

QUARTERLY REPORT



2nd QUARTER 2018

First half-year 2018

PART 1:

- Highlights and development

PART 2:

- Results and segment review



First half-year 2018

PART 1:

- Highlights and development





Highlights in the first half-year of 2018

- **Organic growth** was positive by 0,9 %, driven by the logistics business
- **Reduced profit** due to an accelerating fall in mail volumes, weather challenges in winter causing increased transport costs and additional costs related to operational restructuring in both segments
- The Government granted full coverage of the additional costs by **maintaining five days distribution**
- Solid growth within **groupage, parcels (B2B)** and **e-commerce** to private consumers in Norway
- Posten was elected one of Norway's most **innovative companies with a fifth place** in the magasin InnoMag's list for 2018
- Good **delivery** quality with 89,1 % of addressed mail delivered within 2 days in the first half-year
- Continued low **absence due to** sickness of 5,9 % last twelve months

Financial highlights first half-year 2018

OPERATING REVENUES, MNOK

Q2 2018	Q2 2017	YTD 2018	YTD 2017
5 975	6 059	11 844	12 153

Adjusted operating profit*, MNOK

Q2 2018	Q2 2017	YTD 2018	YTD 2017
214	56	159	247

RETURN ON INVESTED CAPITAL/ROIC, %

Last twelve months	Last twelve months
8,6	9,1

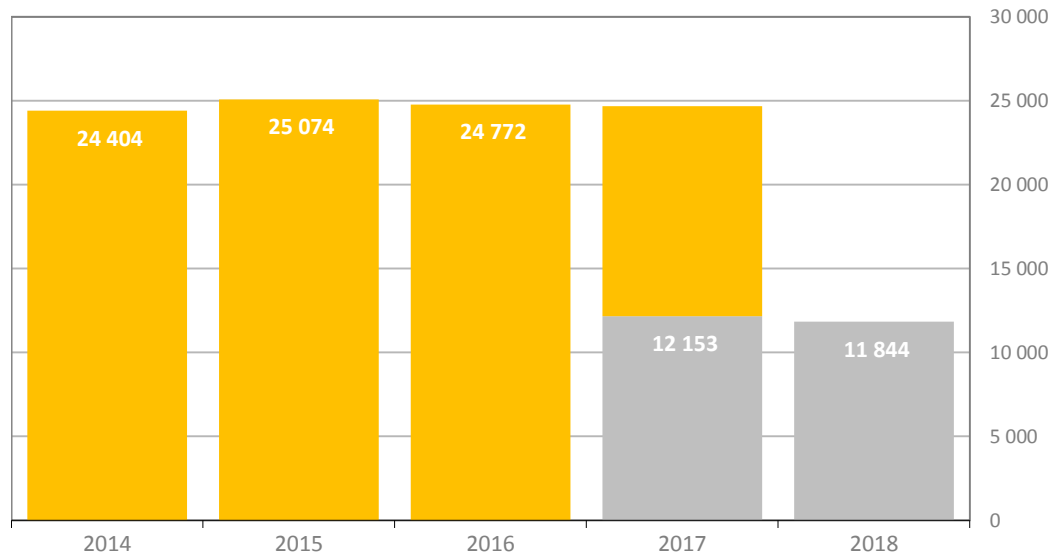


*For descriptions of adjusted profit, and return on invested capital (ROIC), see appendix to the quarterly report

Revenue and adjusted profit, first half-year 2018

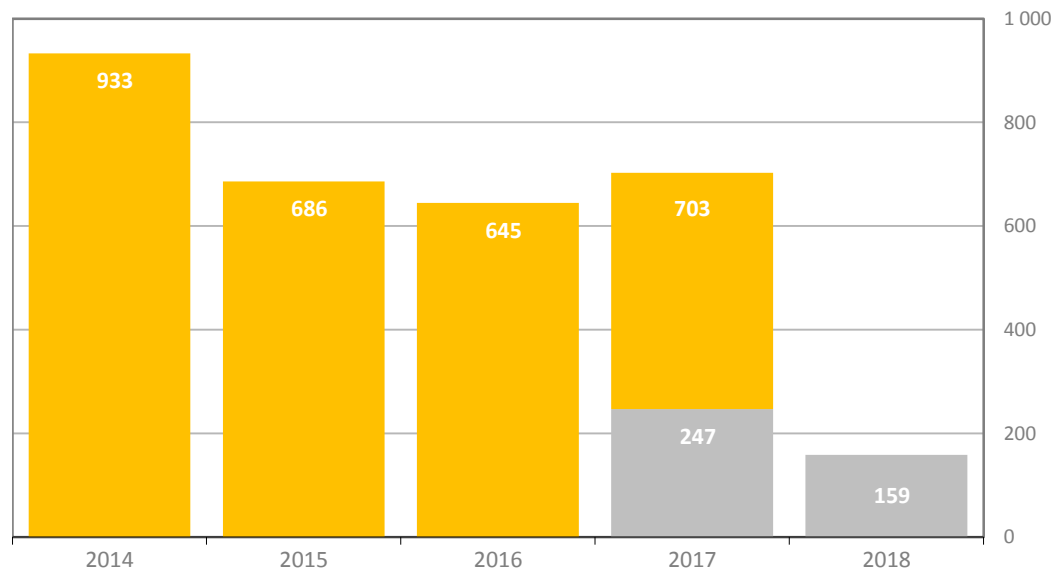
REVENUE MNOK

11 844



Adjusted operating profit MNOK

159



- Organic growth of 0,9 %
- Revenue growth of 3 % in the Logistics segment
- Reduced revenue in the Mail segment due to mail volume decline, the sale of Bring Citymail Sweden and the introduction of one addressed mail flow
- The decline in addressed mail volume was 11,2 %
- Unaddressed mail fell by 12%

- Reduced results in the Logistics segment was affected by the weak start of the year, mainly as a consequence of additional use of resources at the set-up of a new terminal structure
- Reduced results in the Mail segment in spite of an additional grant for government procurements of commercially non-viable postal services. The decline is mainly due to an increasing fall in volumes.

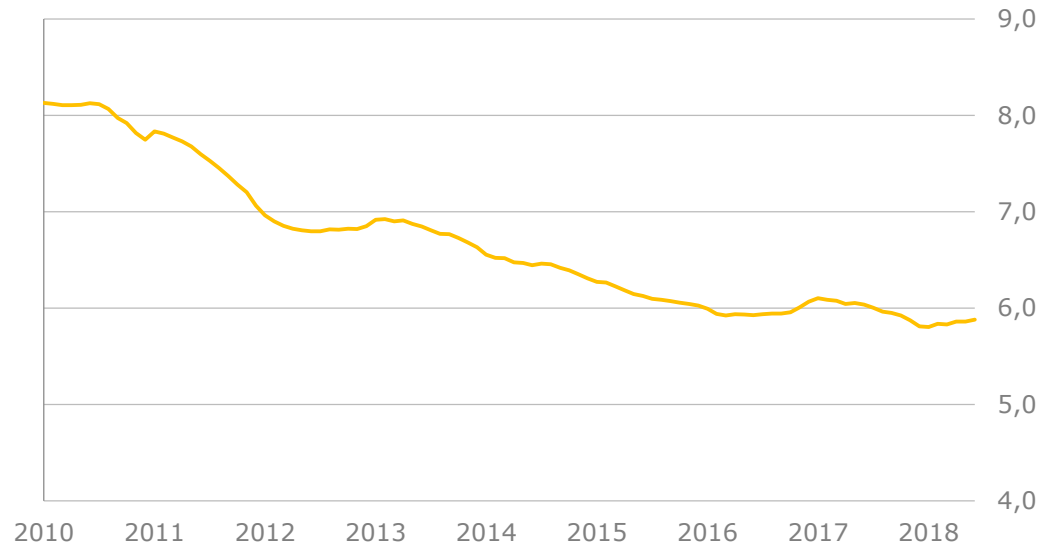
Results first halv-year 2018

Q2 2018	Q2 2017		YTD 2018	YTD 2017	Year 2017
5 975	6 059	Revenue	11 844	12 153	24 678
383	223	EBITDA	492	576	1 386
214	56	Adjusted operating profit	159	247	703
233	54	EBIT	212	257	692
(20)	(16)	Net financial items	(27)	(15)	(71)
213	38	Profit before taxes	185	242	621
161	32	Profit/-loss for the period	145	187	388

HSE: Absence due to sickness still low in 2018

ABSENCE DUE TO SICKNESS IN THE GROUP, percentage

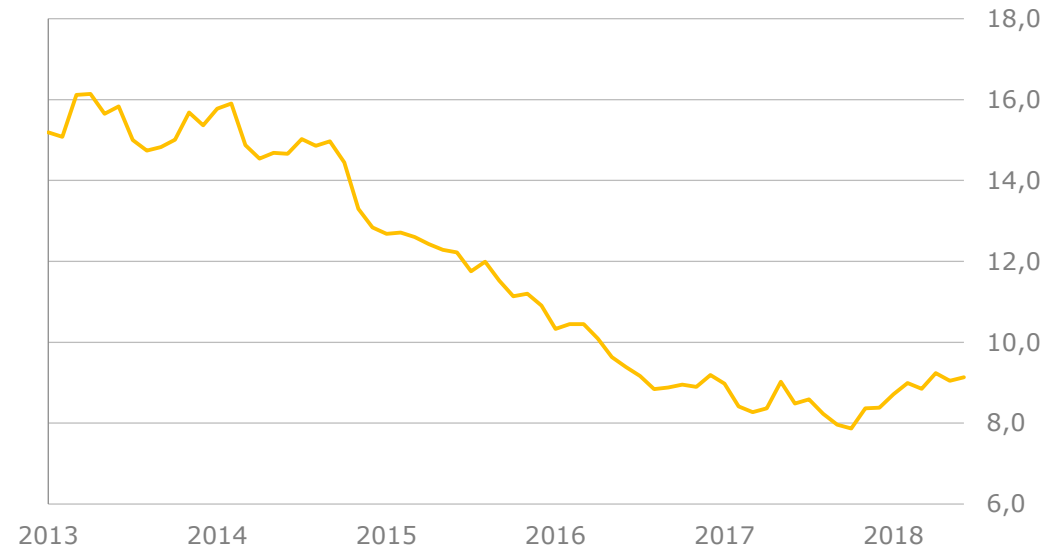
5,9 % (last 12 months)



- Absence due to sickness in the last 12 months was 5,9 %, a reduction of 0,2 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.

H2 IN THE GROUP

9,1 (last 12 months)



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 8,5 to 9,1 compared with the same period in 2017. A winter with much snow was a significant reason for the development in this period.

We adapt to our customers' needs with new and smart solutions that provide increased freedom of choice

Mail recipients want simplicity and the freedom of choice.

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

- In the first half of the year we have launched the Digital Stamp online and Send mail from your own mailbox
- In 2019 we will be testing Parcel machines in housing cooperatives

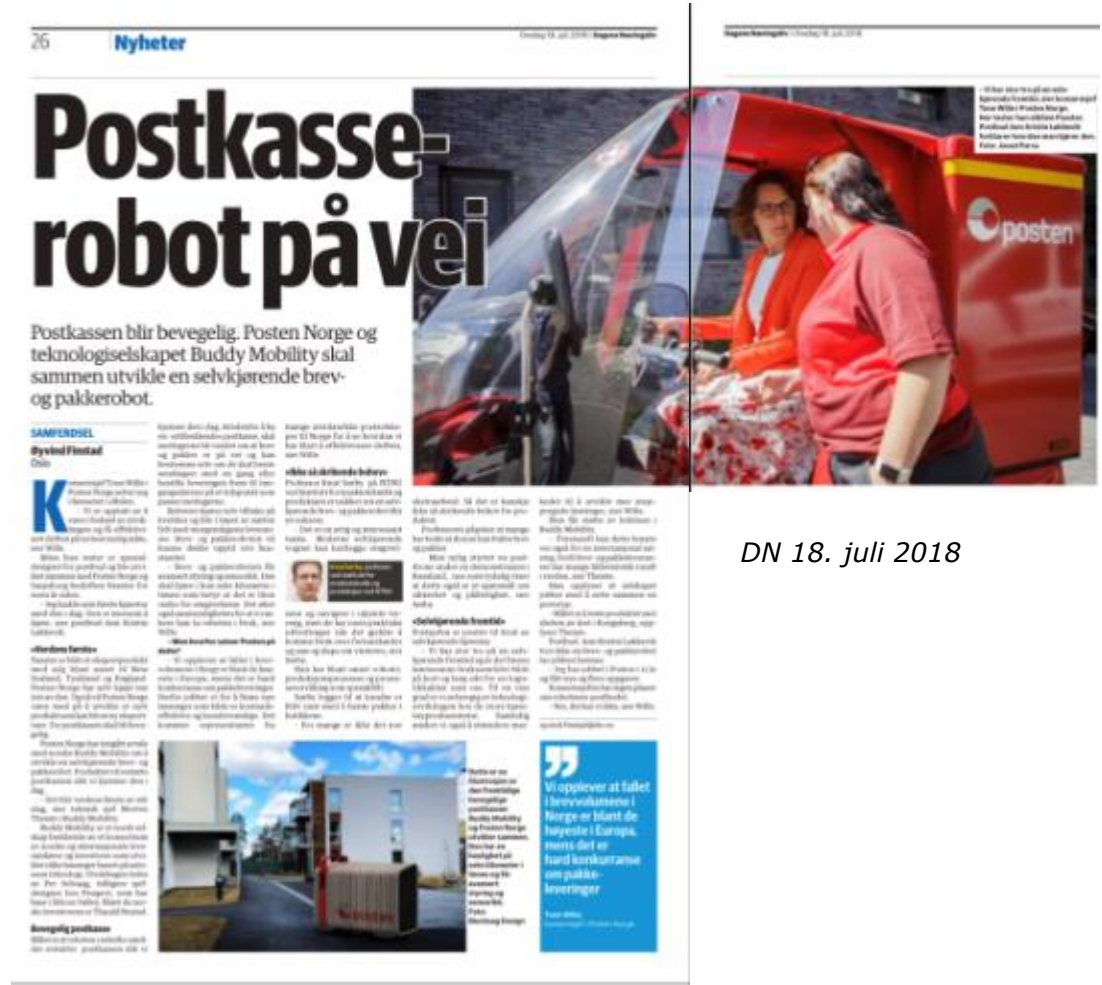


Posten is focusing on autonomy. Collaborates with Buddy Mobility on developing the world's first self-driving robot for letters and parcels.

- Collaboration with Buddy Mobility as technology partner on developing the "future mailbox robot"
- Posten wishes to be an arena for learning and testing for Norwegian technology development - the way we were for the Paxter mail car
- The world's first self-driving robot for letters and parcels was unveiled during the "Arendal Week" in August
- It will be tested out in Kongsberg during the fourth quarter

SISTE: Først i verden - Posten med nyvinning

Nettavisen 18. juli 2018



DN 18. juli 2018



The Minister of Transport unveiled the world's first mailbox-robot during the "Arendal Week"

«A self-driving mailbox is part of Posten's future image using technology to deliver better services to people. It is exciting and shows that Posten is assertive in the world we live in »

Minister of Transport Ketil Solvik-Olsen

Robot skal levere brev og pakker hjem til nordmenn

Posten har nettopp mottatt sin første brev- og pakkerobot. Senere i høst skal den i sving med å kjøre ut brev og pakker til folk i Kongsberg.



Samferdselsminister Ketil Solvik Olsen får det første brevet fra Postens nye robot.

FOTO: TERJE PEDERSEN NTB SCANPIX

Posten 5th - best in innovation

- "One of Norway's oldest businesses shows us all that 370 years of experience do not prevent becoming increasingly innovative. Has defined innovation as a success factor and supplies the goods looking for the position as the world's most provident mail and logistics group. Launches new solutions and tests out Tesla's electric trucks, - and appears anything but reclined"
- Awarded by InnoMag Innovation magazine, June 2018

Selskapene på Innovasjonslisten	
1.	Norwegian
2.	Jotun
3.	Kongsberg Gruppen
4.	DNB
5.	Posten
6.	Aker BioMarine
7.	Telenor
8.	ASKO
9.	Maaemo
10.	Brønnøysundregistrene

N Telenor 4G 13:21
Forsiden e24.no TIPS OSS
E24! 0,20% OSLO 893,87 OLJE 76,37
Ny kåring: Dette er Norges mest innovative selskaper
På listen over de 25 mest innovative selskapene flyr Norwegian til topps, men også selskaper som Posten og Jotun kommer høyt på listen, ifølge Innovasjonsmagasinets kåring.
VIS BILDETEKST

Is the limit of NOK 350 to be removed, it must be done in tandem and cooperation with the EU

The Norwegian business market has worked to remove the duty-free limit of NOK 350 on purchase of e-commerce goods from abroad

The Parliament has asked the Government to consider removing the limit

If the NOK 350 limit is to be removed, it must be done in tandem and cooperation with the EU.

Norway has no solution for customs clearance of low-value shipments. Ordinary customs clearance costs NOK 158.

The EU is working on a solution that will be completed by 2021, where e-commerce operators claim public fees. The major global actors will not negotiate this with individual countries (like Norway)

If Norway removes the NOK 350 limit before the EU, we risk chaos and accumulation of cheap goods that people do not want if they have to pay customs and fees

E-commerce has come to stay. It's about finding good and effective solutions.

Removal of the release has a limited effect on government revenues and Norwegian jobs, according to a report from Oslo Economics



Pressfoto: John Eidevall / Posten Norge og andre opplysninger som er gitt til figuren er oppgitt til. Det er ikke tillatt å bruke bilder eller tekst fra dette nettstedet uten tillatelse fra Posten Norge.

Fjernes tollfri-grensen fra nyttår, må du betale gebyr på 158 kroner for alle pakker

First half-year 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
Q2 2018	5 975	214	4 307	51	2 035	206
Q2 2017	6 059	56	4 131	-2	2 314	106
YTD 2018	11 844	159	8 362	-42	4 215	311
YTD 2017	12 153	247	8 115	-12	4 808	356



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

Segment Logistics: Market development

- Solid growth within groupage, parcels (B2B) and e-commerce to private consumers in Norway
- Good growth in e-commerce and home deliveries outside Norway
- Increased express revenues in the Nordics
- The industrial and offshore business was still affected by low project activity in the oil sector



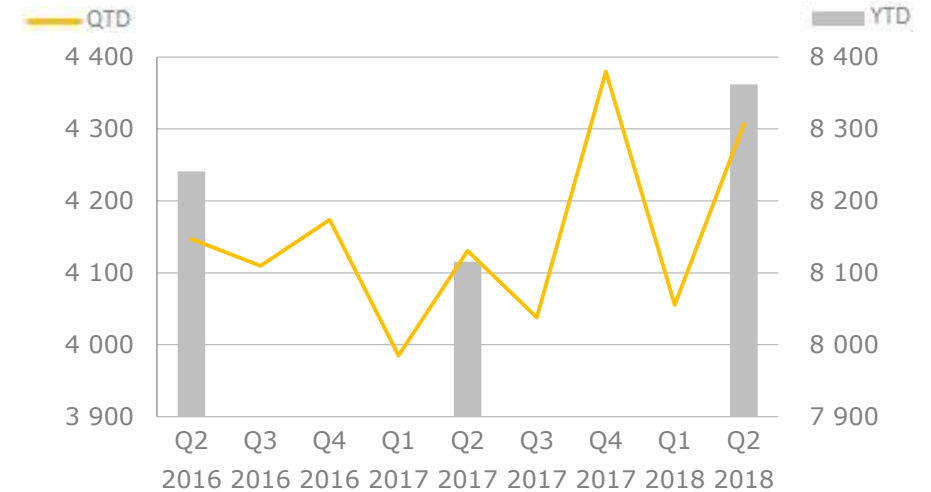
Segment Logistics: Key figures first half-year 2018

- Revenue in the first half-year 2018 was **MNOK 8 362**
 - Organic growth of 4,3 %
 - Solid growth within groupage, paarcels (B2B) and e-commerce to private consumers
 - Logistics operations outside Norway also showed good growth in e-commerce and home deliveries, and the revenue from express increased in the Nordics
 - Continued low project activity in the oil sector
- Adjusted operating profit was a loss of **MNOK 42** in the first half-year 2018, a decrease of **MNOK 30** from the first half-year 2017
 - The reduced result is mainly due to additional resources used in the implementation of a new terminal structure. Challenging weather conditions in the beginning of the year also caused extra costs.
 - Comprehensive improvement measures in the Norwegian terminal network are carried out in order to reduce the cost level and increase the profit margin.

REVENUE, MNOK

4 307

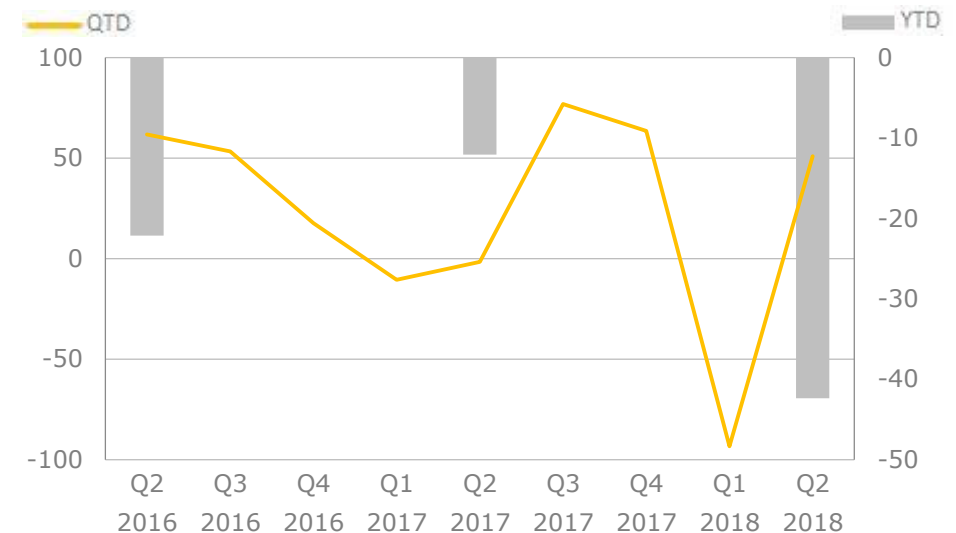
8 362



Adjusted operating profit, MNOK

51

-42





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 11,2 %

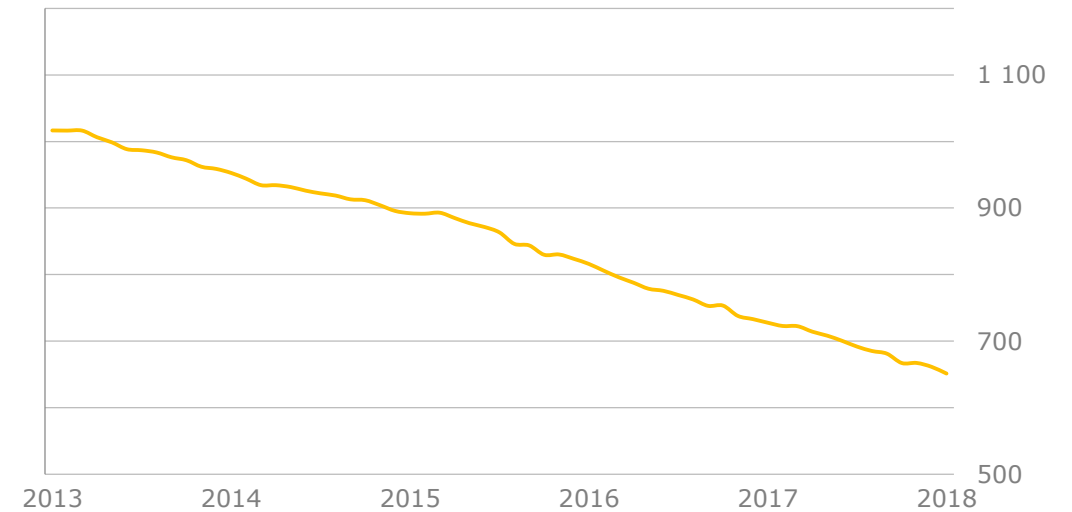
The volume of unaddressed mail fell by 12 %

- The decline in addressed mail volumes was larger than expected, and the development so far in 2018 indicates that the decline will accelerate
- The Group is carrying out a number of restructuring measures to compensate for the declining volumes
- There was also a reduction in China's e-commerce in the first half of the year, by approximately 9 percent compared to the first half of 2017.

VOLUME ADDRESSED MAIL, millions

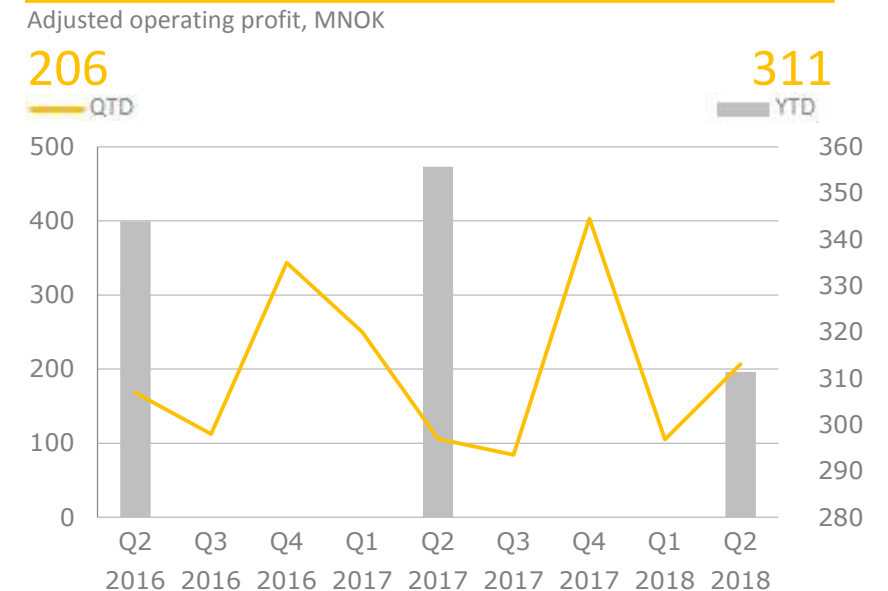
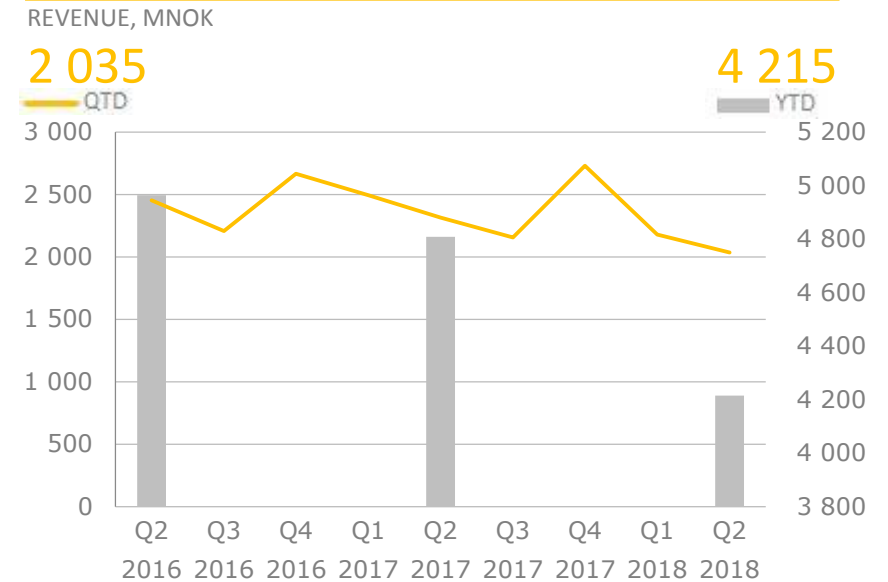
651 (last 12 months)

-35,9 % (last 5 years)



Segment Mail: Key figures first half-year 2018

- Revenue in the first half-year 2018 was **MNOK 4 215**
- Sale of business and volume decline are the main reasons for the reduction in revenues
- The introduction of one addressed mail flow contributed to the reduction
- Adjusted operating profit was **MNOK 311** in the first half-year 2018, a decrease of MNOK 45 compared with the same period in 2017
- Reduced results mainly due to declining volumes
- An additional grant for government procurements of commercially non-viable postal services contributed positively. The Government is now paying for all the additional costs to maintain the five days mail distribution in the whole country
- The introduction of one addressed mail flow from year-end is carried out according to plan, and the cost development so far is as expected.
- The Mail segment is dependent upon regulatory latitude to allow for a quicker response to market developments





Future prospects

- Positive growth prospects in the economy and favourable trading conditions in both Norway and Sweden provide a better market outlook for the logistics business
- Efforts to improve profitability continue within logistics, including a new terminal network
- Ambitious development program to meet customer needs in a digital time
- During the «Arendal week» Posten demonstrated the world's first self-driving robot for mail and parcels
- The changes in the mail business is escalating. It will be of vital importance that the Government pays for ordered services, or that room is given for adjusting the service level to the 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 shall continue to be present across the country – the whole week, with new delivery methods giving the customers greater freedom of choice



We make everyday life simpler and the world smaller