



# QUARTERLY REPORT

4TH QUARTER 2017

# Customer-oriented. Simplified. Profitable

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# 4<sup>th</sup> quarter and 2017

## PART 1:

- Highlights and development

## PART 2:

- Results and segment review



# 4<sup>th</sup> quarter and 2017

## PART 1:

### Highlights and development





## Highlights

- **Flat revenues** for the Group. Organic growth in Segment Logistics of 2.1 %
- **Profitability improvements** in both segments
- 6.3 % **Return on Equity** (ROE), an improvement of 5.6 percentage points on 2016
- A **new logistics network** in Norway with fewer terminals will simplify the logistics business and prepare the Group for growth in e-commerce. 13 of 18 new terminals have opened, including Oslo, Trondheim and Narvik. In Sweden, Bring opened a new terminal outside Gothenburg in January
- In the new corporate strategy, **innovation and digitalisation** are high on the agenda
- One of the most **significant operational shifts** in Posten's history saw a transition from two to one mail flow w.e.f. 2018
- Satisfactory **delivery quality** for priority mail delivered overnight of 85.4 %. Fourth quarter quality of 82.8 % was below the concession requirement due to extreme weather and the Christmas traffic
- Record low **absence due to sickness** of 5.8 %



# Financial highlights 4th quarter and 2017

## REVENUES, MNOK

Q4 2017	Q4 2016	2017	2016
6 718	6 432	24 678	24 772

## ADJUSTED PROFIT (EBITE)\*, MNOK

Q4 2017	Q4 2016	2017	2016
326	267	703	645

## RETURN ON EQUITY (ROE)\*, %

2017	2016
6,3	0,7

## RETURN ON INVESTED CAPITAL/ROIC\*, %

2017	2016
9,8	9,0

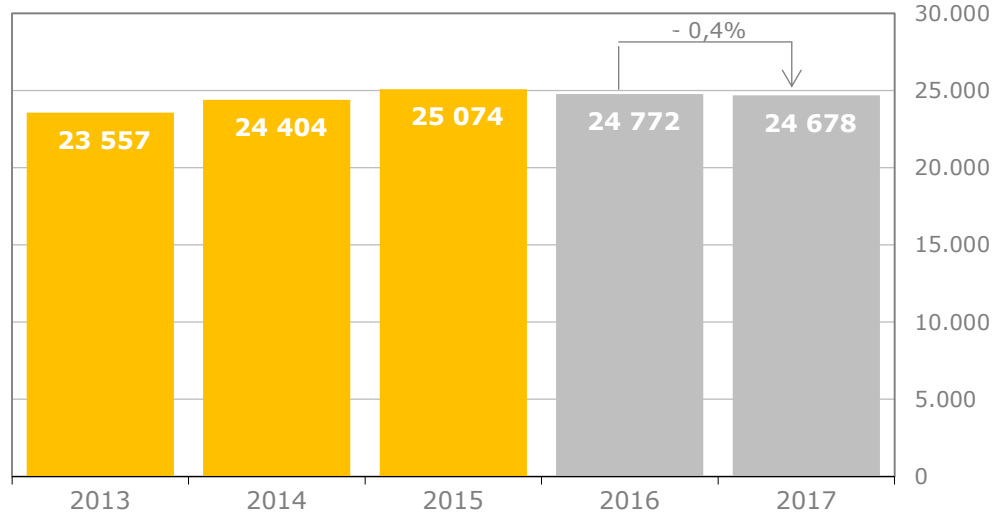


\*For definitions of adjusted profit (EBITE), return on equity (ROE), and return on invested capital (ROIC), see appendix to the report

# Revenue and adjusted profit (EBITE), 4th quarter and 2017

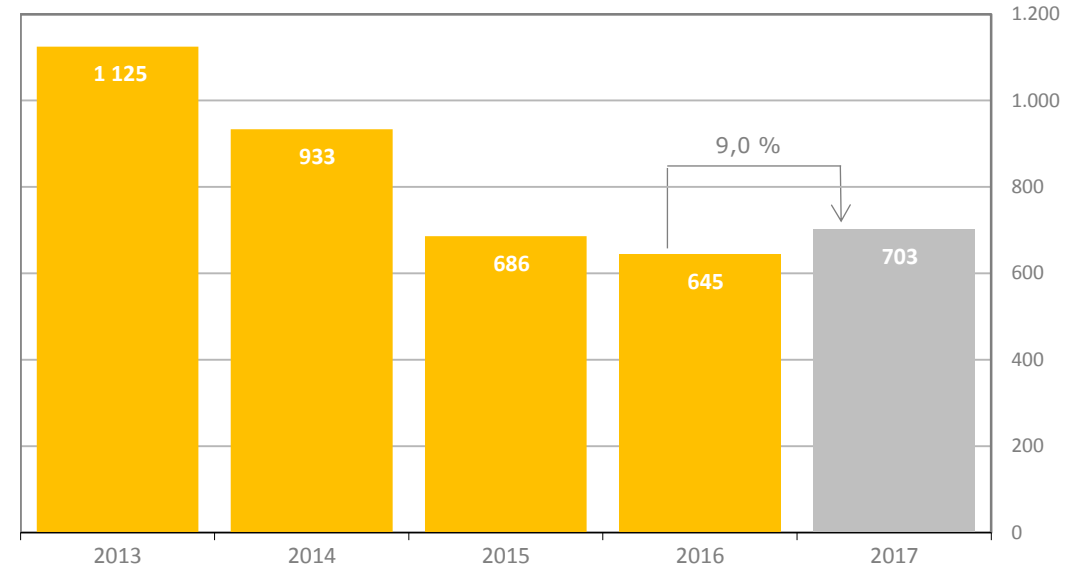
REVENUE MNOK

24 678



ADJUSTED PROFIT (EBITE), MNOK

703



- The decline in addressed mail volume was 10.1 %, partly compensated for by price increases on addressed mail and increased volumes for unaddressed mail
- Discontinuance and sale of business reduced turnover. Increased turnover in freight and home deliveries, decline in parcels

- Considerable operational adjustments and increased volumes for unaddressed mail helped offset the decline in the Mail segment
- The Logistics segment improved due to growth in parcels, increased home deliveries, growth in international transport and the discontinuance of unprofitable operations in Sweden



Organic growth in 2017 was 0.7 %

## Results 4<sup>th</sup> quarter and 2017

### Amounts in MNOK

Q4 2017	Q4 2016		Year 2017	Year 2016
6 718	6 432	Revenue	24 678	24 772
501	432	EBITDA	1 386	1 339
326	267	Adjusted profit (EBITE)	703	645
275	(207)	EBIT	692	178
(27)	40	Net financial items	(71)	52
248	(167)	Profit before taxes	621	230
<b>114</b>	<b>(243)</b>	<b>Profit for the period/year</b>	<b>388</b>	<b>39</b>

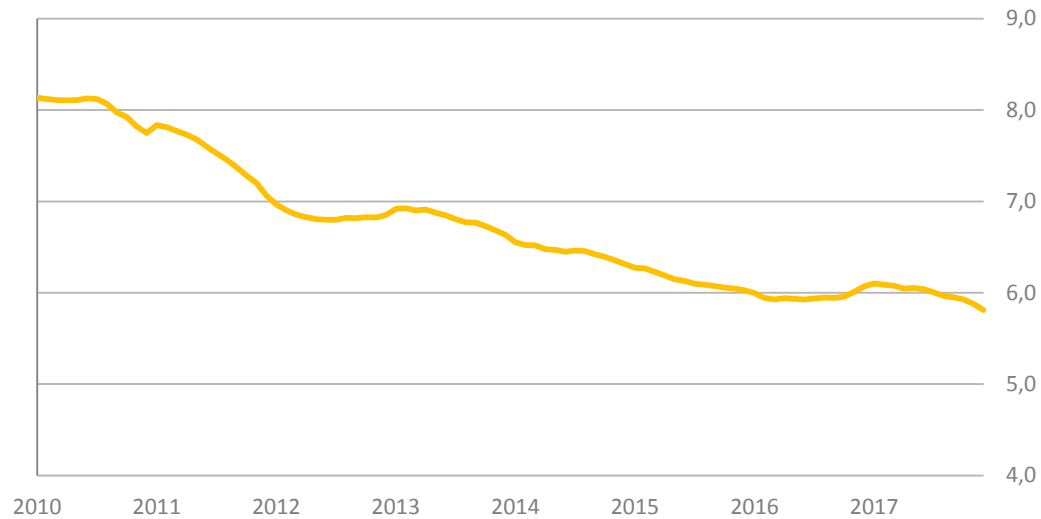
For the definition of adjusted profit (EBITE) see appendix to the quarterly report



# HSE: Further decrease in absence due to sickness in 2017

ABSENCE DUE TO SICKNESS IN THE GROUP, percentage

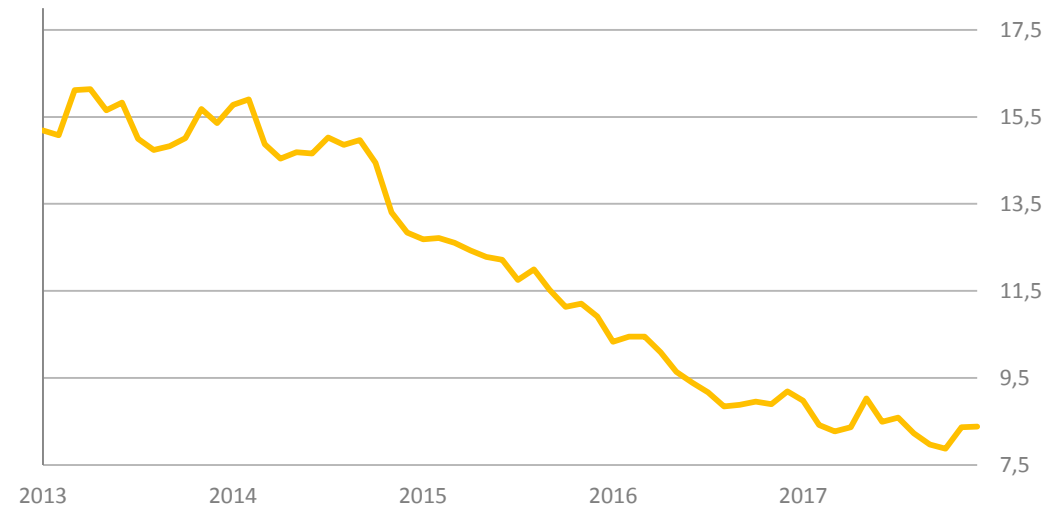
5,8 % (last 12 months)



- Absence due to sickness in the fourth quarter was reduced by 0.5 percentage points from the fourth quarter of 2016. Absence due to sickness was historically low in 2017
- 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

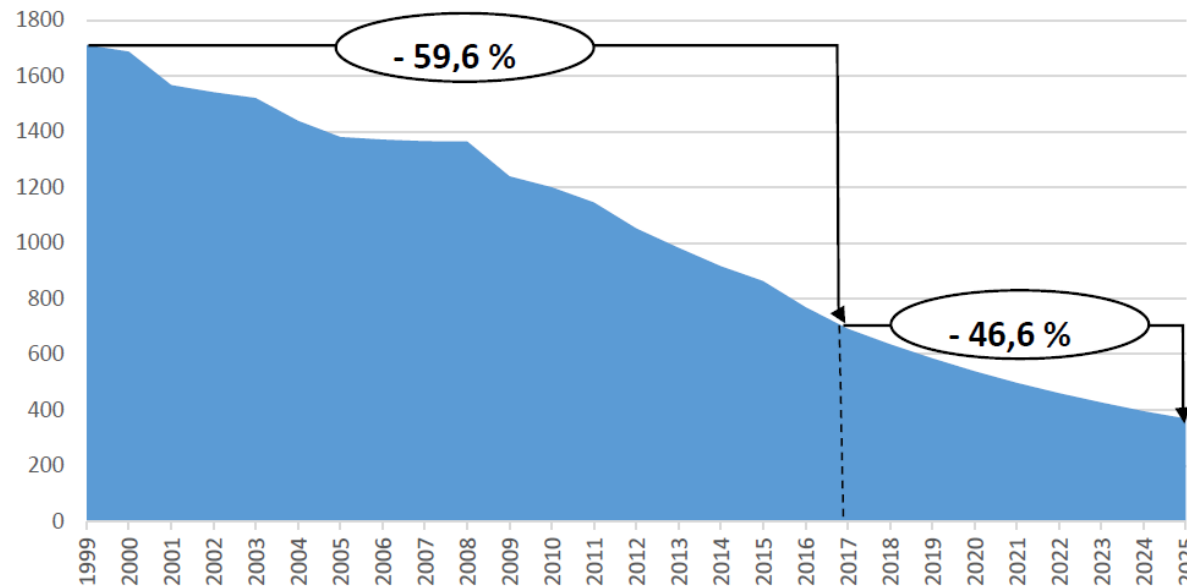
8,4 (last 12 mnd)



- The injury frequency (H2) continued its positive trend in 2017, reducing from 9.2 to 8.4

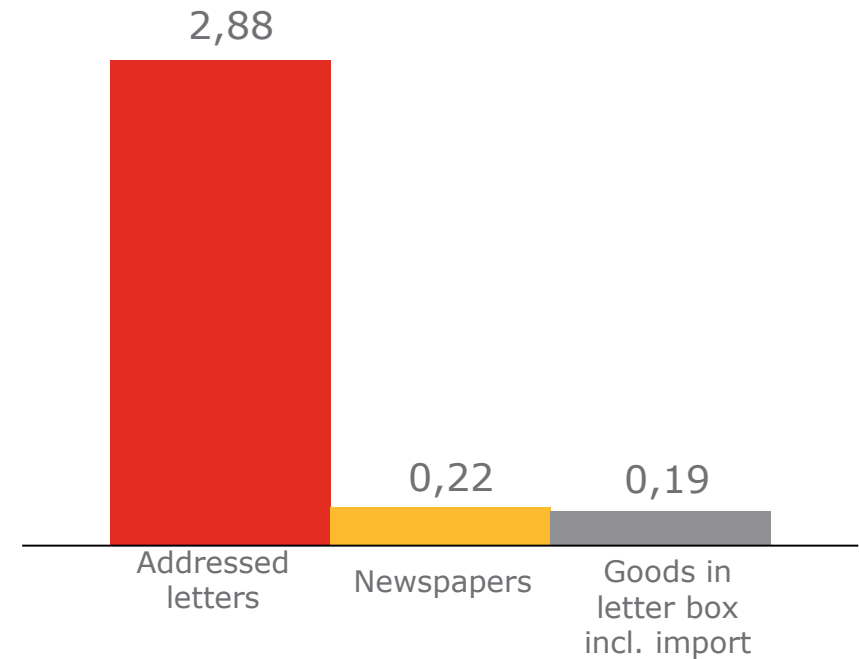
Digitalisation in society is speeding up the fall in mail volumes. There is no market for today's concession-required services

Addressed letter volumes in Norway 2000 – 2025 (mn. items)

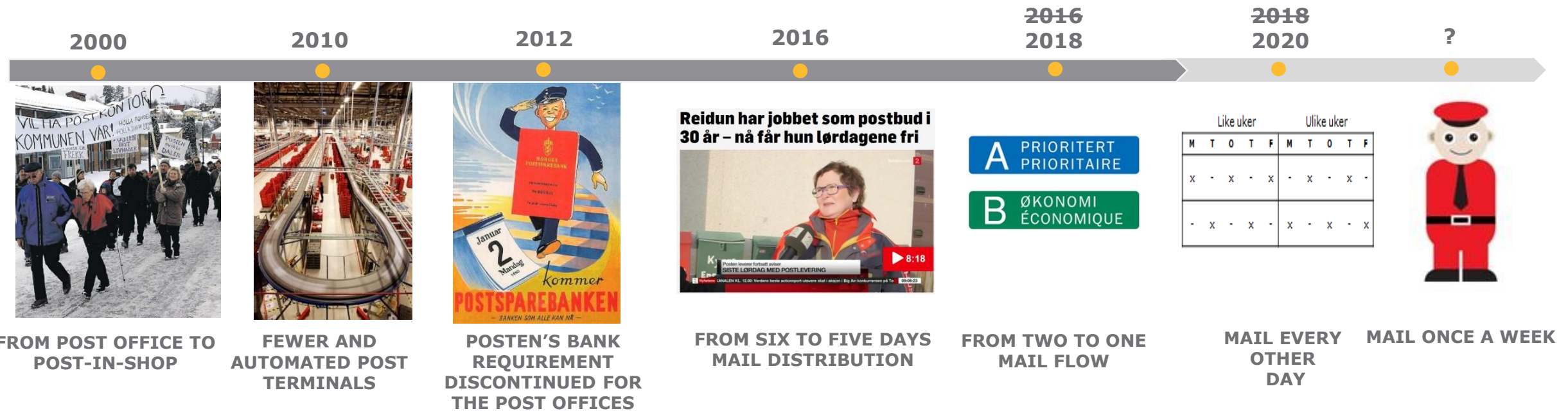


Source: Posten Norge AS

Expected average number of distributions per household per week in 2019



In Norway we have been adaptive to change and adjusted to developments by carrying out comprehensive restructurings – in time



**Reidun har jobbet som postbud i 30 år – nå får hun lørdagene fri**



**FROM SIX TO FIVE DAYS MAIL DISTRIBUTION**

**REIDUN HAS WORKED AS A POSTWOMAN FOR 30 YEARS – NOW SHE WILL HAVE SATURDAY OFF**

- A** PRIORITERT  
PRIORITAIRE
- B** ØKONOMI  
ÉCONOMIQUE

**FROM TWO TO ONE MAIL FLOW**

The Ministry of Transport and Communication has presented an legislative amendment proposal that allows for transition to mail distribution every other day from 2020

# The future will consist of a number of new services

Mail recipients want flexibility and freedom of choice

Posten is testing new services for the private market, e.g.:

- Buy postage on the net and send mail from home
- Choose delivery to one's own "hiding place"



**Posten is testing "hidden" deliveries**  
You are not always at home to receive parcels. Posten is therefore testing delivery to your own "hiding place".



**Now you can soon have your own post office**  
Long way to the nearest post office? Towards the end of the year, it might be possible to send mail and parcels from the letter box at home.



Home delivery



Parcel locker



Digipost



Mailbox locker



Mailbox

Delivered your way



Post in Shops/  
Post Office



Rural  
mailservice

Bring has a strong market position in Norway, but the competition is hard and the market is Nordic

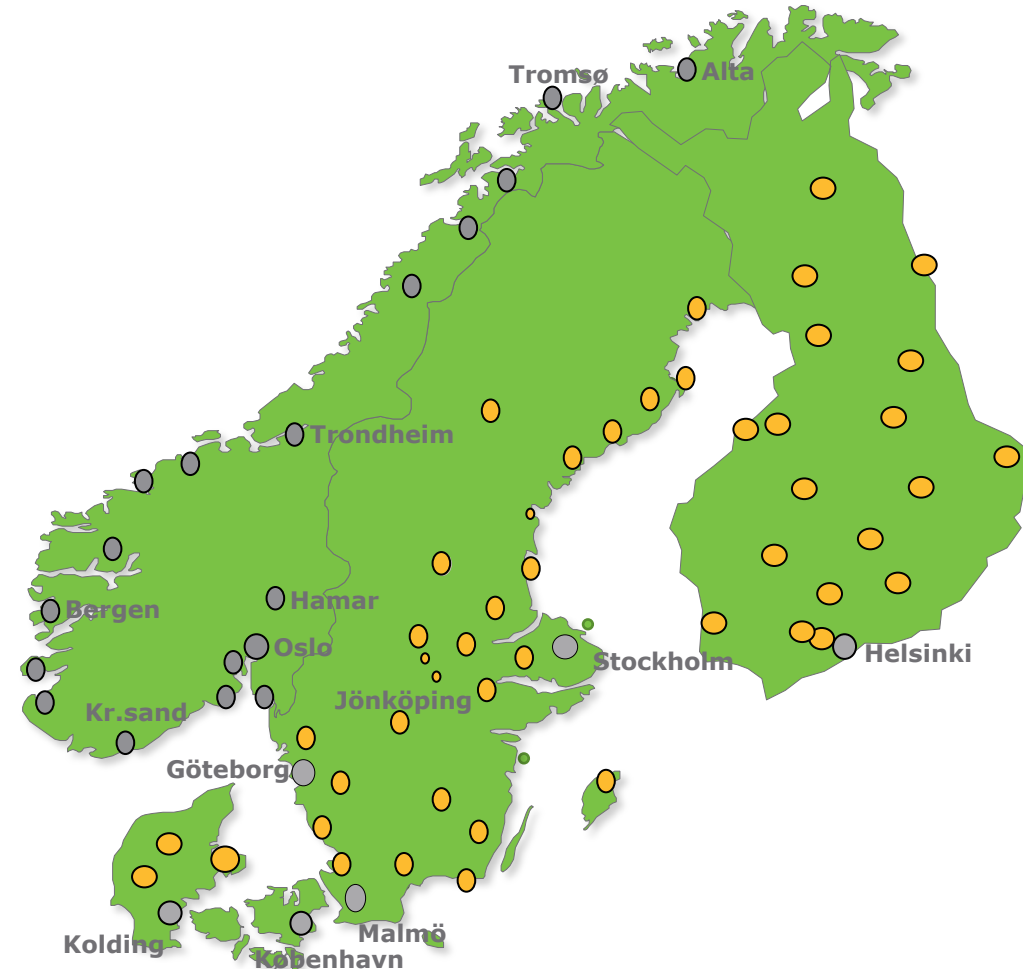
- Posten has further developed its core business and has become a major Nordic logistics player - mainly through acquisitions in 2003-2012
- The competition consists of large, partly state-owned, foreign players who continue to build positions in the Norwegian and Nordic markets, as well as new players supported by venture capital
- The logistics market is cyclically sensitive and is characterised by strong competition. We have had profitability challenges after the downturn in the oil sector. The new strategy for 2018-2020 is about streamlining and profitable growth
- Increased e-commerce provides new business opportunities and growth in parcels, freight and home delivery





# We have a Nordic logistics network – self-owned in Norway and through partners outside Norway

- From over 40 to 18 common terminals for sorting parcels and goods in Norway
- Simpler and more seamless logistics
- Co-location provides co-production and co-operation. The new Alnabru terminal reduces CO<sub>2</sub> emissions in the Oslo region by 0.5 %
- Set up for growth and increased e-commerce
- Nearly half of parcel volumes distributed in Norway are imported from abroad
- The large customers want one Nordic logistics partner
- We build position and develop together with our customers





4<sup>th</sup> quarter and 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)**

**Q4 2017**

6 718

326

2 729

403

4 380

64

Q4 2016

6 432

267

2 667

343

4 174

18

**2017**

**24 678**

**703**

**9 694**

**843**

**16 533**

**129**

2016

24 772

645

9 839

800

16 525

49





## Segment Mail

- Letter products
- Banking services
- Dialogue services

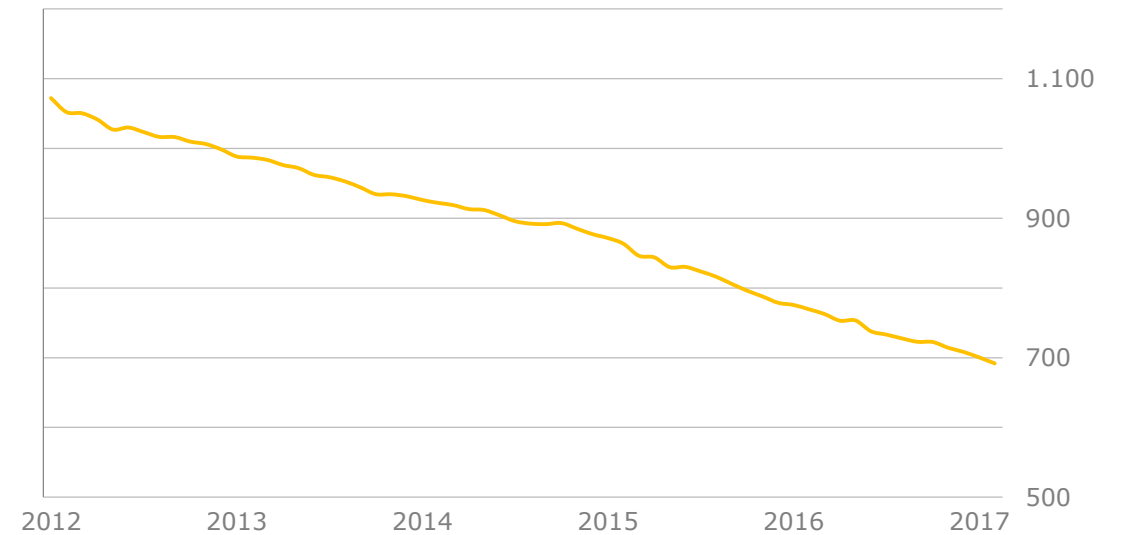
## Segment Mail: Market development

- In 2017, the fall in volumes of addressed mail continued as a consequence of digitalisation at our customers
  - The decline in volume of addressed mail in Norway was 10.1 %
  - The volume of unaddressed mail increased by 6.2 %
- The Group is carrying out a number of initiatives to adjust the levels of operations and costs to the fall in mail volumes
- Transition to one mail flow from 2018

VOLUME ADDRESSED MAIL (NORWAY), millions

**692** (last 12 months)

**-36.1 %** (last 5 years)



## Segment Mail: Key figures 2017

- Revenue in 2017 was **MNOK 9 694**, MNOK 145 lower than last year
  - Volume decline was the main reason for the reduction in revenues
  - Income from government procurements of commercially non-viable postal services was at the same level in 2017 as in 2016
- Adjusted profit (EBITE) was **MNOK 843** i 2017, an improvement of MNOK 43 compared with the same period in 2016
  - Considerable operational adjustments and increased unaddressed mail contributed positively
  - The Mail segment depends on regulatory latitude to allow for quicker adjustment to market developments

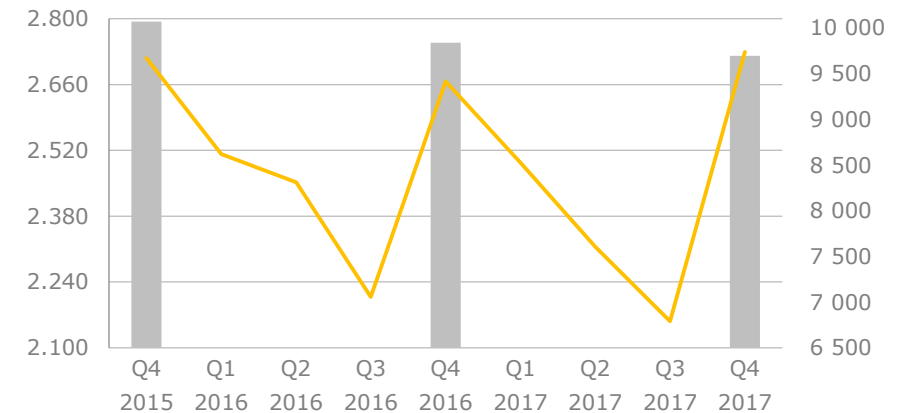
REVENUE, MNOK

**2 729**

**9 694**

— QTD

■ YTD



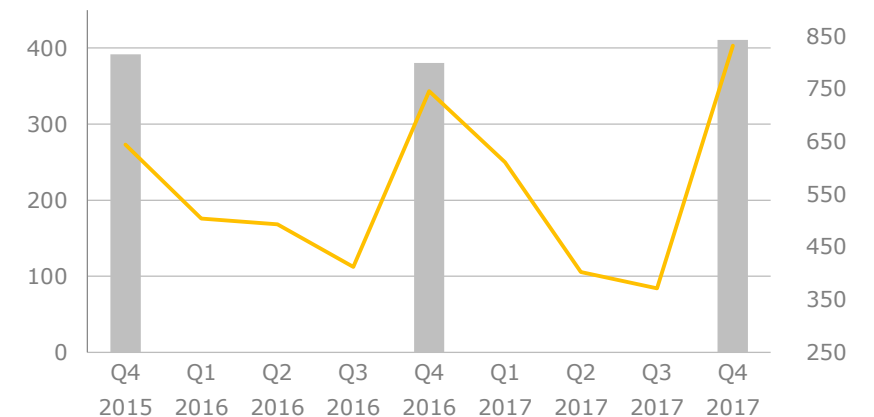
ADJUSTED PROFIT (EBITE), MNOK

**403**

**843**

— QTD

■ YTD







## Segment Logistics

- Parcels
- Express
- Cargo
- Frigo
- Warehousing
- Transport solutions



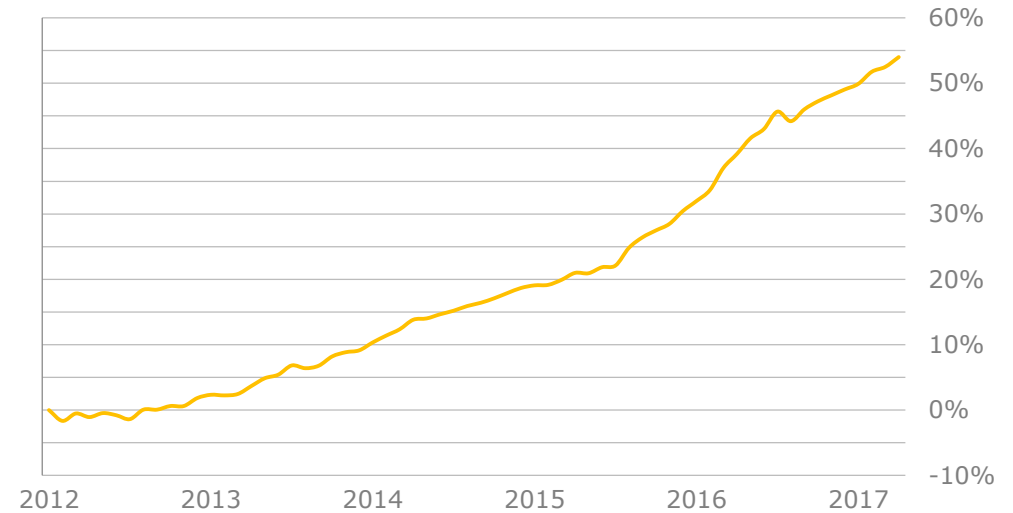
# Segment Logistics: Market development

- Growth within freight and home deliveries in Norway
- Growth for B2C parcels. Decline for B2B parcels
- Increased demand for international transport
- Offshore still suffered from weak economic conditions, but some increased activity in the fourth quarter

DEVELOPMENT IN E-COMMERCE VOLUME FROM Q4 2012, percentage

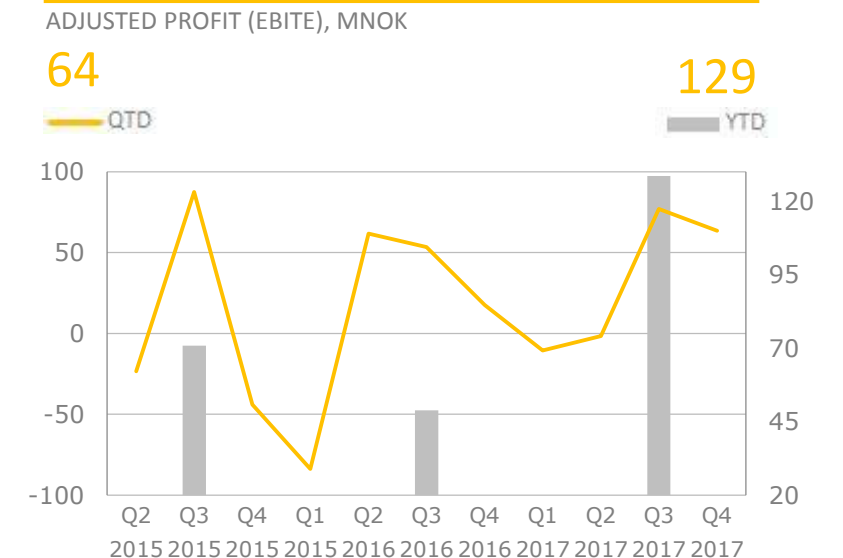
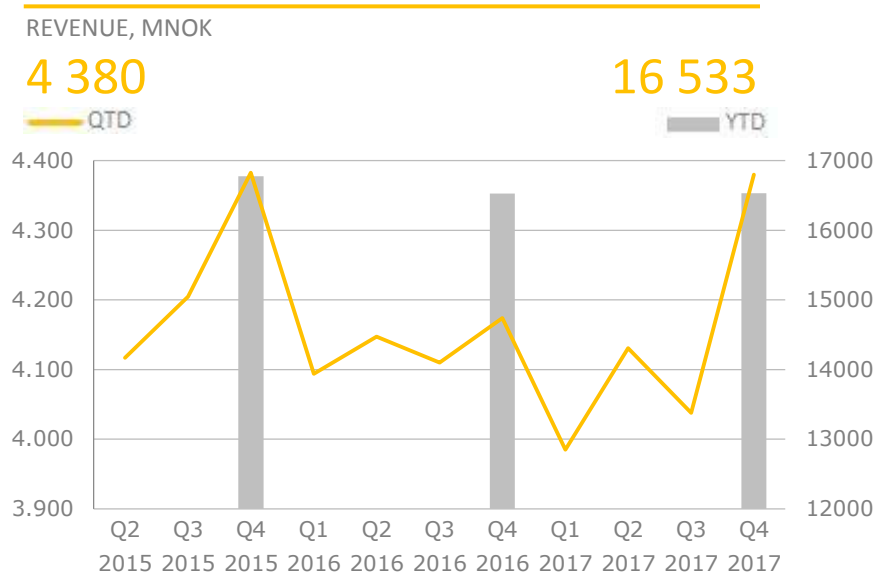
**12.0 %** (last 12 months)

**54.0 %** (last 5 years)



## Segment Logistics: Key figures for 2017

- Revenue in 2017 was **MNOK 16 533**, approximately the same as in 2016  
Organic growth 2.1%
- Highest growth in e-commerce
- Turnover was also influenced by sold and discontinued freight operations in Sweden.
- Adjusted profit (EBITE) was **MNOK 129** in 2017, an improvement of **MNOK 80** from 2016
- Logistics operations outside Norway had a solid profitability improvement
- Despite the improvement in 2017, the segment still has unsatisfactory profitability , and measures are underway to improve cost-effectiveness
- The express and warehouse businesses achieved solid margins in 2017





## Future prospects

- New Group strategy with a new vision: “We make everyday life simpler and the world smaller”
- The economic prospects in both Norway and Sweden are positive and should allow for growth in the logistics business
- Customer needs change, and private e-commerce will continue to increase
- Continued profitability improvements and portfolio adjustments in the Group, including rationalisation of the terminal network, and the standardisation and effectivisation of processes through new IT solutions
- Focus on digital innovation and development of new services to the private market
- Discussion document to change the postal legislation’s requirement of mail distribution from five days a week to every other day

2018 will be another exciting year for Posten Norge!



We make everyday life simpler and the world smaller