



QUARTERLY REPORT

3RD QUARTER 2017

3rd quarter and year to date 2017

PART 1:

- Highlights and development

PART 2:

- Results and segment review



3rd quarter and year to date 2017

PART 1:

- Highlights and development



Highlights year to date 2017

- **Positive development** for the Logistics business. Some market growth but still profitability challenges in areas subject to economic cycles.
- The Group is making determined efforts to **strengthen profitability**, by sharpening the strategy as well as by operational measures. Initiated cost measures are starting to show results.
- In September, Posten opened a **new logistics centre** in Trondheim, and on 19 October, a new logistics centre opened in Oslo. The new logistics network in Norway enables effective interaction and joint production and transport of parcels and freight
- Return on **invested capital** (ROIC) was 8.8 %, 0.6 percentage points better than the corresponding period last year.
- The increase in **private** e-commerce continued. The growth in the Group's e-commerce volume was 14 % in the last 12 months.
- In the 3rd quarter of 2017, the result for **Priority mail** delivered overnight was 86.8 %, 1.8 percentage points higher than the license requirement of 85.0 %. So far this year, the result for Priority mail delivered overnight was 86.2 %
- **Absence due to sickness** in the last 12 months was 5.9 %, an improvement of 0.1 % percentage points from the same period last year.

Financial highlights 3rd quarter and year to date 2017

REVENUES, MNOK

Q3 2017	Q3 2016	YTD 2017	YTD 2016
5 807	5 934	17 959	18 340

ADJUSTED PROFIT (EBITE)*, MNOK

Q3 2017	Q3 2016	YTD 2017	YTD 2016
130	157	377	378

RETURN ON INVESTED CAPITAL/ROIC*, %

Last 12 months	Last 12 months
8.8	8.3

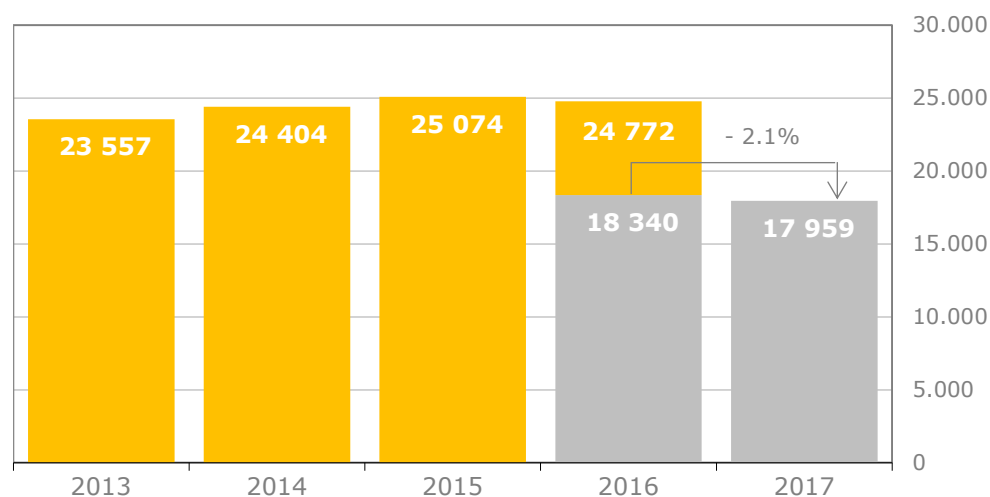
*For descriptions of adjusted profit (EBITE), and return on invested capital, ROIC, see appendix to the quarterly report 3rd quarter 2017



Revenue and adjusted profit (EBITE), 3rd quarter and year to date 2017

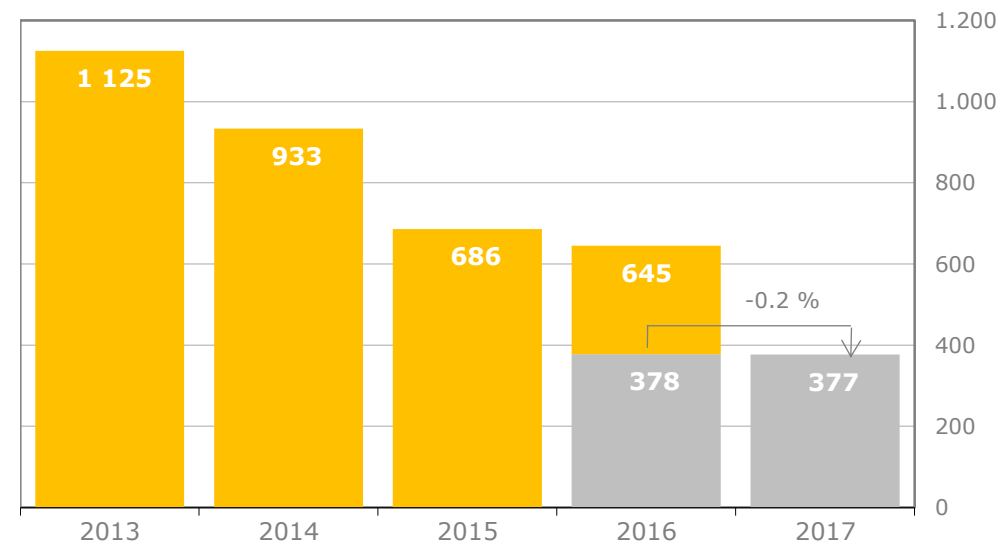
REVENUE MNOK

17 959



ADJUSTED PROFIT (EBITE), MNOK

377



- The fall in addressed mail volumes continued. Price increases on addressed mail and larger volumes of unaddressed mail partly compensated for the decline.
- The discontinuation of unprofitable business caused a reduction in turnover, while increased sales of parcels, freight, offshore and international transportation contributed to growth.
- Organic growth so far in 2017 was 0.4 %.

- Considerable operational adjustments and increased volumes for unaddressed mail counteracted the decline in the Mail segment.
- The Logistics segment showed improvement due to a high volume growth in e-commerce, increased home deliveries and the discontinuation of unprofitable business in Sweden.
- The Logistics segment is still influenced by weaker economic development in Norway, price pressure driven by increased competition.

Results

Amounts in MNOK

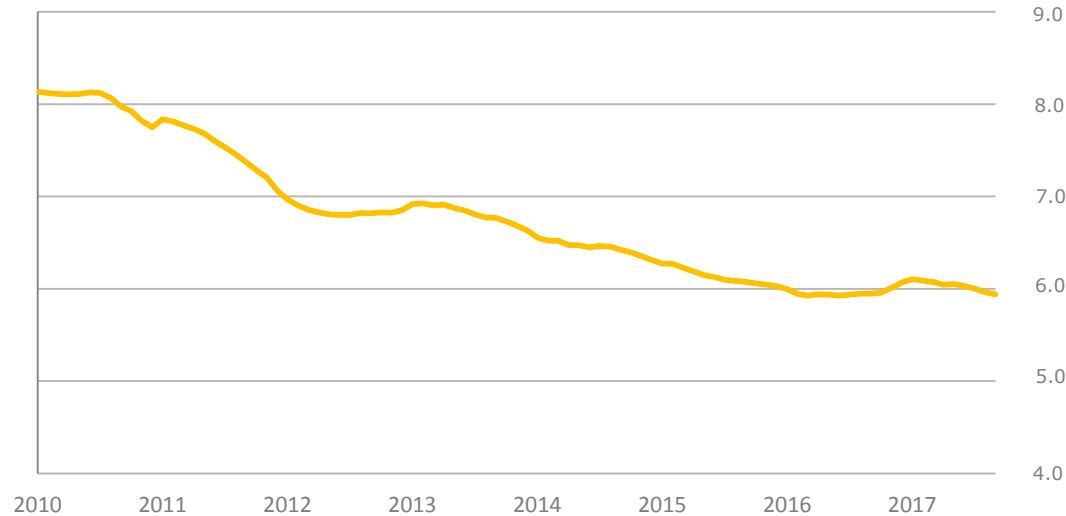
Q3 2017	Q3 2016		YTD 2017	YTD 2016	Year 2016
5 807	5 934	Revenue	17 959	18 340	24 772
309	331	EBITDA	885	907	1 339
130	157	Adjusted profit (EBITE)	377	378	645
159	102	EBIT	416	385	178
(28)	5	Net financial items	(43)	13	52
131	107	Profit before taxes	373	397	230
91	67	Net income/-loss	278	283	39

*For descriptions of adjusted profit (EBITE), and return on invested capital, ROIC, see appendix to the quarterly report 3rd quarter 2017

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

ABSENCE DUE TO SICKNESS, GROUP %

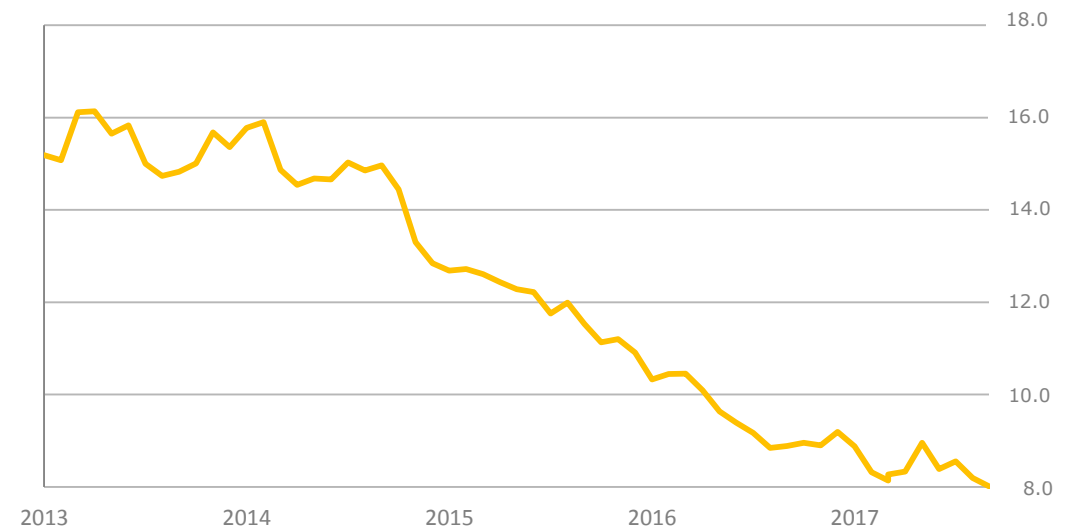
5.9 % (last 12 months)



- The absence due to sickness in the 3rd quarter was reduced by 0.5 % percentage points compared with the 3rd 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

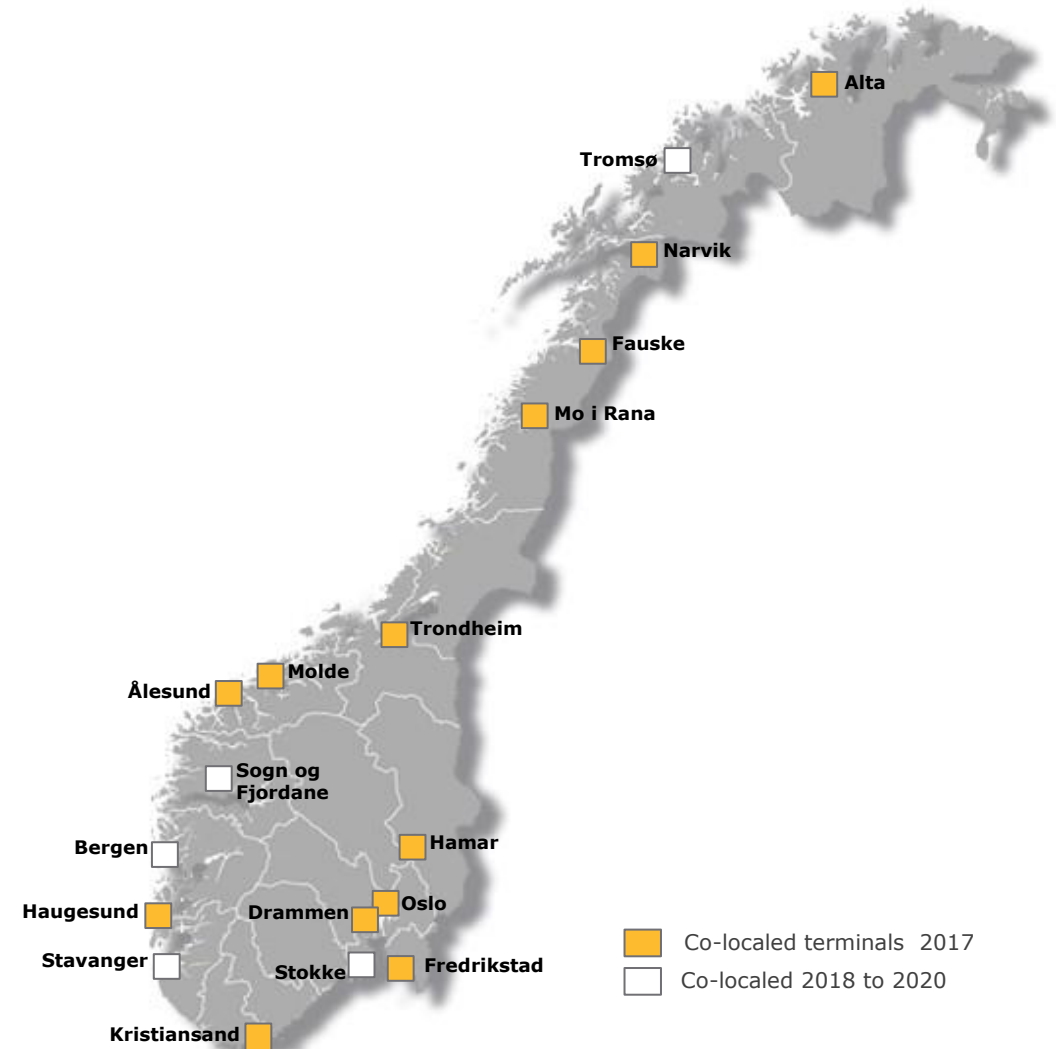
8.0 (last 12 months)



- The total number of personal injuries per million worked hours (H2) was 6.6 in the 3rd quarter of 2017.
- The injury frequency in the last 12 months was reduced from 8.9 to 8.0.

Parcels and freight create growth for Posten Norge but operations need to be streamlined. We are therefore investing in a new logistics network.

- Posten Norge established 18 new joint terminals for parcels and freight in Norway.
- The number of terminals is more than halved compared to 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 have been opened:
 - ✓ Narvik on 11 May
 - ✓ Trondheim on 15 September
 - ✓ Oslo/Alnabru on 19 October



Priority and non-priority mail will soon be history. Changes in the service from January 1st, 2018



Today's priority mail is delivered in 2 workdays, compared to the current 1 workday. Non-priority mail will be delivered in 2 workdays compared to the current 3-5 days.



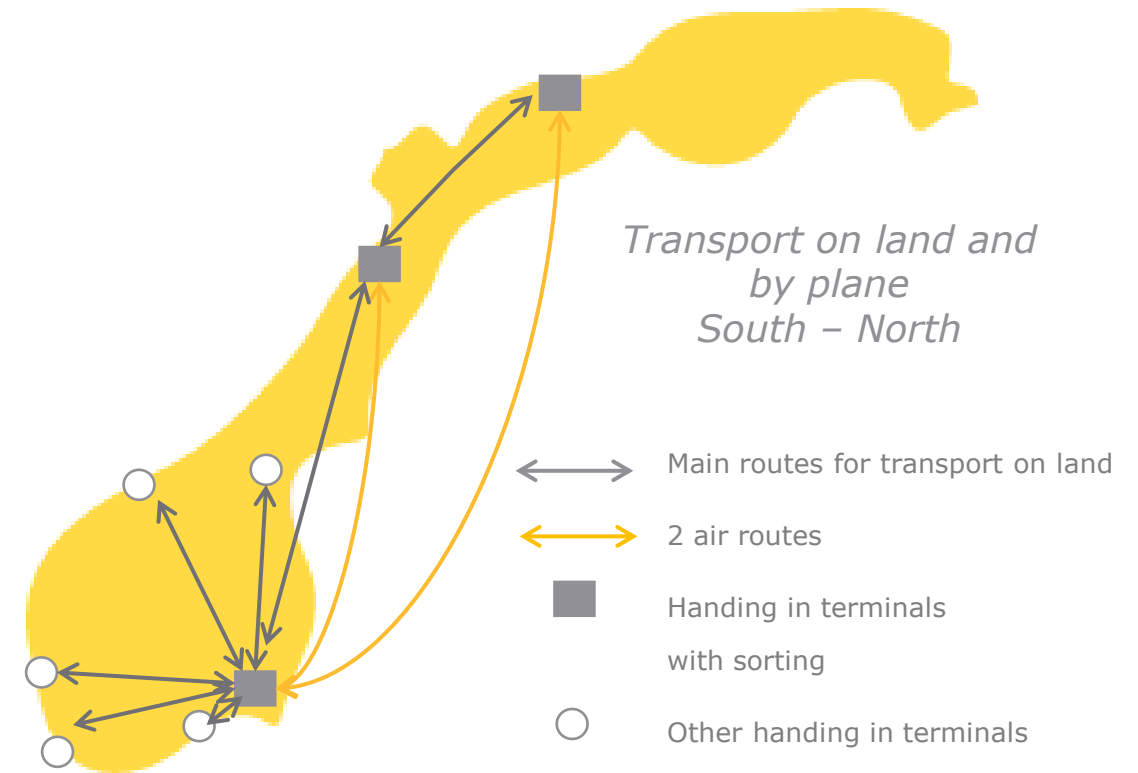
The change is valid for the entire country. Deliveries to continue in the letter box Monday – Friday. Predictable delivery all over the country. No effect on unaddressed mail.



Lower CO2 emissions due to fewer airplane departures



Downsizing of employees



Fewer mail terminals and less mail by airplane

3rd quarter and year to date 2017

PART 2:

- Results and segment review

Segment reporting

Posten Norge



MNOK	Revenue	Adjusted profit (EBITE)
Q3 2017	5 807	130
Q3 2016	5 934	157
YTD 2017	17 959	377
YTD 2016	18 340	378

Segment Mail



Revenue	Adjusted profit (EBITE)
2 156	84
2 208	112
6 965	440
7 172	456

Segment Logistics



Revenue	Adjusted profit (EBITE)
4 038	77
4 110	53
12 153	65
12 351	31



Segment Mail

- Letter products
- Banking services
- Dialogue services

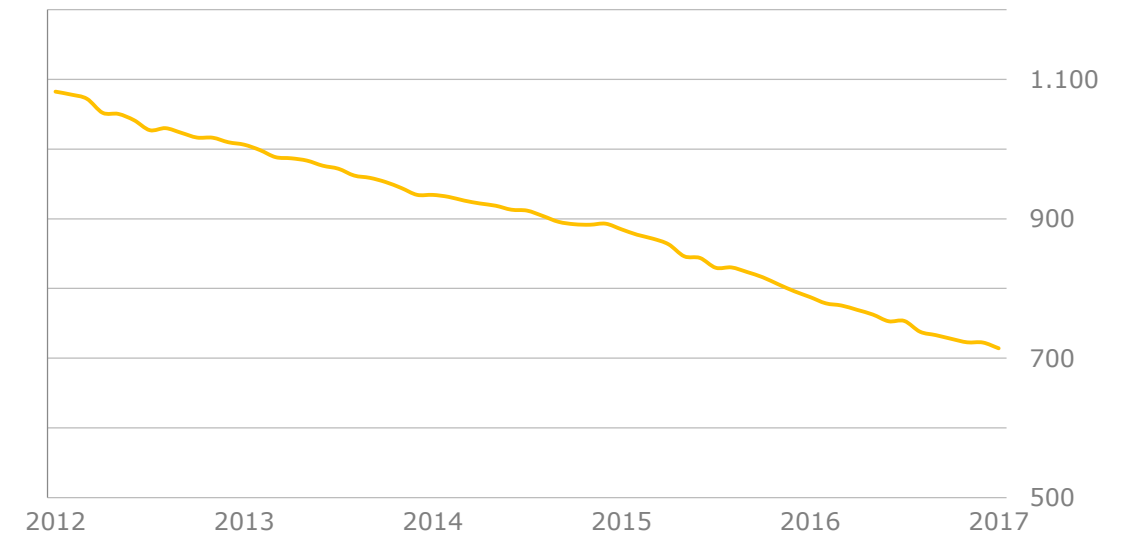
Segment Mail: Market development

- So far in 2017, the decline in volume of addressed mail continued as a consequence of our customers' increased digitalisation.
 - The reduction in volume of addressed mail in Norway was 9.7 %.
 - The volume concerning unaddressed mail increased by 9.6 %. Increased volumes from large individual customers.
- The Group is implementing a number of measures to adjust the level of operations and costs to the fall in mail volumes.
- The transition to one joint mail stream will take place from 2018.
- The Ministry of Transport and Communication is doing: "an account of any changes in the politically determined requirements to distribution frequency and the consequences for the future level of government procurements of commercially non-viable postal services".

VOLUME ADDRESSED MAIL (NORWAY), millions

714 (last 12 months)

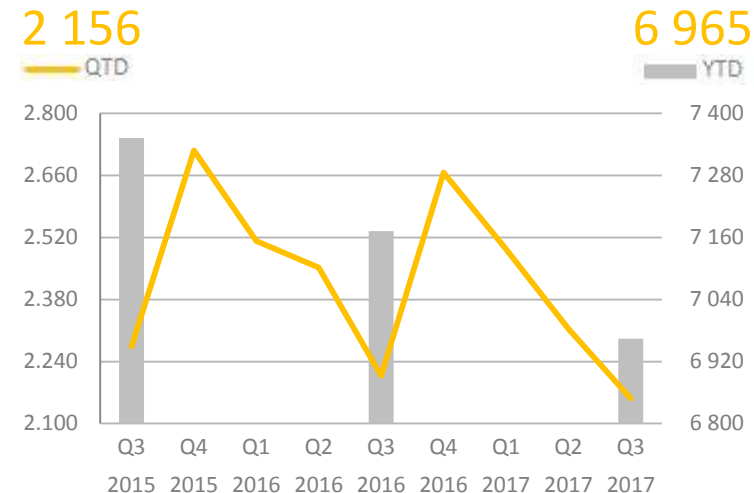
-34.0 % (last 5 years)



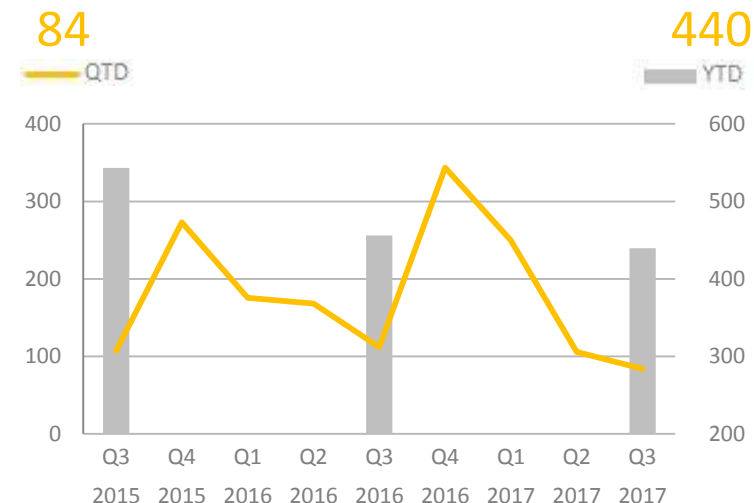
Segment Mail: Key figures for 2017

- Revenue so far in 2017 was **MNOK 6 965**, MNOK 207 weaker than last year
 - The price increase on addressed mail and increased volumes of unaddressed partly compensated for the decline in volume of addressed mail.
- Adjusted profit (EBITE) was **MNOK 440** so far in 2017, a reduction of MNOK 16 compared with the same period in 2016.
 - Considerable operational adjustments to lower volumes and increase of unaddressed mail contributed positively.
 - Income from Government procurement of commercially unprofitable postal services so far in 2017 were MNOK 128 lower than in the same period in 2016.
 - The Mail Segment depends on regulatory changes to be able to adjust the level of services in line with the decline in volume and maintain profitability over time.

REVENUE, MNOK



ADJUSTED PROFIT (EBITE), MNOK





Segment Logistics

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

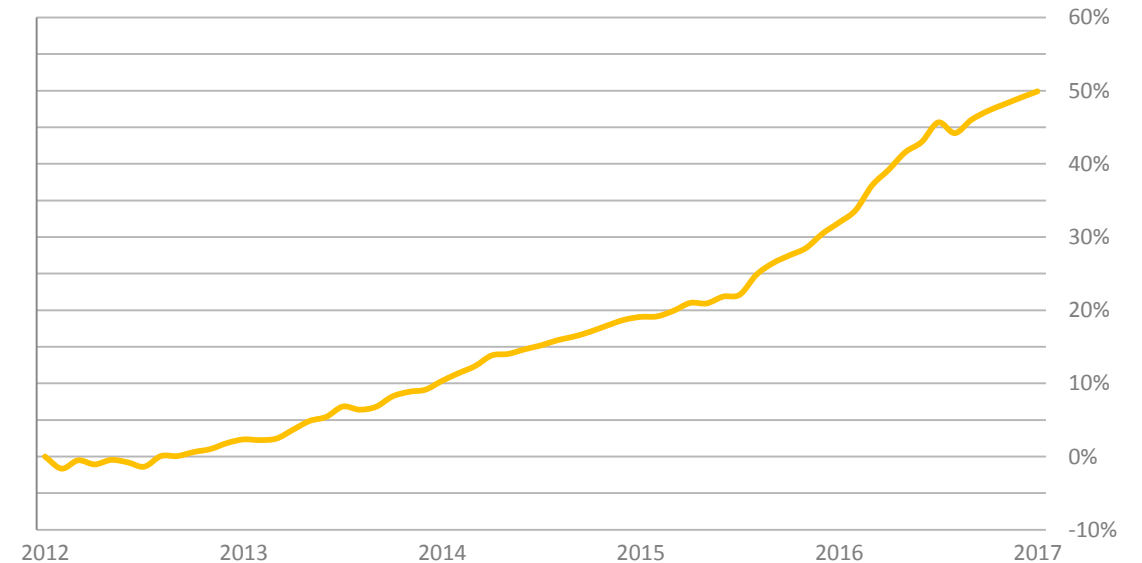
Segment Logistics: Market development

- Weak economic growth in mainland Norway has characterised the activity level, but a moderate economic recovery is expected.
- Positive development due to high volume growth in e-commerce in Sweden and Denmark
- Future-oriented logistics network
 - 18 terminals
 - Coproduction and coordination
 - Better equipped to meet the competition from international players

E-COMMERCE VOLUME DEVELOPMENT FROM Q4 2012, %

13.6 % (last 12 months)

49.9 % (last 5 years)

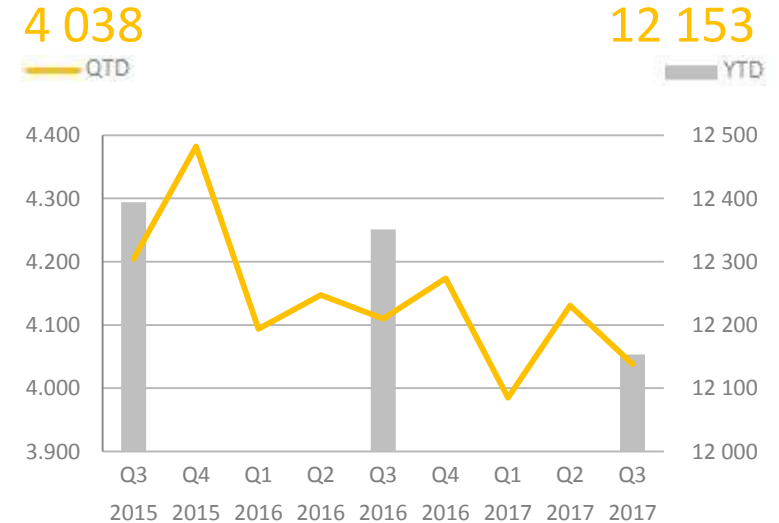


Segment Logistics: Key figures for 2017

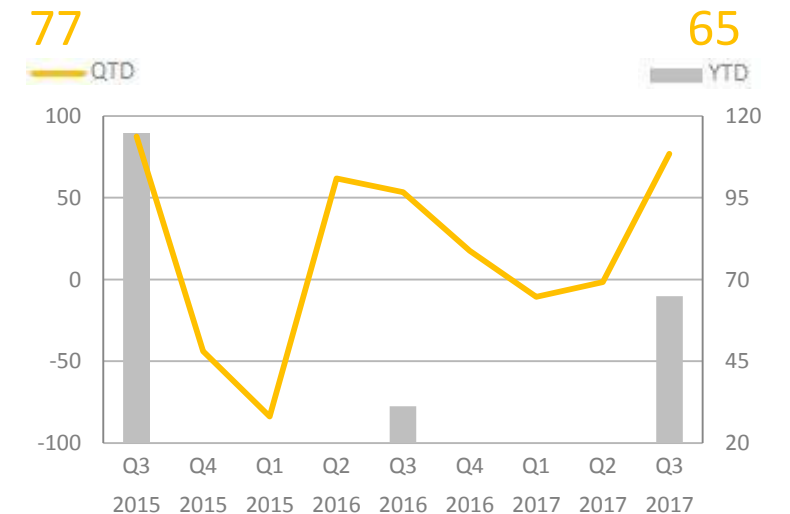
- Revenue so far in 2017 was **MNOK 12 153**, a reduction of **MNOK 198** from the same period in 2016
 - Increased turnover within parcels, freight, offshore and international transport.
 - Continued profitability challenges, but activity upturn in the market .
 - So far in 2016, turnover included businesses now discontinued.

- Adjusted profit (EBITE) was **MNOK 65** so far 2017, an improvement of **MNOK 34** from the same period in 2016
 - Result challenges partly due to weak economic development, but also price pressure .
 - Profitability improvement in Sweden and Denmark caused by high volume growth in e-commerce and increased home deliveries.
 - The discontinuation of unprofitable freight business in Sweden has a positive effect on profitability.

REVENUE, MNOK



ADJUSTED PROFIT (EBITE), MNOK





Future prospects

- Changes in the regulatory environment enabling adjustment of the service levels to the market development is vital.
- From January 1st, 2018, Posten will unite priority and non-priority mail to one joint mail stream. This will result in fewer mail terminals and less by plane.
- The next natural step in the adjustment of the services to the market development is the reduction in the number of days for mail distribution, as has been the case in several other European countries.
- A moderate recovery of the economic activity level is expected in 2018. A less negative development in the oil sector and higher growth in consumption and investments in enterprises can give better market prospects for the logistics business.
- In its proposition for the 2018 fiscal budget, the Government has proposed to grant MNOK 165 to the arrangement of Government procurements of commercially non-viable services. This is MNOK 540 lower than Posten Norge's own preliminary calculation.