

QUARTERLY REPORT



4th QUARTER 2018

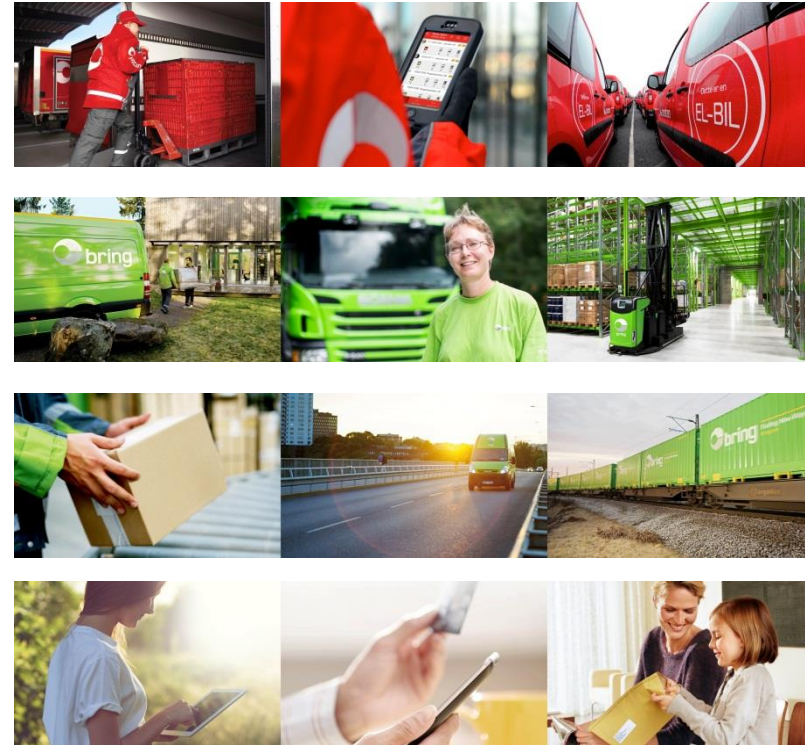
4th quarter and 2018

PART 1:

- Highlights and development

PART 2:

- Results and segment review



4th quarter and 2018

PART 1:

- Highlights and development





Highlights

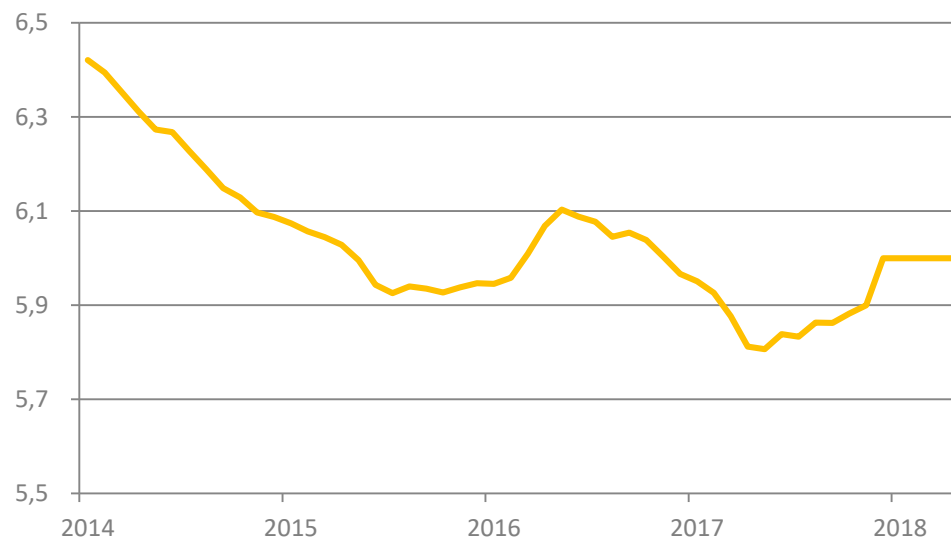
- **Organic growth** was positive by 1.7 % in 2018, driven by the Logistics segment
- **Result improvement** in the Logistics segment in 4th quarter 2018 from the same quarter in 2017
- **Good growth** in e-commerce to private consumers within as well as outside Norway
- **Solid growth** in parcels and freight and international forwarding
- Implemented measures in the Norwegian parcels and freight network gave more **cost-effective** operations
- **Reduced result** in 2018 in the Mail segment, due to accelerating decline in mail volumes (2018: 12.9 %)
- Cost adjustments do not compensate for the decline in volumes, a **prompt regulatory** clarification is required
- Good **delivery quality** with 90.1 % of addressed mail delivered within 2 days in the 4th quarter

HSE 2018

The Group experienced a fatal accident in November 2018. A postman died from the injuries he suffered when hit by a runaway car without a driver at a distribution point

ABSENCE DUE TO SICKNESS, GROUP %

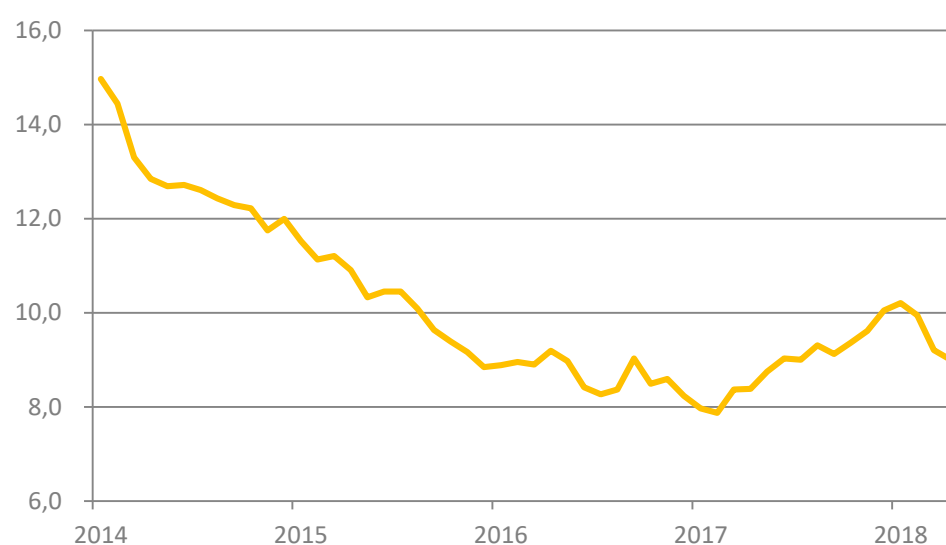
6.0 % (last 12 months)



- Absence due to sickness in the last 12 months was 6 %, compared with 5.8 % in 2017
- Our ambition is to a health-promoting working environment where nobody becomes injured or sick from working in the Group, but the development in 2018 is not satisfactory.

H2 IN THE GROUP

9.0 (last 12 months)



- The total number of personal injuries per million worked hours (H2) in the last 12 months increased from 8.4 to 9.0 compared with 2017.
- The development of injuries is not satisfactory
- Efforts to strengthen the security culture continues, with focus on making thorough investigations of injuries and near accidents with a high injury potential.

Financial highlights 4th quarter and 2018

OPERATING REVENUES, MNOK

Q4 2018	Q4 2017	2018	2017
6 407	6 718	23 894	24 678

ADJUSTED OPERATING PROFIT*, MNOK

Q4 2018	Q4 2017	2018	2017
246	326	531	703

RETURN ON INVESTED CAPITAL/ROIC, %

Last 12 mths	Last 12 mths
7.3	9.8

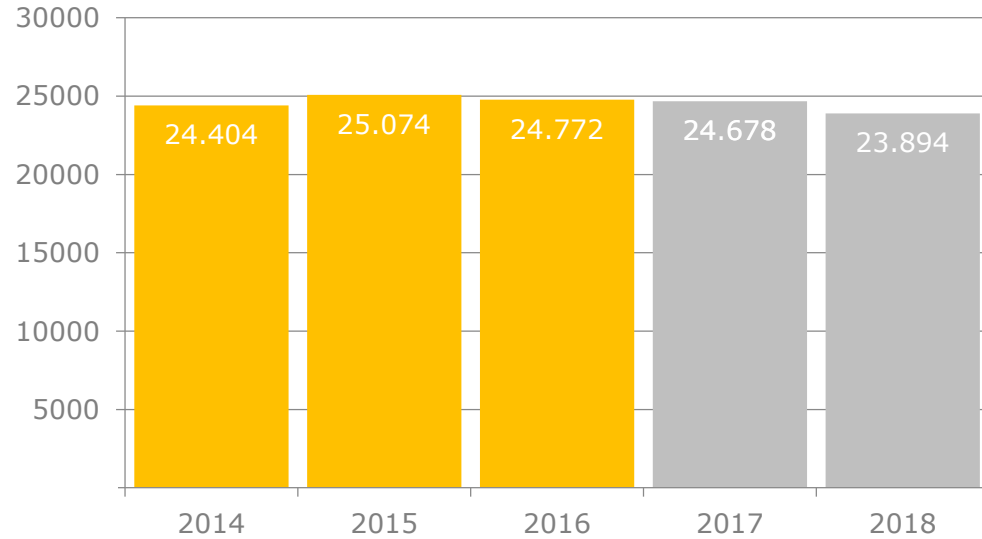
*For descriptions of alternative performance measures, see appendix to the report



Revenue and adjusted profit 2018

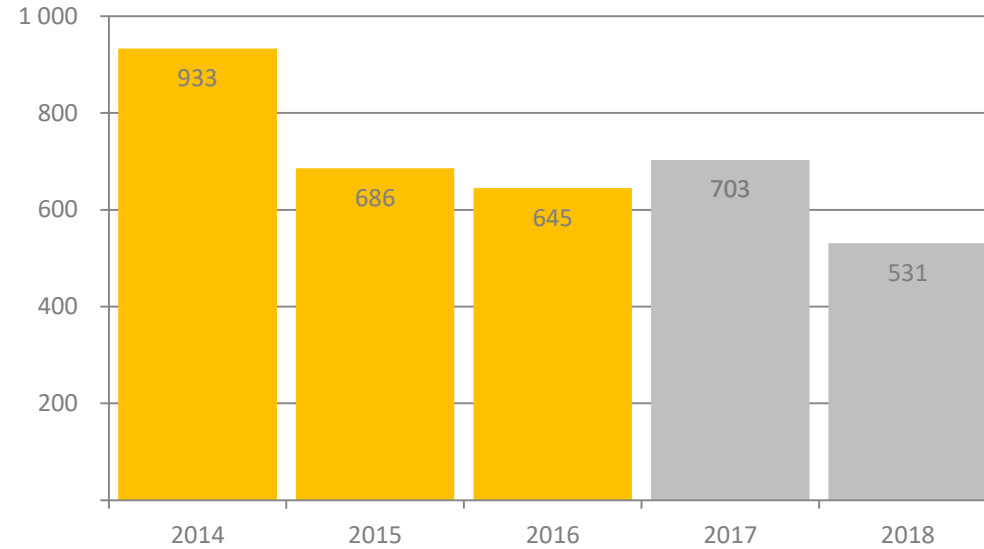
Revenue, MNOK

23 894



Adjusted operating profit, MNOK

531



- Organic growth in 2018 of 1.7 %
- Revenue growth of 4.8 % in the Logistics segment in 2018, organic growth of 5.9 %
- 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 12.9 % in 2018; 14.9 % in the last half year

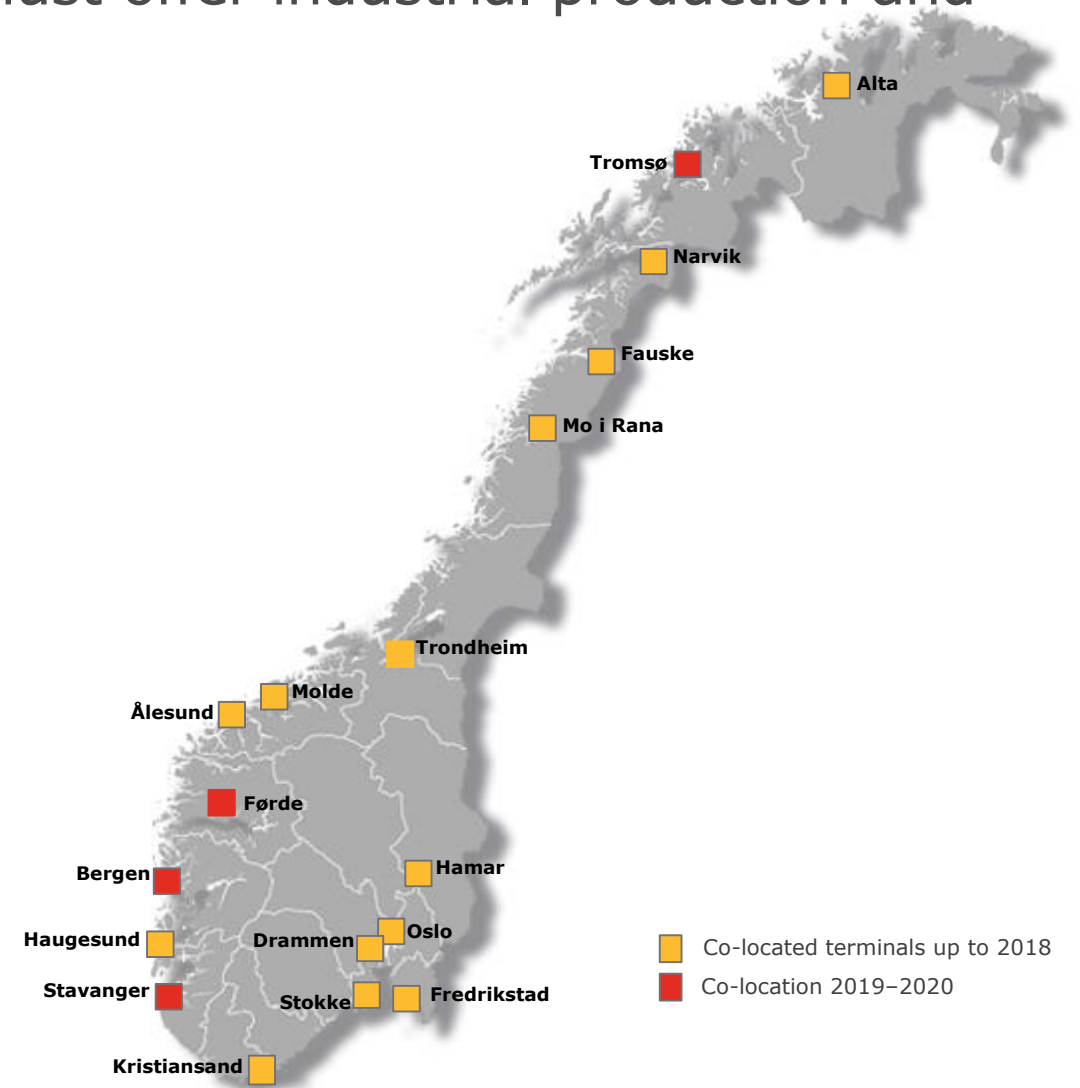
- Adjusted operating profit for the Logistics segment was MNOK 6 better than in 2017. The last months have shown a positive trend, and the result for the 4th quarter was MNOK 26 better than for the corresponding period last year.
- Reduced result in the Mail is due to the increasing decline in volumes. Considerable cost adjustments carried out in operations were not adequate to compensate for the decline in volumes.

Results 4th quarter and 2018

Q4 2018	Q4 2017		Year 2018	Year 2017
6 407	6 718	Revenue	23 894	24 678
408	501	EBITDA	1 185	1 386
246	326	Adjusted operating profit	531	703
88	275	Operating profit (EBIT)	415	692
(7)	(27)	Net financial items	(49)	(71)
80	248	Profit before taxes	366	621
27	110	Profit for the period/year	248	388

The logistics segment is growing – driven by good economic conditions and increased e-commerce. To succeed, we must offer industrial production and individualised delivery

- The logistics network in Norway is the engine of the Norwegian logistics business
- We are investing in a new nationwide logistics network that will include 18 new joint terminals for parcels and freight. Fourteen of these are in operation and the remaining four will be ready during 2020
- The goal is to streamline operations and increase the profitability of the logistics segment. Joint terminals provide higher levels of integrated production and coordination of parcels and freight, and simplify line haul traffic
- From 2020 we will realise the full effect of new production processes and transport management systems in the network, and can exploit the economies of scale
- The following new terminals will be opened in 2019:
Vestfold on 21 January
Stavanger on 5 June



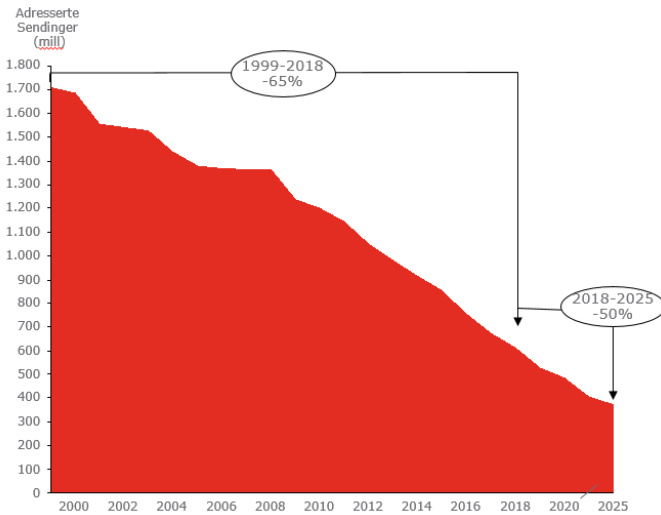
It has never been more important to restructure postal operations. Decline in volume is accelerating and extra costs to maintain current level of service are increasing rapidly to more than NOK 1 billion

Digitalisation reducing use of physical mail

Each household receiving only three letters a week

Posten Norge must adapt to market developments

The state must cover costs to maintain current service level



2019: THREE LETTERS A WEEK



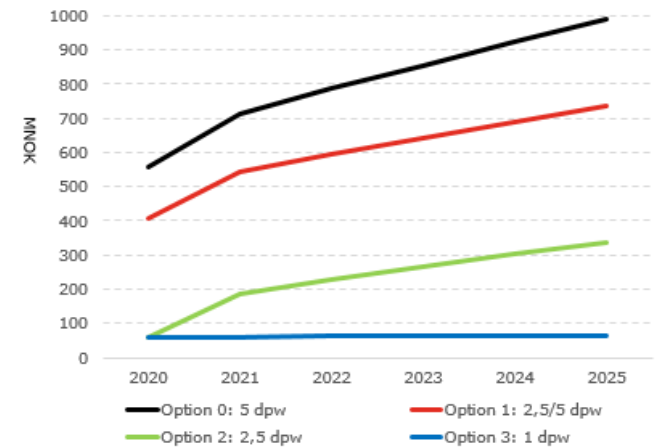
2022: TWO LETTERS A WEEK

Even weeks					Odd weeks				
M	T	O	T	F	M	T	O	T	F
X	-	X	-	X	-	X	-	X	-
-	X	-	X	-	X	-	X	-	X

2020 MAIL DELIVERY EVERY OTHER DAY



THE FUTURE DELIVERY NETWORK, COORDINATED MAIL AND PARCELS

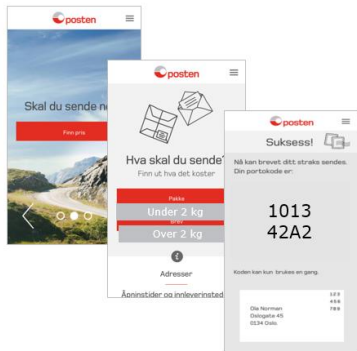


Digitalisation and volume decline accelerating:
 2014–2015: 6–7% per year
 2016–2017: 10–11% per year
 2018: 12.9% (-13.8% in Q4)

An analysis carried out by Copenhagen Economics for the Ministry of Transport and Communications shows a significant increase in state funding required, assuming an 8% decline in volume. The volume decline is now considerably higher.

Posten Norge has been delivering to people's homes for years, but soon you will have more choices!

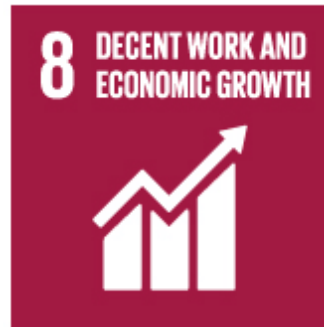
- Customers want flexibility and optional delivery points. Digitalisation provides new opportunities for customisation and simplification
- The future delivery network will continue with the coordination of the delivery of mail and parcels and offer greater flexibility
- Customers will choose where they want their parcels delivered; at a delivery point or delivered home – outside or inside their door
- In 2019 Posten Norge will continue to shape the future delivery network in a digital world – at a competitive cost level



Sustainability is key to the long-term viability, about how we use and influence the resources around us

We have prioritised four of the UN's 17 sustainability goals in terms of our impact on economic, environmental and social areas

- A working environment that promotes health



- Innovation and development

- Logistics solutions that reduce environmental impact and traffic congestion



- Our ambition is to use only renewable energy sources for vehicles and buildings by 2025

4th quarter and 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

Q4 2018	6 407	246	4 716	90	2 102	270
Q4 2017	6 718	326	4 380	64	2 729	403
2018	23 894	531	17 320	135	8 088	657
2017	24 678	103	16 533	129	9 694	843



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 4.8 % in 2018 and organic growth of 5.9 %
- Considerable growth within e-commerce to private consumers as well as in the oil sector is still expected
- Restructurings and adjustment of services are required.
- Digitalisation opens up for new possibilities and flexibility, such as letting the customers choose where they wish their parcels delivered
- The logistics market is to a large degree influenced by general economic conditions that contributes to better market prospects for the logistics industry.



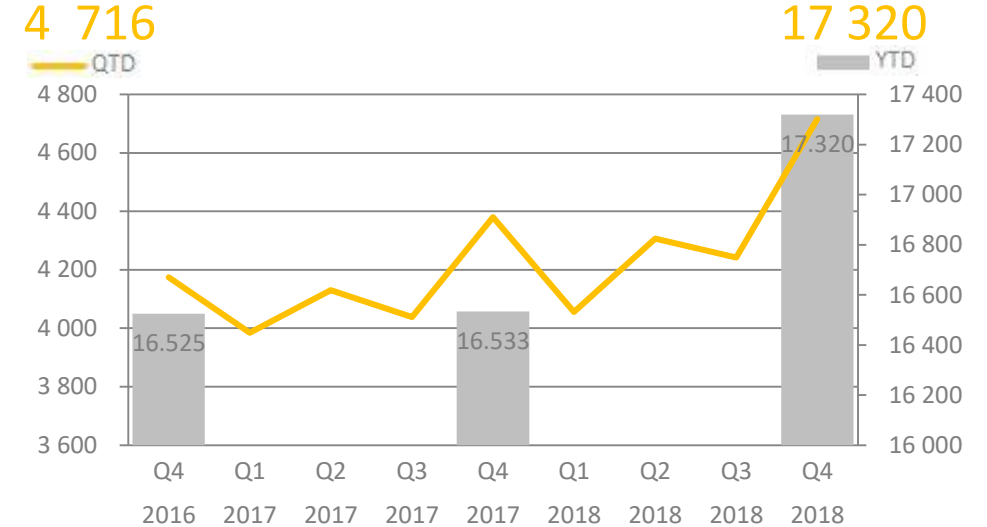
Segment Logistics: Key figures 2018

- Revenue in 2018 was **MNOK 17 320**
 - Organic growth of 5.9 %
 - Solid growth within parcels, freight and international forwarding
 - Good growth in e-commerce to private consumers, both within and outside Norway
- Adjusted operating profit was **MNOK 135** in 2018, a reduction of **MNOK 6** compared with 2017
 - The result was affected by a slow start of the year, mainly as a consequence of additional resources used in the implementation of new parcels and freight terminals in Norway
 - In the last half year, the Logistics segment has shown a positive trend with increased productivity and result improvement, at the same time, this is a demanding market with high competition and low margins
 - The parcel business outside Norway and international forwarding had better profitability due to large growth and more effective operations

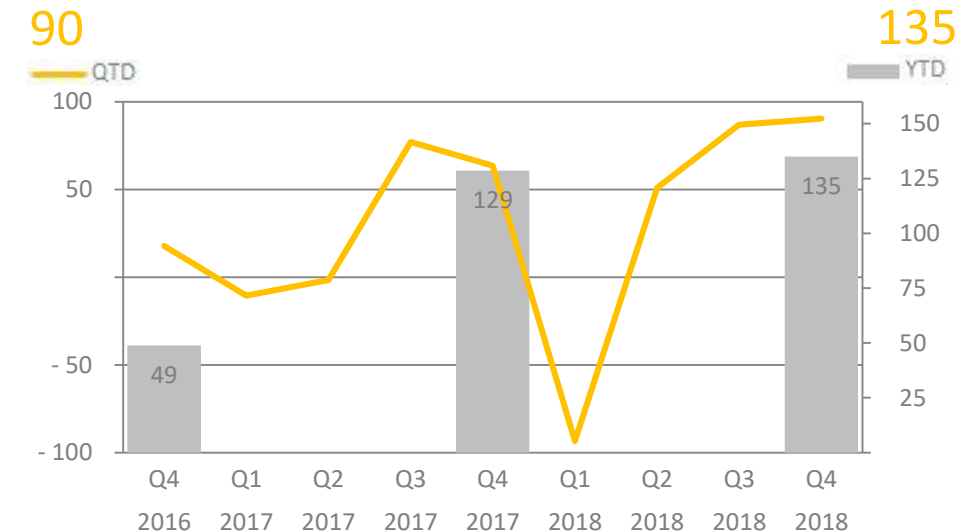
Continued profitability challenges in parts of other operations



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.

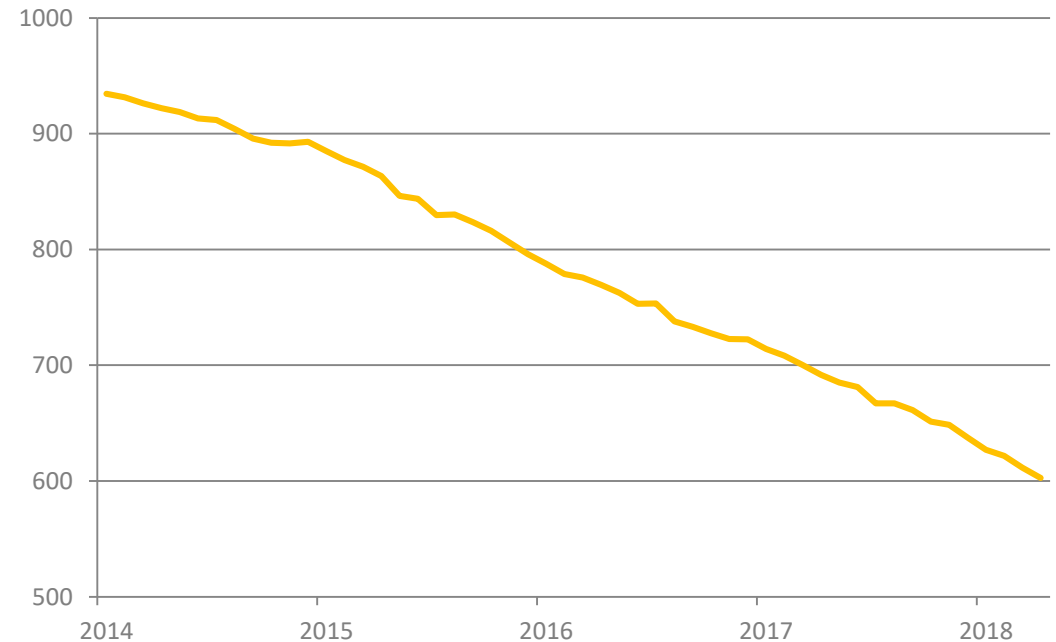
Segment Mail: Market development

- The decline in addressed mail volumes is expected to increase as a consequence of continued digitalisation in the consumer as well as the business market
 - The volume decline in addressed mail in Norway was 12.9 % in 2018. 14.9 % in the last half year
 - The public sector had a volume decline of 24 %, and banks and finance businesses 17 %
- The decline in mail volumes is expected to further increase from 2020 due to the Government's proposal to remove the 350 kroner limit for the VAT redemption
- Posten depends on a prompt clarification of political and regulatory matters to enable a transition from 2020

VOLUME ADDRESSED MAIL, millions

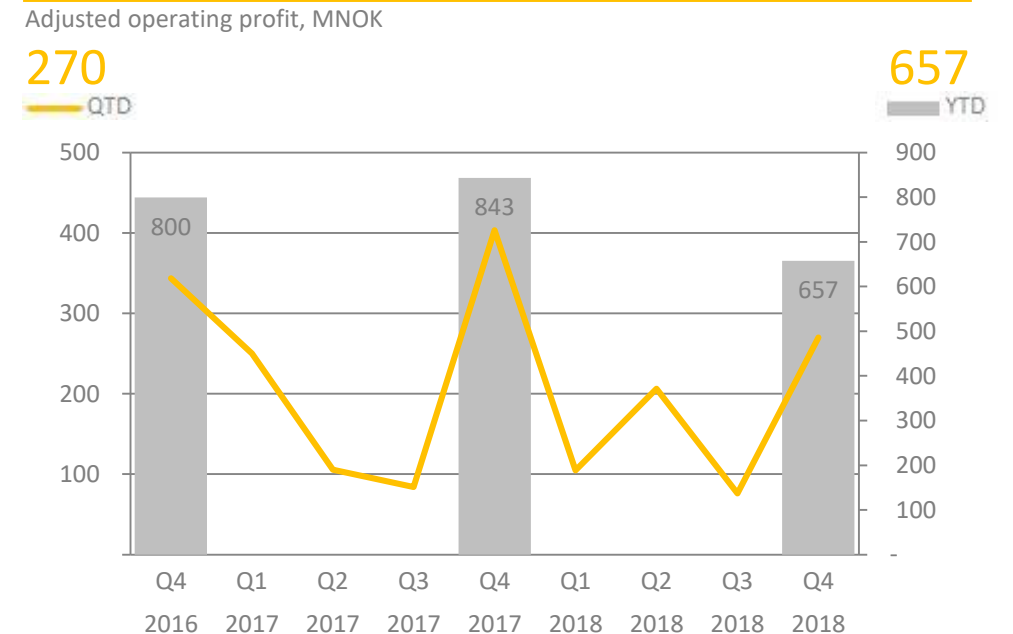
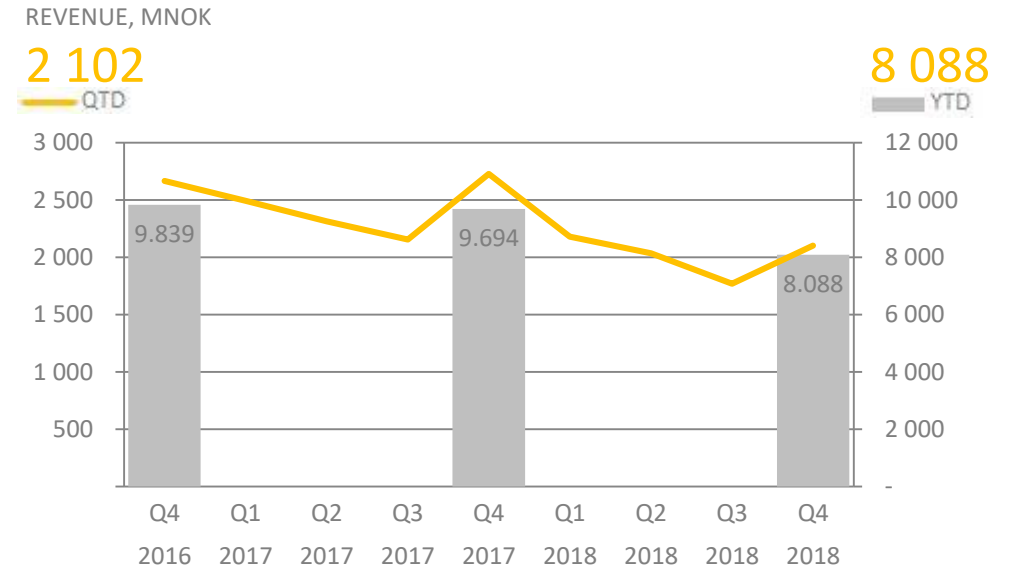
603 (last 12 months)

-36.7 % (last 5 years)



Segment Mail: Key figures 2018

- Revenue in 2018 was **MNOK 8 088**, a reduction of MNOK 1 606 compared with 2017
- Volume decline, sale of business and the introduction of one addressed mail flow are the main reasons for the reduction in revenue
- Adjusted operating profit was **MNOK 657** in 2018, a decline of MNOK 186 compared with 2017
- Reduced results mainly due to declining volumes
- Cost adjustments in operations were not adequate to compensate for the large decline in addressed mail volumes
- The introduction of one addressed mail flow at the start of the year was carried out as planned, and the income as well as cost development related to the transition was as expected





Future prospects

- The growth in our markets is expected to continue in 2019, although more moderately
- The efforts with improvement measure to improve profitability within the logistics business continue
- Increased earnings in the Logistics segment will not compensate for reduced profitability in the Mail segment. Restructurings and adjustment of services are required
- Digitalisation opens up for new possibilities and increased flexibility, such as freedom to choose delivery point
- The accelerating decline in addressed mail volumes confirms that changes in the postal business must be carried out increasingly quicker
- A necessary next step is to change from mail distribution five days a week to every other day in the entire country
- Posten depends on a prompt clarification of political and regulatory matters to enable necessary transitions



We make everyday life simpler and the world smaller