

# QUARTERLY REPORT



3rd QUARTER 2018

# 3<sup>rd</sup> quarter 2018

## PART 1:

- Highlights and development

## PART 2:

- Results and segment review



# 3<sup>rd</sup> quarter 2018

## PART 1:

- Highlights and development



## Highlights 3<sup>rd</sup> quarter

- **Organic growth** so far this year was positive by 1,1 %, driven by the Logistics segment
- Some **improvement of profit** in the Logistics segment from the same quarter in 2017
- **Growth** within parcels and freight in as well as outside Norway
- **Increased productivity** in the Norwegian parcels and freight network had a positive effect for the Logistics segment
- **Reduced profit** for the 3<sup>rd</sup> quarter in the Mail segment, due to accelerating decline in mail volumes
- Good **delivery quality** with 91,5 % of addressed mail delivered within 2 days in the 3<sup>rd</sup> quarter, 90,3 % so far this year
- Continued low **absence due to sickness** of 6,0 % in the last 12 months

# Financial highlights 3<sup>rd</sup> quarter and year to date 2018

## OPERATING REVENUES, MNOK

Q3 2018	Q3 2017	YTD 2018	YTD 2017
5 643	5 807	17 487	17 959

## ADJUSTED OPERATING PROFIT\*, MNOK

Q3 2018	Q3 2017	YTD 2018	YTD 2017
126	130	284	377

## RETURN ON INVESTED CAPITAL/ROIC, %

Last 12 mths	Last 12 mths
8,4	8,8

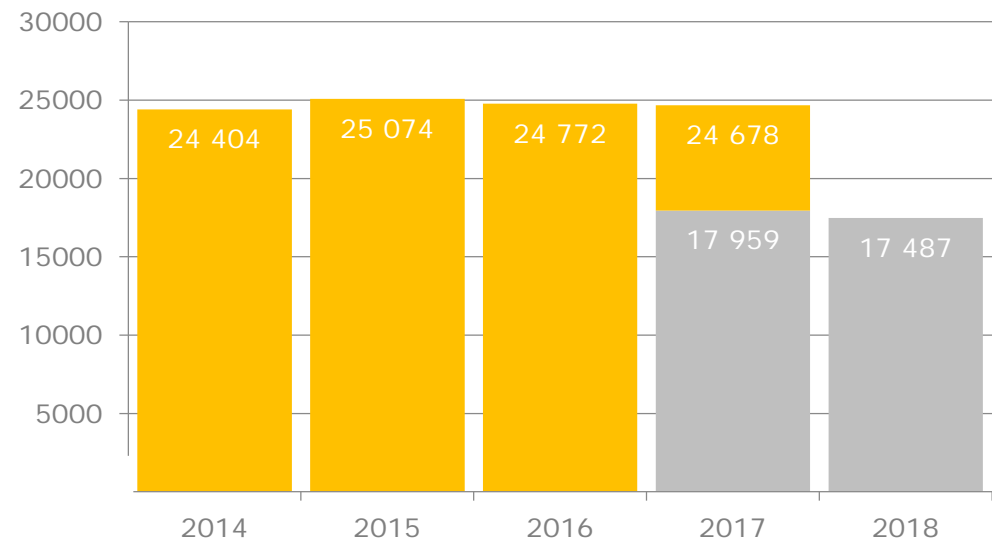
\*For descriptions of alternative performance measures, see appendix to the report



# Revenue and adjusted profit, 3<sup>rd</sup> quarter and year to date 2018

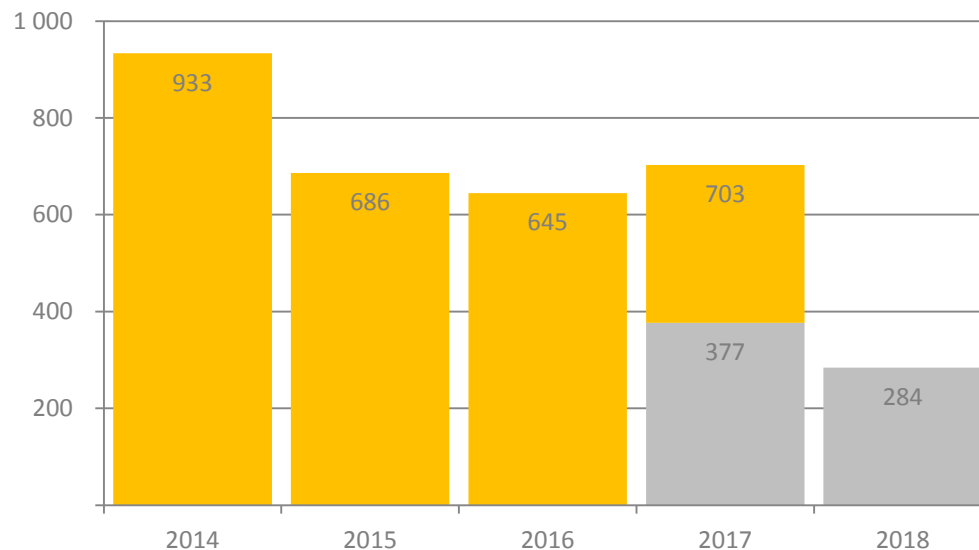
Revenue, MNOK

17 487



Adjusted operating profit, MNOK

284



- Organic growth of 1,1 % so far in 2018
- Revenue growth of 3,7 % in the Logistics segment so far in 2018
- Reduced revenue in the Mail segment due to increasing decline in mail volumes, the sale of Bring Citymail Sweden and the introduction of one addressed mail flow
- The decline in addressed mail volumes was 12,5 % so far in 2018; 15,5 % in the 3<sup>rd</sup> quarter

- Adjusted operating profit for the Logistics segment was weaker than in the same period in 2017, affected by a slow start of the year. The last months have shown a positive trend, and the result for the 3<sup>rd</sup> quarter was better than for the corresponding period last year
- Reduced results in the Mail segment in spite of an additional grant for government procurements of commercially non-viable postal services. The decline is due to the increasing decline in volumes

## Results 3<sup>rd</sup> quarter and year to date 2018

Q3 2018	Q3 2017		YTD 2018	YTD 2017	Year 2017
5 643	5 807	Revenue	17 487	17 959	24 678
285	309	EBITDA	777	885	1 386
126	130	Adjusted operating profit	284	377	703
116	159	Operating profit (EBIT)	328	416	692
(16)	(28)	Net financial items	( 42)	(43)	(71)
100	131	Profit before taxes	286	373	621
<b>76</b>	<b>91</b>	<b>Profit after tax</b>	<b>221</b>	<b>278</b>	<b>388</b>

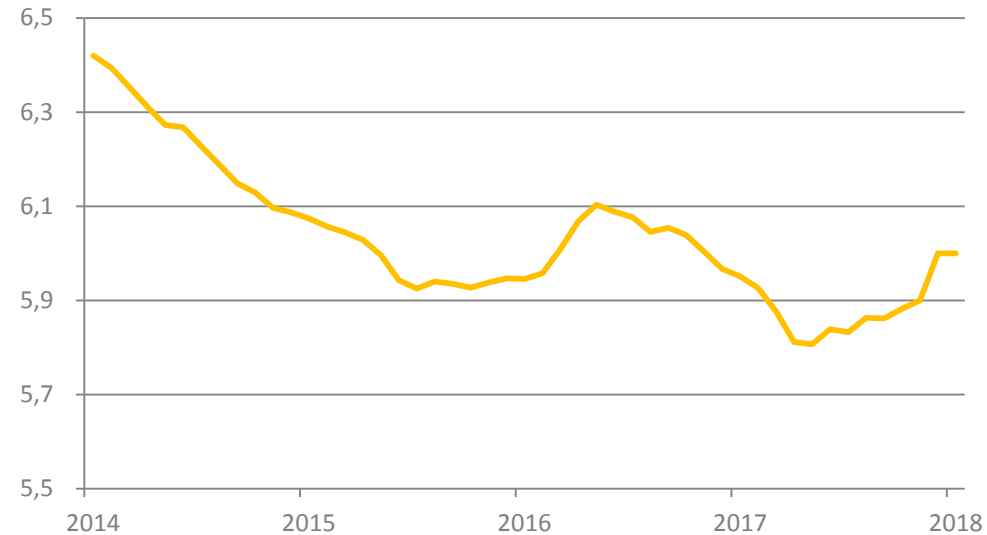
Alternative performance measures applied in the quarterly report are described in appendix to the report  
See condensed financial statement



## HSE: Absence due to sickness still low in 2018

ABSENCE DUE TO SICKNESS, GROUP %

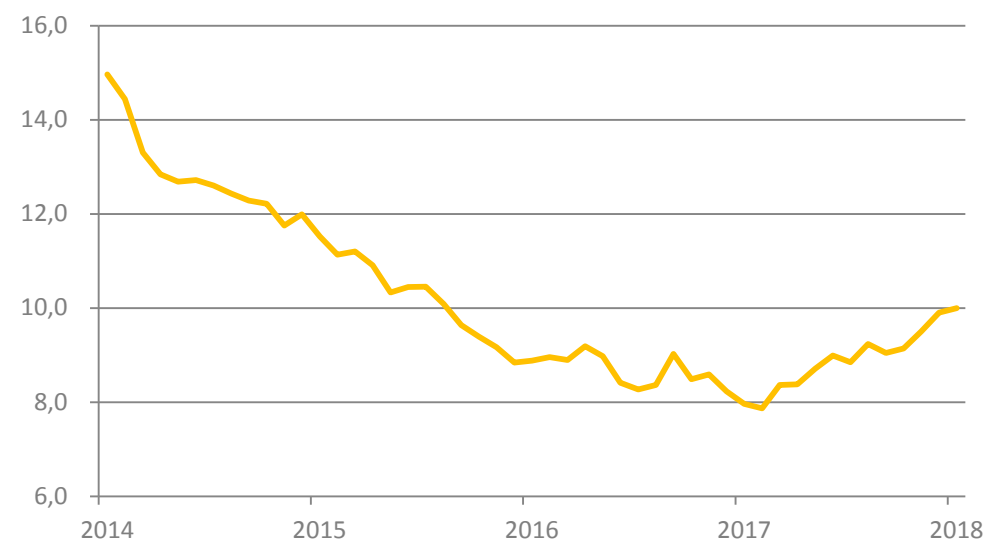
6,0 % (last 12 months)



- Absence due to sickness in the last 12 months was 6 %, unchanged from the same period last year
- 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

10,0 (last 12 months)



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 7,9 to 10 compared with the same period in 2017
- There is implemented a new group security campaign to strengthen the Group's security culture



# 3<sup>rd</sup> 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**

<b>Q3 2018</b>	5 643	126	4 242	87	1 770	76
Q3 2017	5 807	130	4 038	77	2 156	84
<b>YTD 2018</b>	<b>17 487</b>	<b>284</b>	<b>12 604</b>	<b>45</b>	<b>5 986</b>	<b>387</b>
YTD 2017	17 959	377	12 153	65	6 965	440



## 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

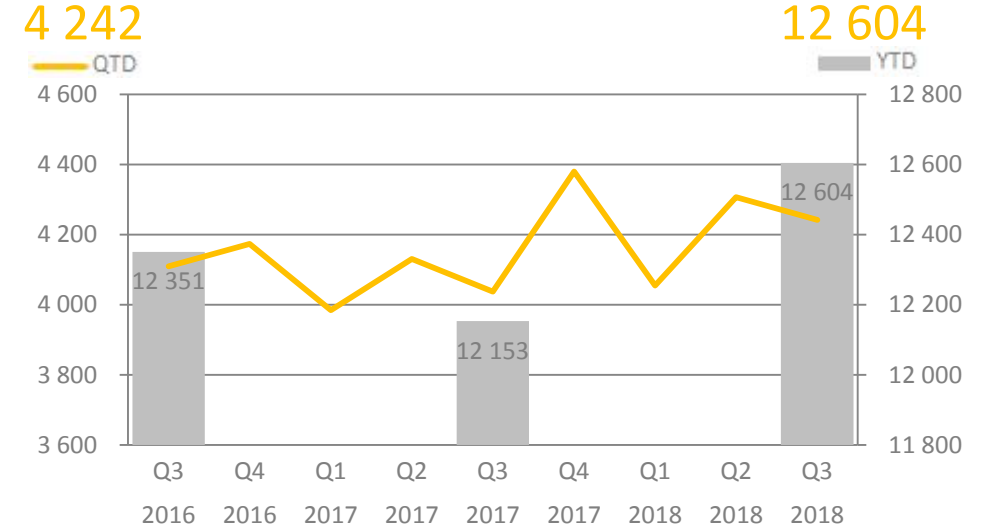
- Revenue growth of 3,7 % so far in 2018 and organic growth of 4,9 %
- Good growth in gross domestic product (GDP)
- Higher activity in offshore, but the oil sector was still affected by low project activity
- Price growth is expected to be higher in the future
- The demand for logistics services increases along with the GDP-growth, and favourable economic conditions contribute to better market prospects for the logistics industry



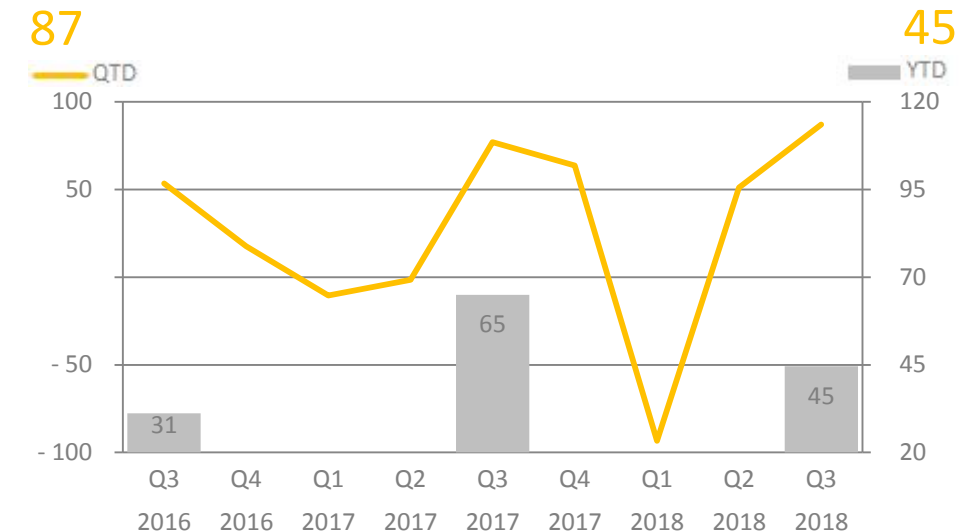
## Segment Logistics: Key figures 2018

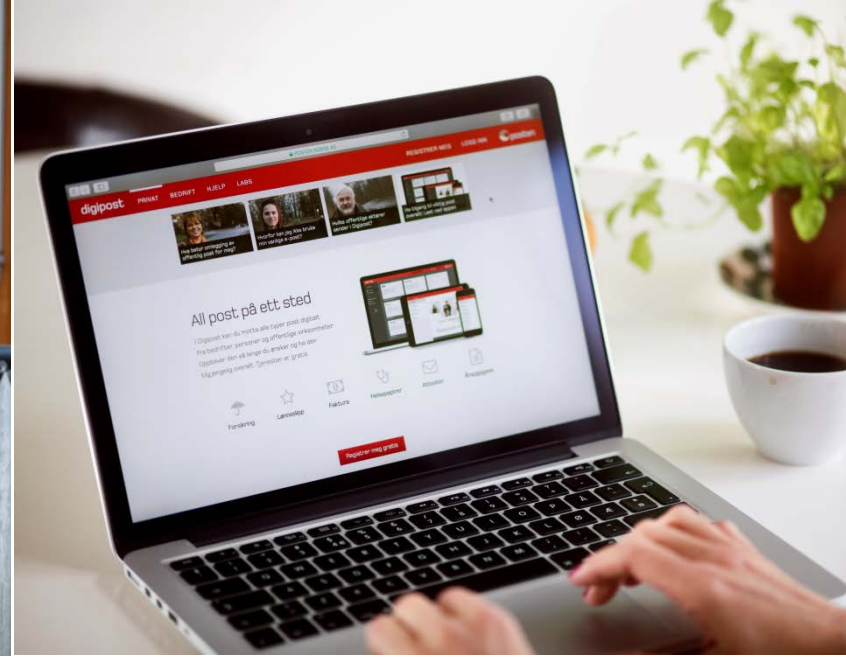
- Revenue so far in 2018 was **MNOK 12 604**
  - Organic growth of 4,9 %
  - Solid growth within parcels, freight and international forwarding and transport
  - Satisfactory growth in e-commerce to private consumers, for home deliveries and courier services both in and outside Norway
  - Continued low project activity in the oil sector
- Adjusted operating profit was **MNOK 45** so far in 2018, a reduction of **MNOK 20** from the same period in 2017
  - The result was affected by a slow start of the year, mainly as a consequence of additional resources used in the implementation of a new terminal structure
  - Increased productivity in the Norwegian parcels and freight network, and the result for the 3<sup>rd</sup> quarter was better than the corresponding period last year
  - The parcel business outside Norway also experienced solid profitability improvement due to high growth
  - Continued profitability challenges in parts of other operations

REVENUE, MNOK



Adjusted operating profit, MNOK





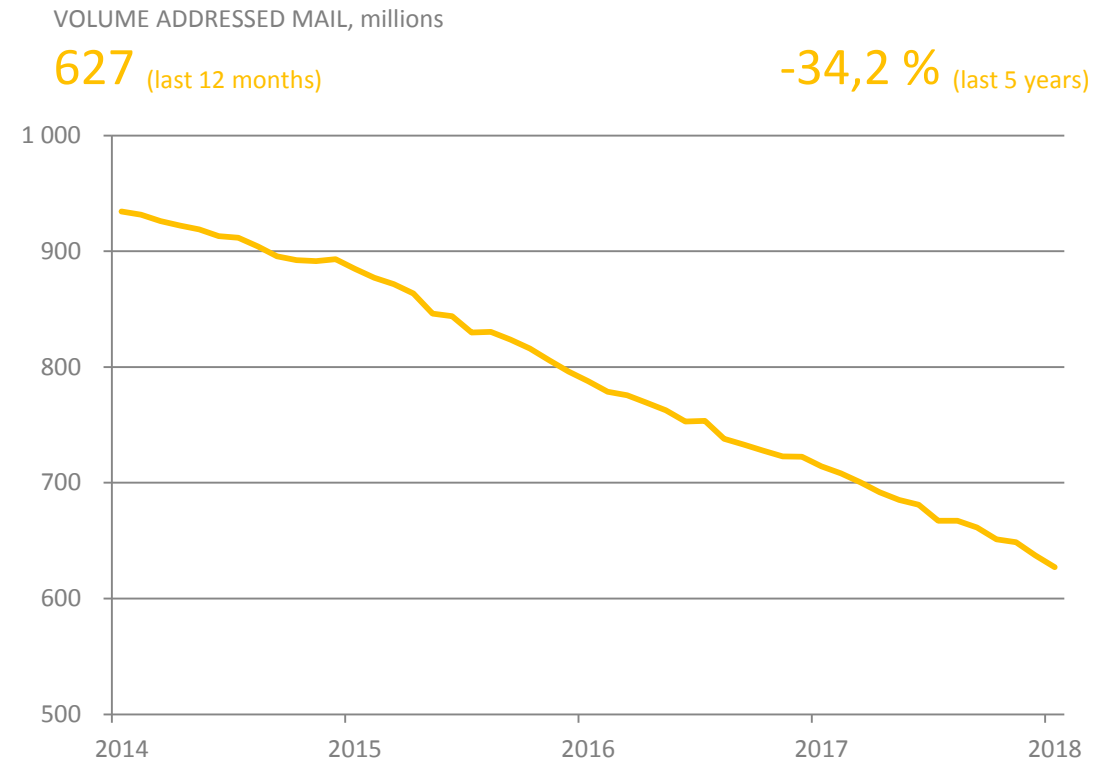
## Segment Mail

### *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 decline in mail volume is accelerating, and the changes in the mail market is expected to accelerate
- The volume decline in addressed mail in 2018 continued as a consequence of digitalisation at our customers
- The volume of addressed mail in Norway fell by 12,5 % so far in 2018, and 15,5 % in the 3<sup>rd</sup> quarter
- The public sector had a volume decline of 27 %, and banks and finance businesses 15 %

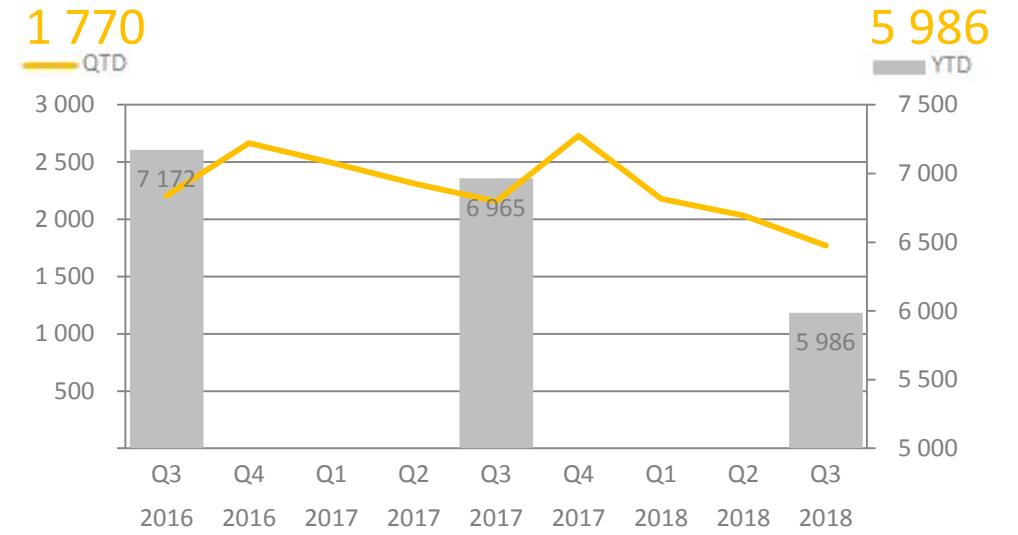




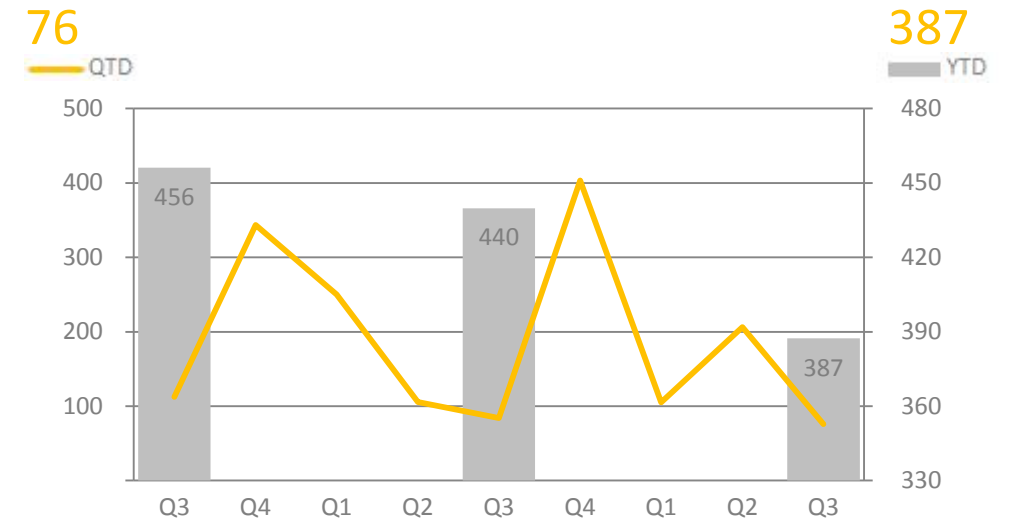
## Segment Mail: Key figures 2018

- Revenue so far in 2018 was **MNOK 5 986**, a reduction of MNOK 979 compared with the same period in 2017
- Sale of business, the introduction of one addressed mail flow and volume decline are the main reasons for the reduction in revenues
- Adjusted operating profit was **MNOK 387** so far in 2018, a decline of MNOK 53 compared with the same period in 2017
- Reduced results are mainly due to declining volumes
- An additional grant for government procurements of commercially non-viable postal services contributed positively
- Cost adjustments in operations were not adequate to compensate for the large reduction in addressed mail volumes
- The introduction of one addressed mail flow at the start of the year is carried out as planned, and the cost development so far is as expected. The full effect of the transition will not be achieved until the last quarter of 2018

REVENUE, MNOK



Adjusted operating profit, MNOK





## Future prospects

- Favourable economic conditions contribute to better market prospects for the logistics industry
- Efforts to improve profitability to achieve more cost-efficient operations within logistics continue
- The Government is proposing to grant MNOK 534 to government procurements of commercially non-viable postal services in the fiscal budget for 2019. This is in line with Posten's preliminary calculations
- The strong decline in letter volumes pushes for new changes in the postal network
- The requirements of the Postal Act imply considerable structural costs for the Group. It is of vital importance that the Government pays for ordered services, or allows room for adjusting the range of services to the declining demand
- A necessary next step is to change from mail distribution five days a week to every other day in the entire country. It becomes important that amendments to the Postal Act that open for this will be submitted to the Parliament this autumn as the government has notified



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