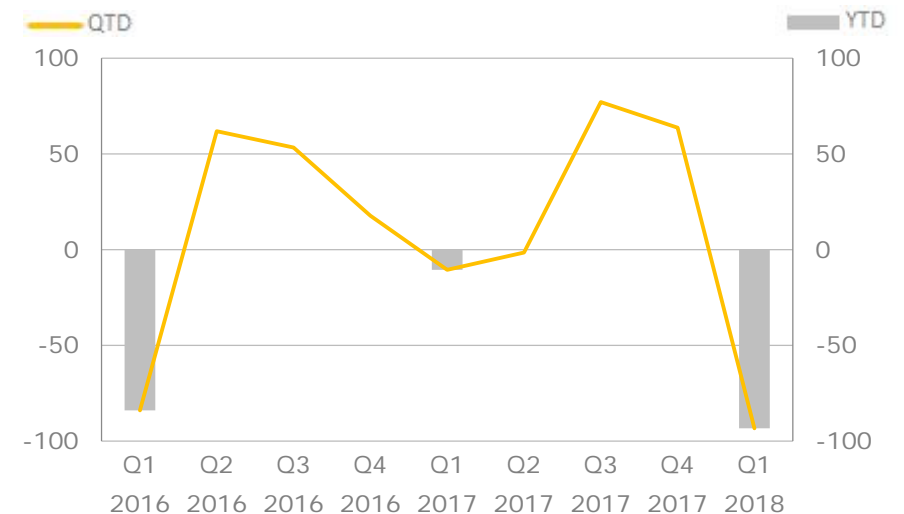
REVENUE, MNOK

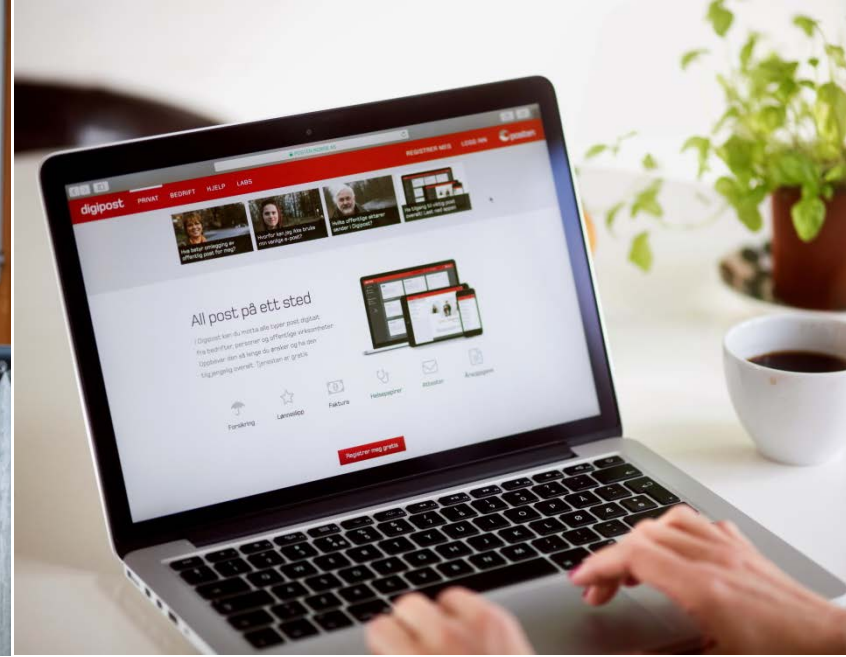
4 055



ADJUSTED PROFIT, MNOK

-93





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

- In 2018, the decline in volumes of addressed mail continued as a consequence of digitalisation at our customers

The decline in volume of addressed mail in Norway was 12,8 %. Adjusted for the effect of fewer working days the decline was 10,2 %

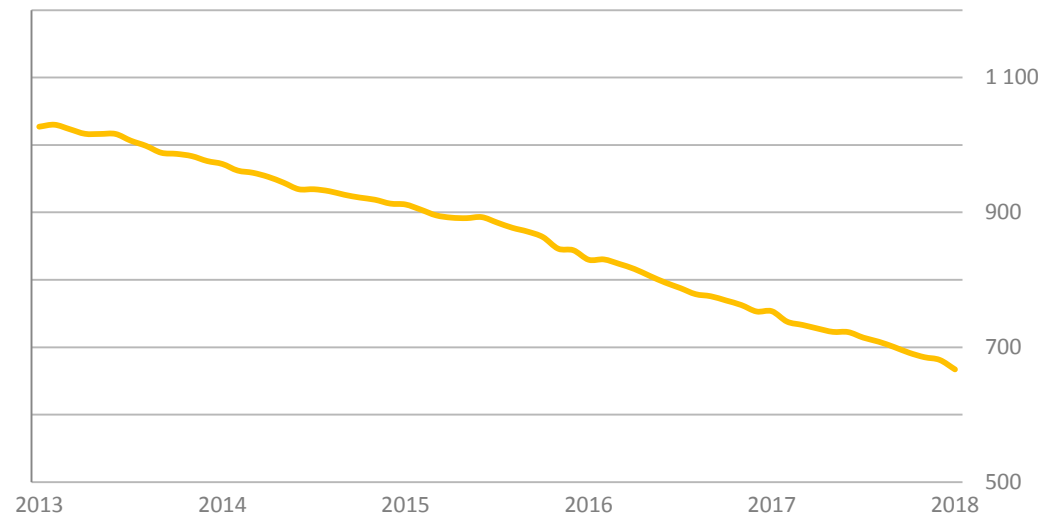
The volume of unaddressed mail fell by 12,7 %. Adjusted for the effect of fewer working days the decline was 10,3 %

- The Group is carrying out a number of measures to adjust the levels of operations and costs to the decline in mail volumes
- Transition to one addressed mail flow from 2018

VOLUME ADDRESSED MAIL, millions

667 (last 12 months)

-35,1 % (last 5 years)

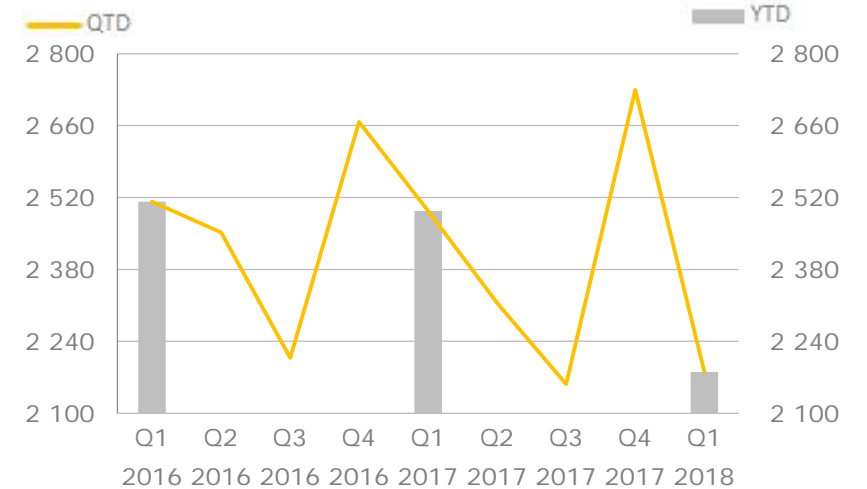


Segment Mail: Key figures 1st quarter 2018

- Revenue in the first quarter 2018 was **MNOK 2 180**
 - Fewer working days and volume decline are the main reasons for the reduction in revenues
 - In addition, reduced revenues due to the sale of Bring Citymail Sweden (with accounting effect from March 1) and the introduction of one addressed mail flow
- Adjusted profit was **MNOK 105** in the first quarter 2018, a decrease of MNOK 145 compared with the same period in 2017
 - The reduced profit was mainly due to the fall in volumes in combination with deficient government procurements of commercially non-viable postal services
 - Fewer working days and the reorganisation of production also had a negative impact on profits
 - The Mail segment is dependent upon regulatory latitude to allow for a quicker response to market developments

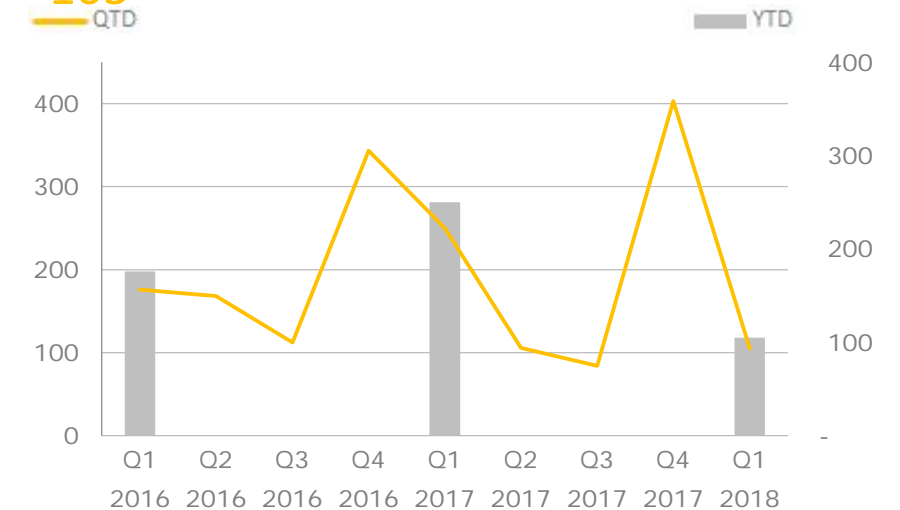
REVENUE, MNOK

2 180



ADJUSTED PROFIT (EBITE), MNOK

105





Future prospects

- Ambitious development rate to meet customer needs in a digital era
- Efforts to improve profitability continue within logistics, including a new terminal network and the standardising of processes to make them more efficient
- The economic prospects in both Norway and Sweden are positive and allow for growth in the Group's logistics business
- Posten is launching and testing new services for the private market: 'Digital stamp' and 'Send from your own mailbox', in addition to piloting the placement of parcel machines in housing cooperatives
- The introduction of one addressed mail flow from 1 January 2018 will gradually reduce costs in the Mail segment
- Addressed mail will continue to decline in the future as a consequence of digitalisation at our customers. It will be of vital importance that the government pays for procured services, or that there is room to adjust services in line with declining demand
- Posten supports the proposal to change the Postal Act's requirement for mail distribution from five days a week to every other day from 2020
- Posten will continue to be present across the country - the whole week, with new delivery methods that will give customers greater freedom of choice



We make everyday life simpler and the world smaller