



QUARTERLY REPORT

2ND QUARTER 2017

2nd quarter and 1st half-year 2017

PART 1:

- Highlights and development

PART 2:

- Results and segment review



2nd quarter and 1st half-year 2017

PART 1:

- Highlights and development





Highlights 1st half-year 2017

- Adjusting the **organisation** to a new era. **Simplified** and **customer-oriented**.
- The Group is working determinedly to **strengthen profitability**, by focusing the strategy and operational initiatives. Initiated cost measures are starting to give results.
- On 11 May, Posten opened a **new logistics terminal** in Narvik. The new logistics network in Norway will more than halve the number of terminals. This gives basis for a significant **streamlining** of our logistics operation.
- Posten Norge has tested new services for the **letter box of the future**. Positive response from users.
- The return on **invested capital** (ROIC) was 9.1 %, an improvement of 0.6 %-points from the same period last year.
- The increase in **private e-commerce** continued. Growth in the Group's e-commerce volume by 7 % in the 1st half-year.
- In the 1st half-year, the result for deliveries of priority mail overnight was **85.8** %, 0.8 %-points over the licence requirement.
- The **absence due to sickness** in the last 12 months was 6.0 %, an improvement of 0.1 %-points compared with the same period in 2016.

Financial highlights 1st half-year 2017

REVENUES, MNOK

Q2 2017	Q2 2016	YTD 2017	YTD 2016
6 059	6 208	12 153	12 406

ADJUSTED PROFIT (EBITE)*, MNOK

Q2 2017	Q2 2016	YTD 2017	YTD 2016
56	203	247	221

RETURN ON INVESTED CAPITAL/ROIC*, %

Last 12 months	Last 12 months
9.1	8.5

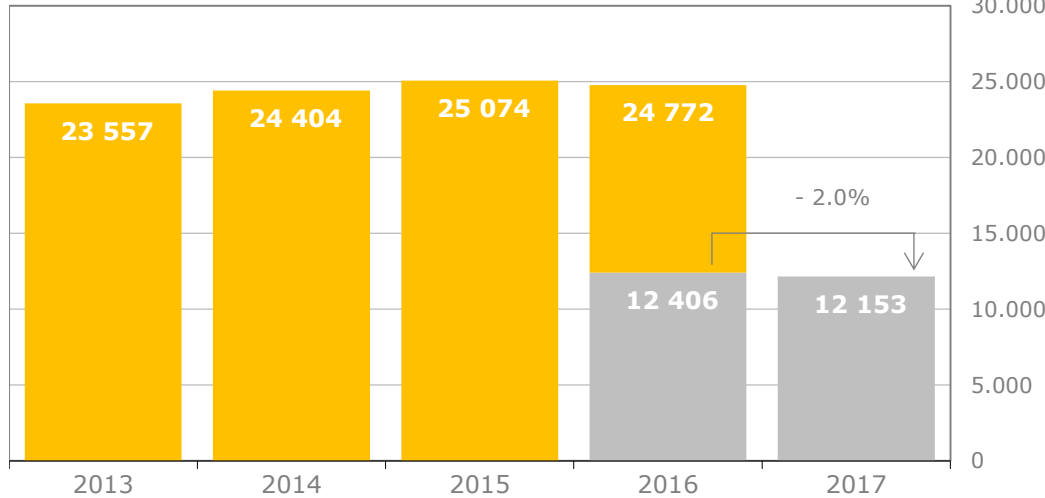
*For descriptions of adjusted profit (EBITE), and return on invested capital, ROIC, see appendix to the quarterly report 2nd quarter 2017



Revenue and adjusted profit (EBITE), 1st half-year 2017

REVENUE MNOK

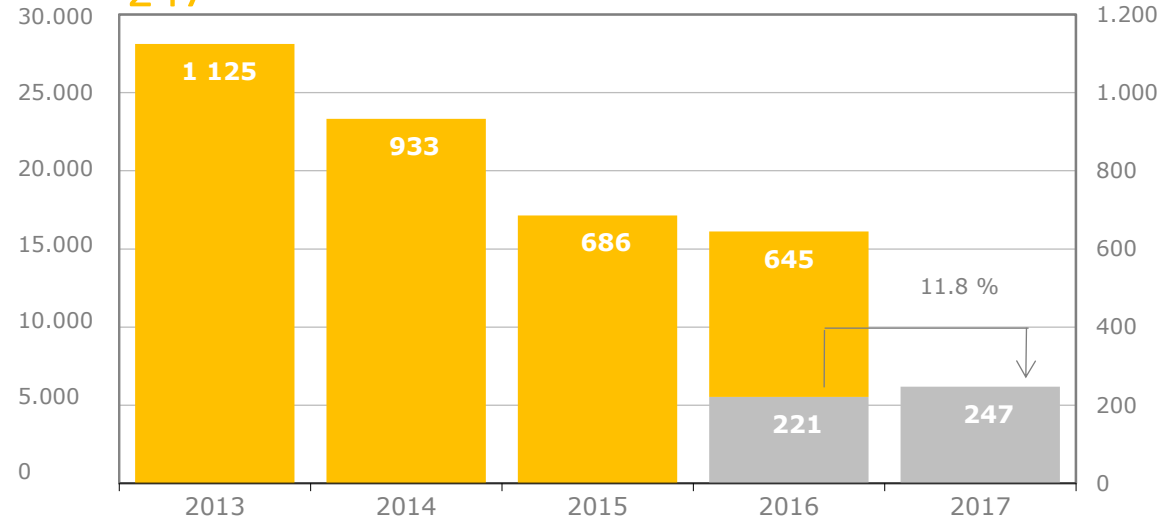
12 153



- The decline in addressed mail volumes continued. Increased prices and volume in unaddressed mail partly compensated this.
- Low economic growth in mainland Norway and decline in the oil sector had a negative influence on the turnover. At the same time freight, home deliveries and private e-commerce contributed to growth.
- The organic growth in the 1st half-year was positive by 0.4 %.

ADJUSTED PROFIT (EBITE), MNOK

247



- The results increased in both segments.
- The Mail segment showed improvements despite declining mail volumes. Considerable operational measures and increased volumes of unaddressed mail.
- The Logistics segment showed improvements due to high volume growth in private e-commerce, increased home deliveries and discontinued unprofitable operations in Sweden. Parts of the Norwegian logistics business was influenced by weak development in the Norwegian economy.

Results

Amounts in MNOK

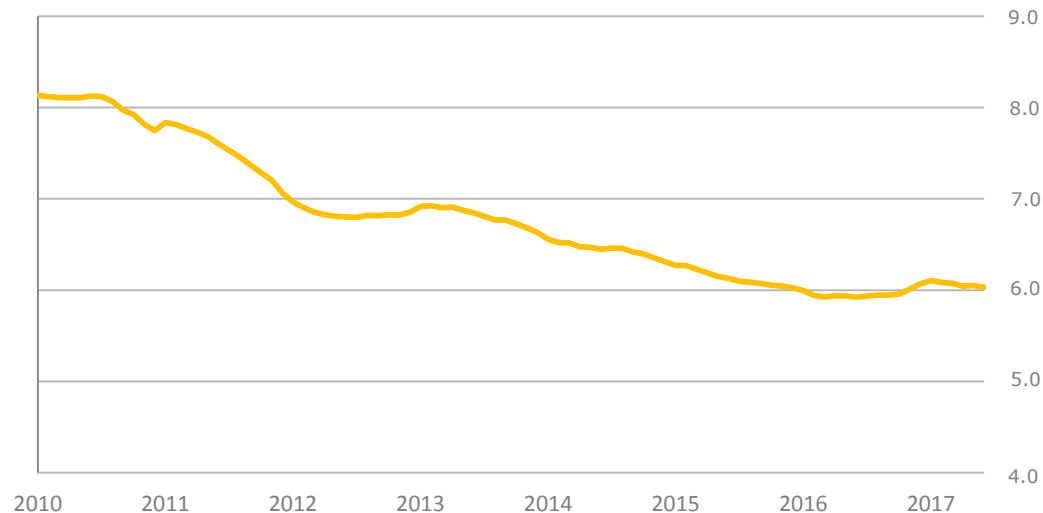
Q2 2017	Q2 2016		YTD 2017	YTD 2016	Year 2016
6 059	6 208	Operating revenues	12 153	12 406	24 772
223	380	EBITDA	576	576	1 339
56	203	Adjusted profit (EBITE)	247	221	645
54	258	EBIT	257	283	178
(16)	4	Net financial items	(15)	7	52
38	262	Profit before taxes	242	290	230
32	196	Net income/-loss	187	216	39

*For descriptions of adjusted profit (EBITE), and return on invested capital, ROIC, see appendix to the quarterly report 2nd quarter 2017

HSE: Absence due to sickness showed a slight decrease compared with the same quarter in 2016

ABSENCE DUE TO SICKNESS, GROUP %

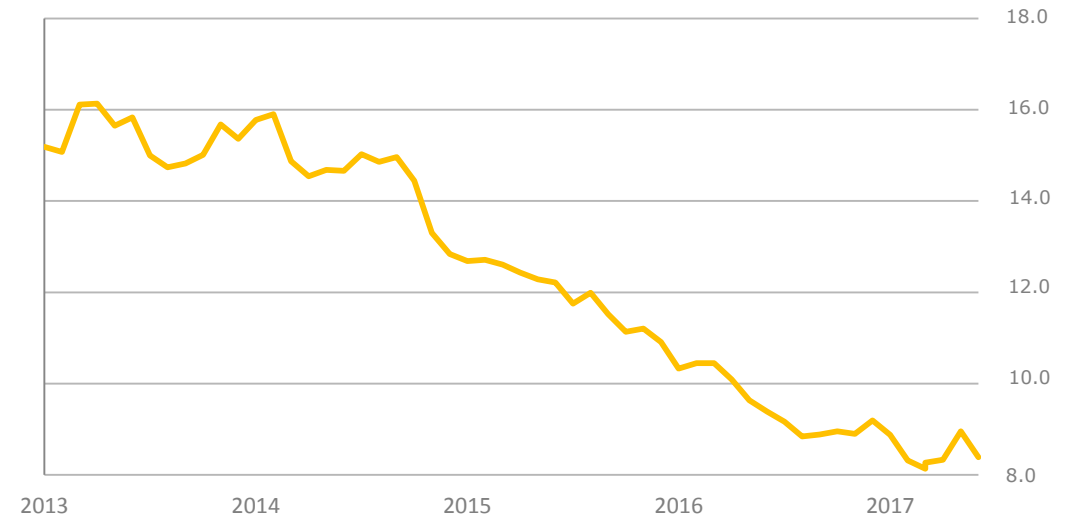
6.1 % (last 12 months)



- The absence due to sickness in the 2nd quarter was reduced by 0.2 %-points compared with the 2nd quarter in 2016.
- The Group's aim is to maintain a working environment focusing on health where nobody gets injured or sick as a consequence of their work.

H2 IN THE GROUP

8.4 (last 12 months)



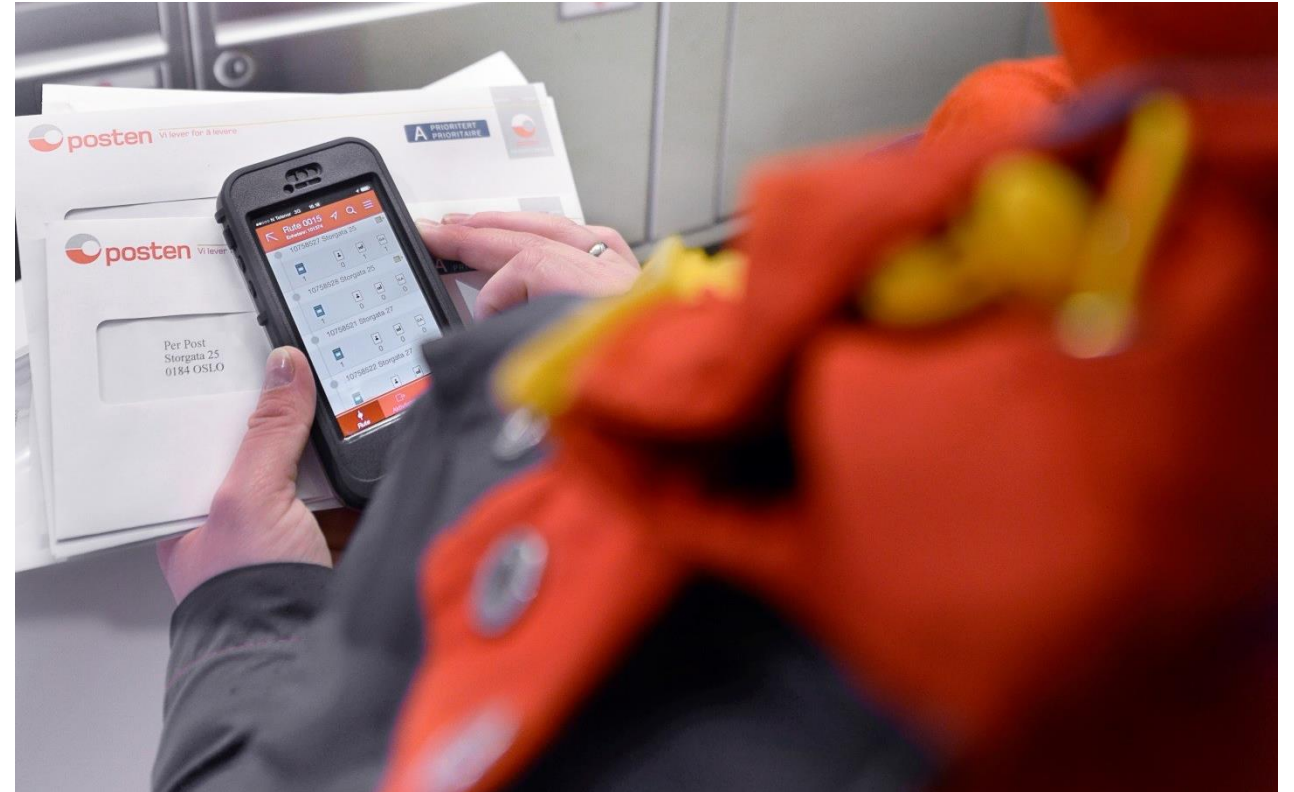
- The total number of personal injuries per million worked hours (H2) was 5.9 in the 2nd quarter of 2017.
- The injury frequency in the last 12 months was reduced from 9.1 to 8.4.



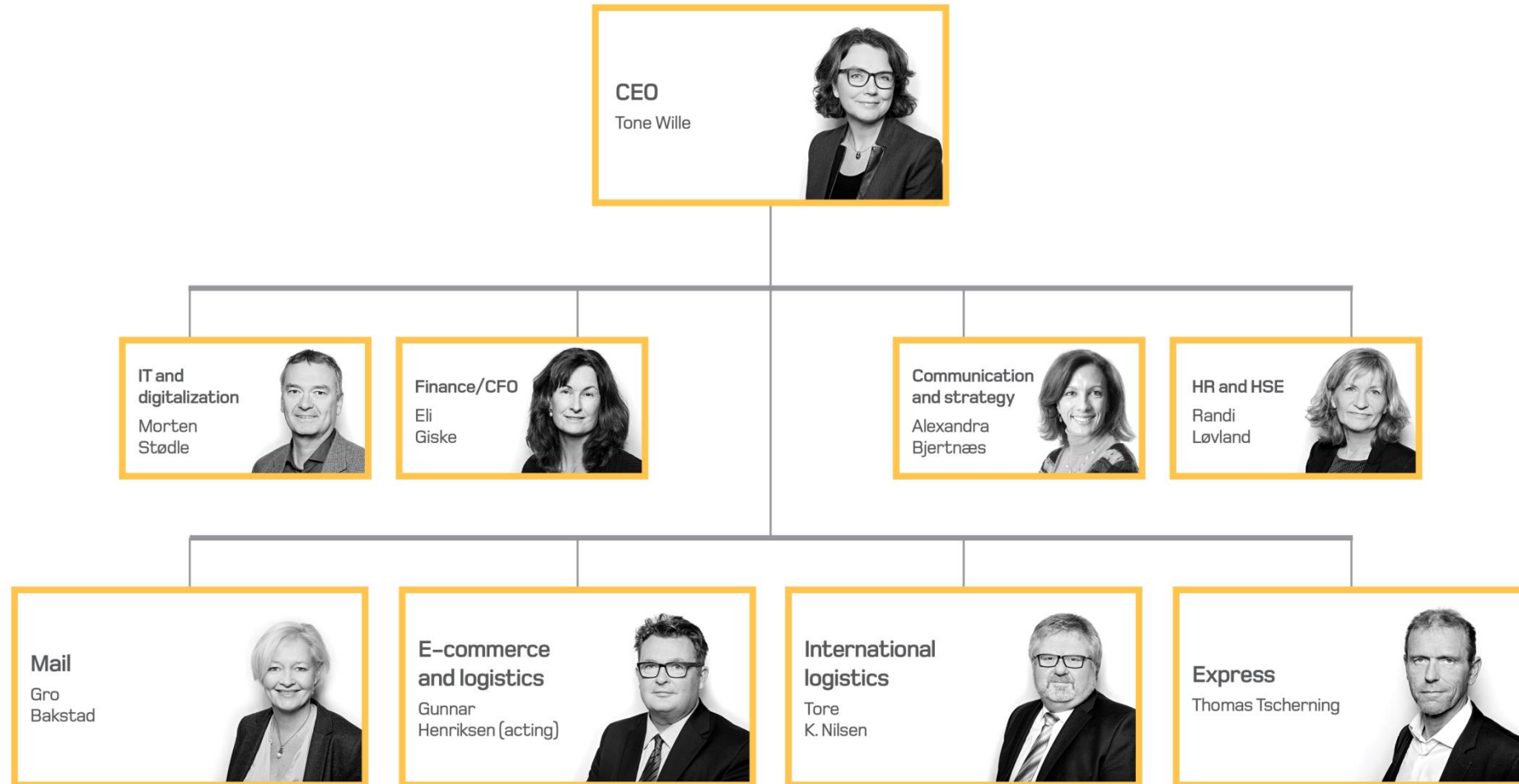
New strategic direction:
Customer-oriented. Simplified.
Profitable.

Selected focus areas

1. Digital transformation
 - Establishing a new unit for Digital innovation
2. New services for the private market
3. Cost-effectiveness
4. Sales and customer service

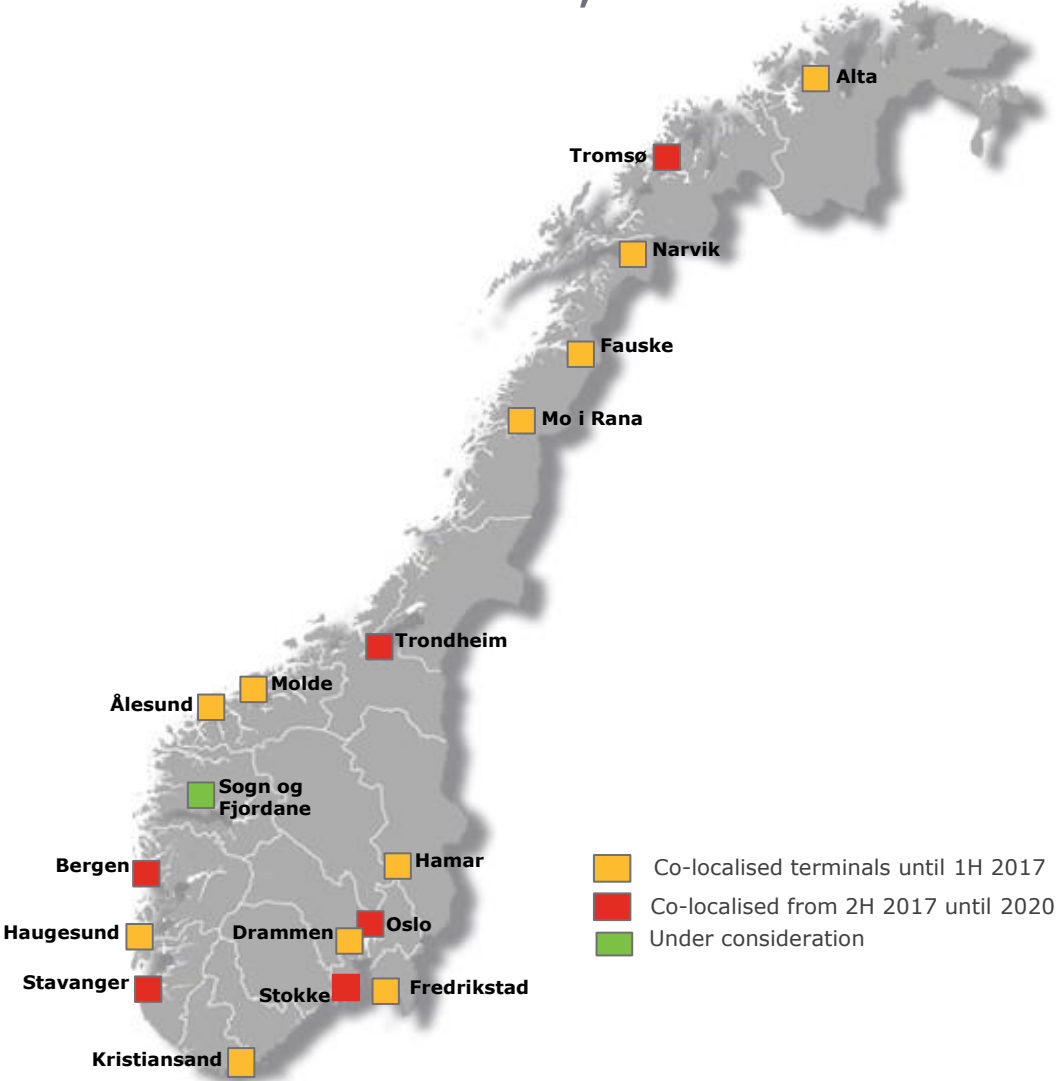


New organisation with clear customer focus

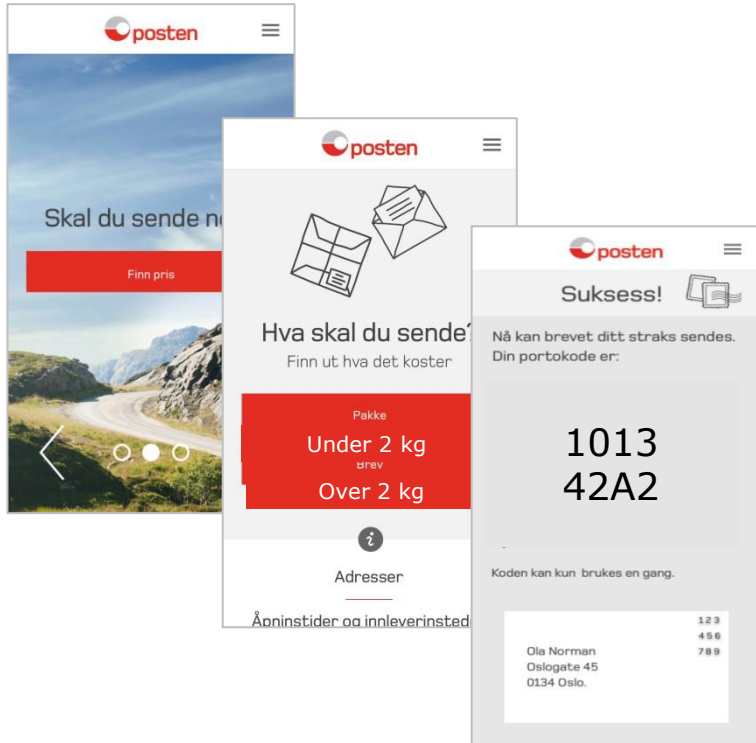


Parcels and freight provide growth for Posten. At the same time, logistics operations need to be streamlined. Therefore, we invest in a new logistics network.

- Posten Norge is establishing 18 new joint terminals for parcels and freight in Norway.
- The number of terminals will be more than halved compared with earlier.
- The goal is to make operations efficient and increase profitability in the Logistics segment. Joint terminals enable a higher degree of coproduction and coordination of parcels and freight and a simplification of the linehaul.
- In 2017, the following new terminals are opened:
 - ✓ Narvik on 11 May
 - **Trondheim is opened on 15 September**
 - **Oslo/Alnabru is opened on 19 October**



Testing e-postage and sending from one's own letter box - Positive response from users



Nå kan du snart få ditt eget postkontor

Lang vei til nærmeste postkontor? Ved utgangen av året kan det bli mulig å sende brev og pakker rett fra postkassen hjemme.



Snart kan det bli mulig å sende posten hjemmefra.
FOTO: BIRGER KJØLBERG / NRK



Tiril Mettesdatter Solvang
Journalist



Birger Kjølberg
Journalist

© Publisert 08.06.2017, kl. 20:16



Posten Norge has invited 10.000 households to test new services for the letter box of the future. With digital postage it can be possible to send products from your own letter box. The self-service solution combines new technology with ordinary letter boxes and makes it easier to send mail.

1st half-year 2017

PART 2:

- Results and segment review



Segment reporting

Posten Norge



Segment Mail



Segment Logistics



MNOK	Revenue	Adjusted profit (EBITE)	Revenue	Adjusted profit (EBITE)	Revenue	Adjusted profit (EBITE)
Q2 2017	6 059	56	2 314	106	4 131	-2
Q2 2016	6 208	203	2 452	168	4 147	62
YTD 2017	12 153	247	4 808	356	8 115	-12
YTD 2016	12 406	221	4 964	344	8 241	-22



Segment Mail

- Letter products
- Banking services
- Dialogue services

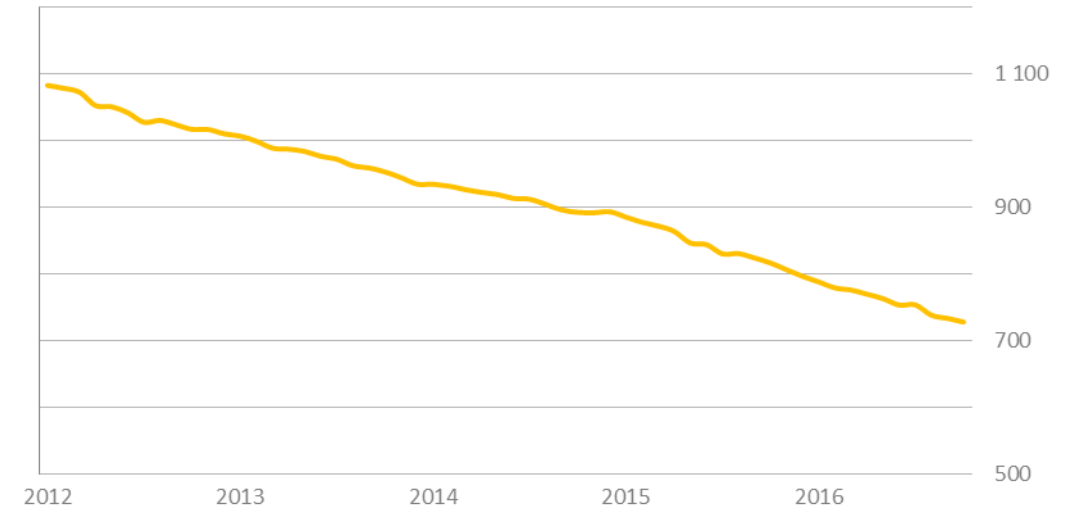
Segment Mail: Market development

- In the 1st half-year, the decline in volumes of addressed mail continued as a consequence of our customers digitalization.
 - The decline in volume of addressed mail in Norway was 10.4 %.
 - The volumes of unaddressed mail increased by 11.9 %. Increased volume from large customers.
 - Bring Citymail Sweden had an increase in volume of 6.4 %.
- The Group is carrying out an ongoing number of measures to adjust operations and costs to the declining mail volumes.
- The transition to one mail stream will take place from 2018.

VOLUME ADDRESSED MAIL (NORWAY), millions

728 (last 12 months)

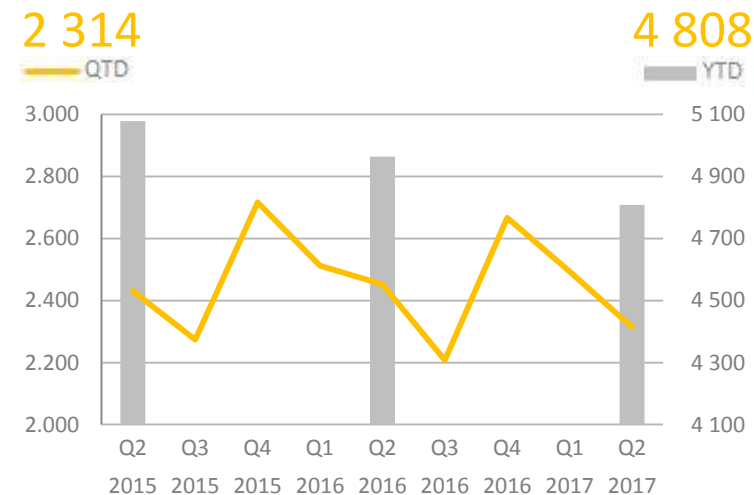
-32.8 % (last 4 years)



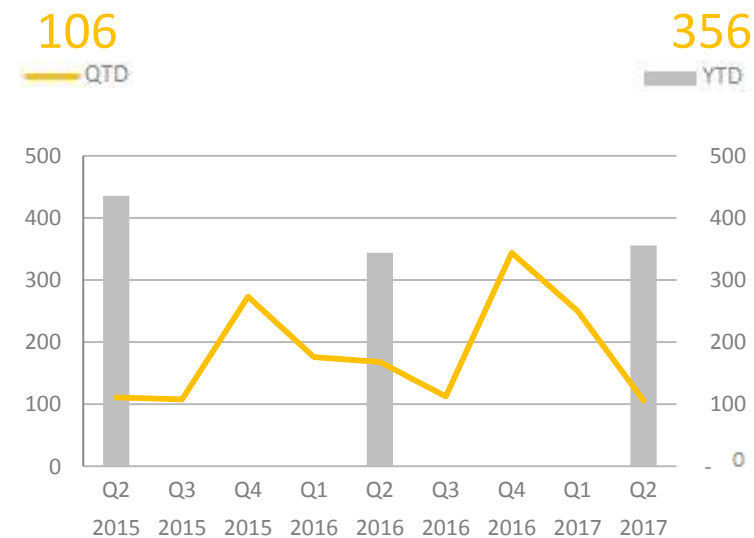
Segment Mail: Key figures 2017

- Revenue in the 1st half-year of 2017 was **MNOK 4 808**, MNOK 156 weaker than last year.
 - Higher volumes of unaddressed mail compensated partly for the decline in volume of addressed mail.
- The adjusted profit (EBITE) was **MNOK 356** in the 1st half-year of 2017, an increase of MNOK 12 compared with the same period in 2016.
 - Efficiency improvements as a consequence of winding up the Saturday mail distribution and operational adjustments to lower volumes.
 - Income from Government procurement of commercially, non-viable postal services was MNOK 85 lower in the 1st half-year than in the same period in 2016.
 - The Mail segment depends on structural changes to adjust the services in line with the declining volumes and to maintain profitability over time.

REVENUE, MNOK



ADJUSTED PROFIT (EBITE), MNOK





Segment Logistics

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

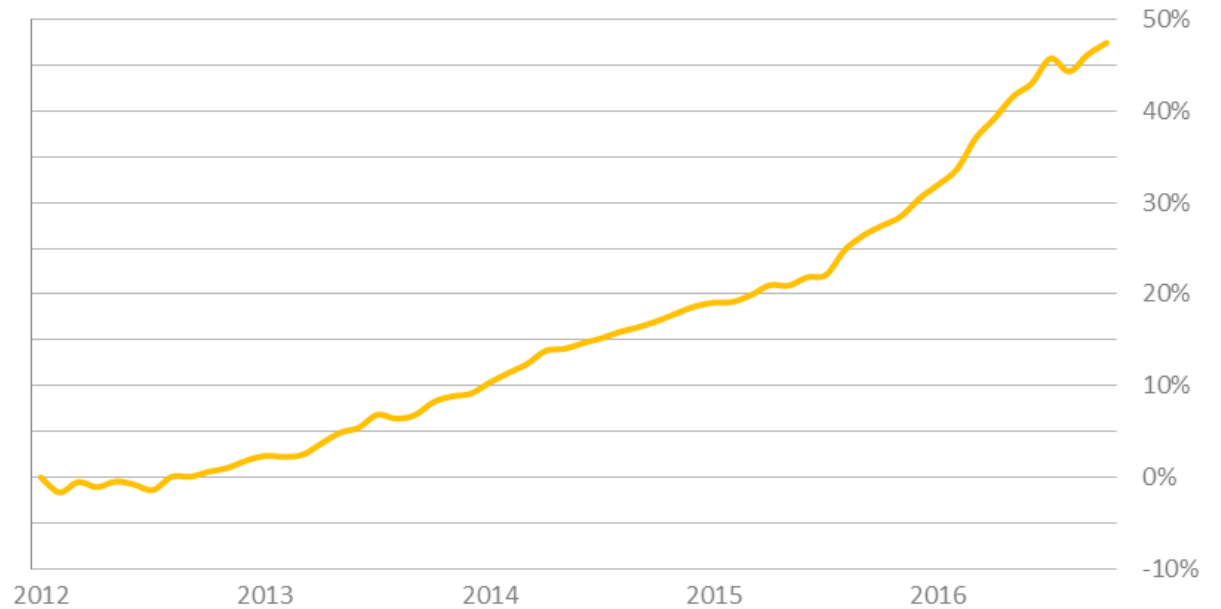
Segment Logistics: Market development

- Weak economic growth in mainland Norway.
- Low activity in the oil sector.
- Positive development due to high volume growth in private e-commerce and increased home deliveries in Sweden and Denmark.

E-COMMERCE VOLUME DEVELOPMENT FROM Q4 2012, %

15.7 % (last 12 months)

47.5 % (last 4 years)



Segment Logistics: Key figures 2017

- Revenue in the 1st half-year of 2017 was **MNOK 8 115**, a reduction of **MNOK 126** from the same period in 2016.
 - Low activity in the oil sector impacted turnover negatively.
 - Freight, home deliveries and private e-commerce contributed to growth.
 - The 1st half-year included revenues from businesses winded up.
- Adjusted profit (EBITE) showed a loss of **MNOK 12** in the 1st half-year of 2017, an improvement of **MNOK 10** from the same period in 2016.
 - Reduced result in parts of the business due to weak economic development in Norway.
 - Profitability improvement in Sweden and Denmark due to high volume growth in private e-commerce and increased home deliveries.
 - Discontinuing of unprofitable freight business in Sweden affected profitability positively.
 - A number of cost measures have been initiated to improve earnings in the segment.

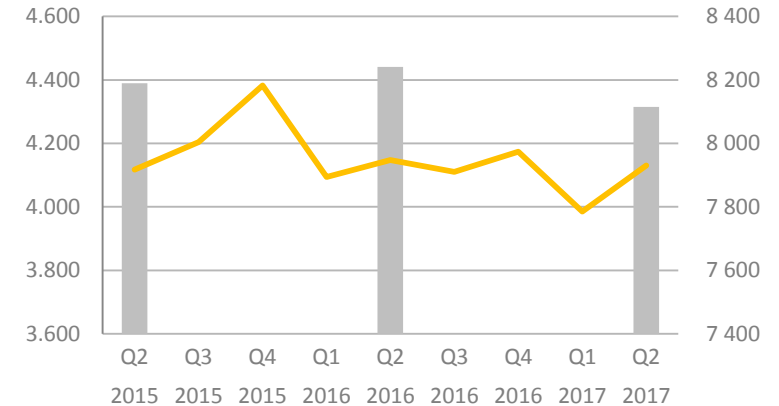
REVENUE, MNOK

4 131

8 115

QTD

YTD



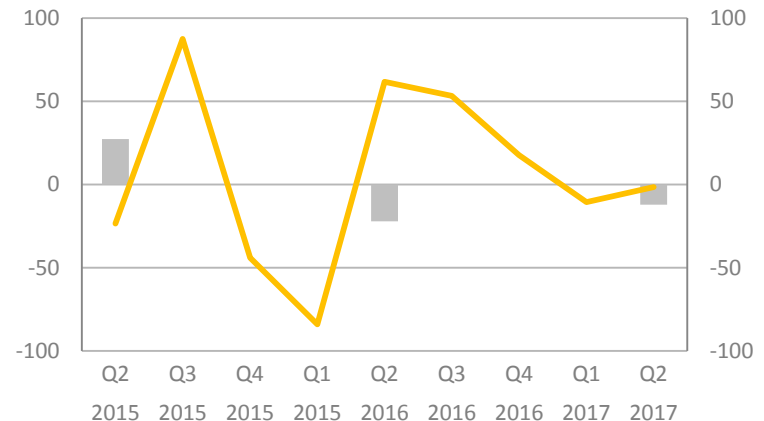
ADJUSTED PROFIT (EBITE), MNOK

-2

-12

QTD

YTD





Future prospects

- Due to the strong decline in addressed mail volumes, a more extensive regulatory scope of action is required to enable a quicker adjustment of services to the market development. From 1 January 2018, Posten will unite the priority and non-priority mail into one mail stream.
- According to the current growth forecasts the upturn in the Norwegian economy will be moderate, and the boom in Sweden will continue. A moderate improvement in the Norwegian economy is expected to give increased activity in the logistics market.
- A new logistics centre at Alnabru in Oslo, a new mail and logistics centre in Trondheim and a new joint terminal in Gothenburg will open during 2017. The new terminal structure will streamline the way we operate our logistics production.
- Additional cost measures initiated.
- The Government granted MNOK 177 for Government procurements of commercially, non-viable postal services for the fiscal year 2017. This is MNOK 316 lower than the calculated net cost for 2017.