

We know Norway

Posten Norge
Results as of 4rd quarter 2016

4rd quarter 2016

PART 1:

- Highlights and development

PART 2:

- Results and Segment Review



4rd quarter 2016

PART 1:

- Highlights and development



Highlights – Important events in 2016

- A new Postal Act came into effect on 1 January, and the postal market in Norway was opened for **competition**.
- Posten **discontinued the Saturday distribution** of mail from March 2016. Newspapers was temporarily distributed until November.
- The Norwegian Parliament has discussed «**Postal sector in change**». Opens for a transition to one addressed mail stream.
- The increase in **e-commerce** continues. The Group's total e-commerce volume increased by 15 % in 2016.
- The Group's **absence due to sickness** has increased by 0.1 percentage point from 2015 – following many years of reduction.
- **The Priority mail quality** was good in 2016 with 86.1 % delivered overnight. In the fourth quarter, the result was 2.6 percentage points below the licence requirement of 85.0 %.
- Posten's digital letterbox, **Digipost**, has more than doubled the number of users in 2016 to approximately 1.4 million at year-end.
- **Tone Wille** was assigned Group CEO from 10 October 2016, coming from the position as Group CFO in Posten Norge. Eli Giske was appointed new Group CFO from 1 January 2017.



Financial highlights 4th quarter 2016

OPERATING REVENUES, MNOK

Q4 2016	Q4 2015	YTD 2016	YTD 2015
6 432	6 623	24 772	25 074

EBITE*, MNOK

Q4 2016	Q4 2015	YTD 2016	YTD 2015
267	214	645	686

RETURN ON INVESTED CAPITAL/ROIC*, %

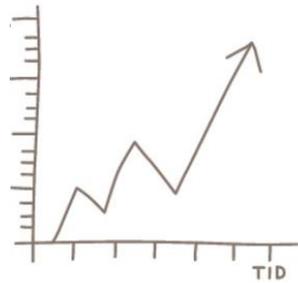
Last 12 months	Last 12 months
9.0	9.9

*For descriptions of adjusted result, EBITE, and return on invested capital, ROIC, see quarter report; 4rd quarter 2016



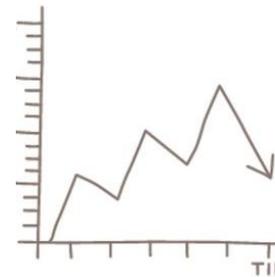
Posten Norge consists of two segments with different strategic challenges and opportunities

- **Segment Logistics:**
profitable growth



THE LOGISTICS MARKETS ARE GROWING

- **Segment Mail:**
restructuring and efficiency improvement



THE MAIL VOLUMES ARE DECLINING

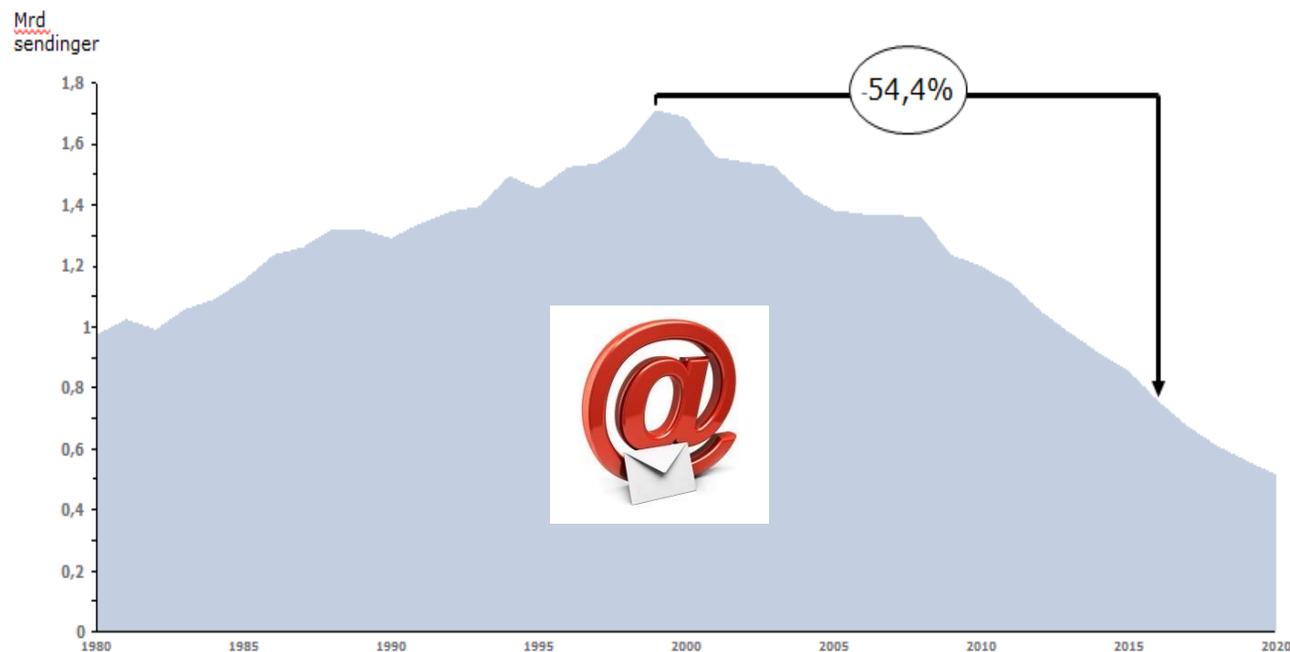
Logistics: growth and profitability

- The Logistics segment accounts for 67 % of the Group's revenues
- Increased e-commerce provides new business opportunities and growth within parcels, freight and home deliveries.
- Digitalisation rises new potential.
- The decline in the oil sector and strong price competition has challenged the profitability in parts of the business in 2016.
- An assessment of the strategy is in progress to strengthen profitability and focus operations.



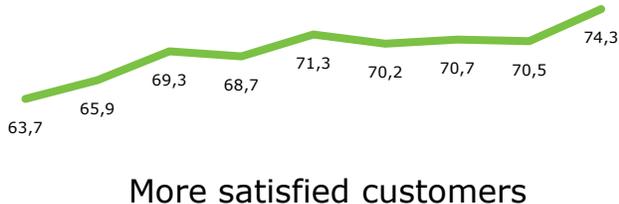
Mail: Restructuring and rationalisation

The digitalisation speeds up the decline in mail volumes. Posten is change-oriented, and we adjust to the development in time.

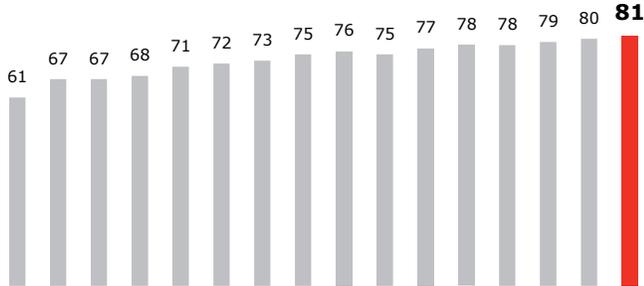


- More than half of the addressed mail volumes has disappeared since 1999; from 1.8 billion letters in 1999 to 0.8 billion letters in 2016.
- The annual decline in volumes in the future is expected to be 10-12 %, but the development can be faster.
- Significant restructuring and efficiency measures have been implemented. The possibilities have been exhausted without any change in the services offered.
- The Saturday distribution was discontinued in 2016.
- Priority mail and non-priority mail will be united into one addressed mail stream from January 2018.
- The next natural measure will be fewer distribution days – as we see trending in other European countries.

We have achieved a lot despite of significant restructuring



In the Mail Segment the number of FTEs has been reduced from 32.000 in 1990 to 9.000 in 2016

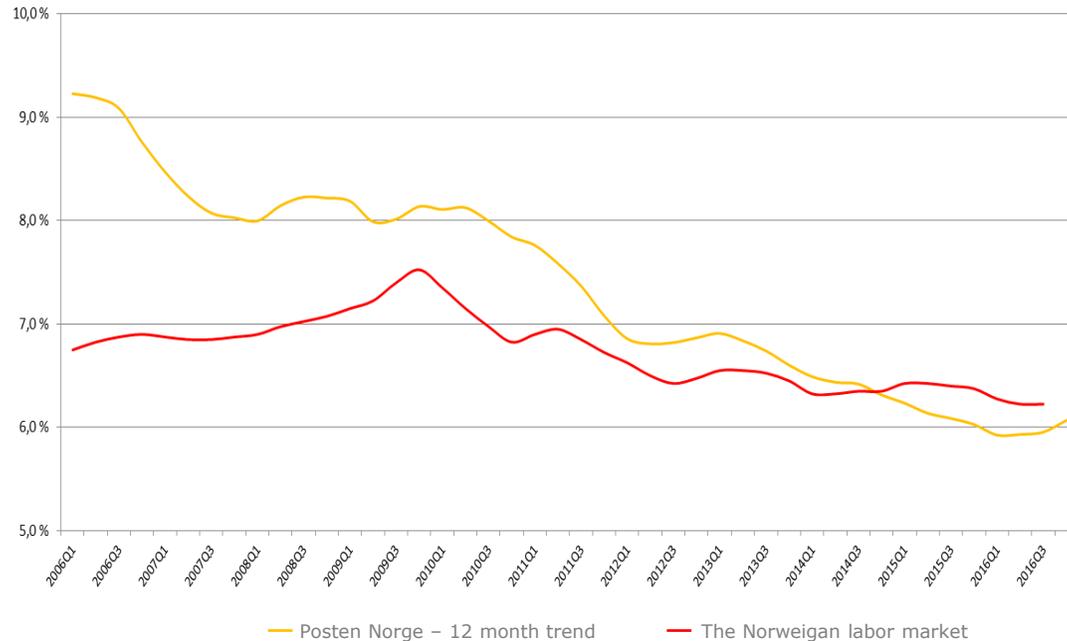


At the same time, we have achieved increased satisfaction among customers and employees. Our corporate responsibility is in focus, and we contribute to a sustainable development.

HMS: Continued reduction in absence due to sickness, increased marginally in 2016

ABSENCE DUE TO SICKNESS GROUP,
percent

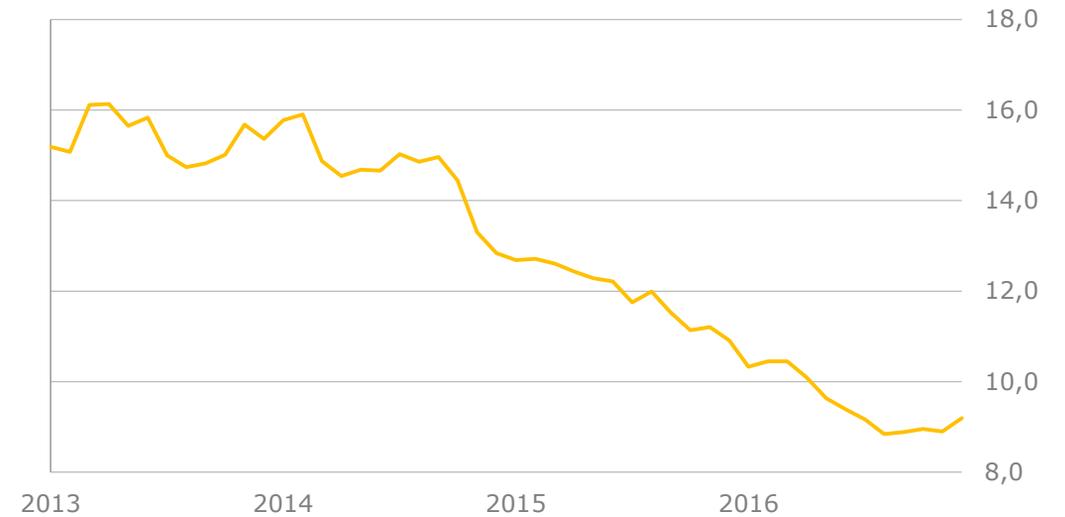
6,1 % (last 12 months)



- The absence due to sickness increased by 0.1 in 2016
- The absence due to sickness in Posten Norge is below the Norwegian worklife

H2 IN THE GROUP

9,2 (last 12 months)



- The total number of personal injuries per million worked hours (H2) was 10.5 in the fourth quarter of 2016.
- The injury frequency from the last 12 months was reduced from 10.9 to 9.2.

4rd quarter 2016

PART 2:

- Results and Segment Review



Segment reporting

Posten Norge



Segment Mail



Segment Logistics



MNOK	Revenue	EBITE	Revenue	EBITE	Revenue	EBITE
Q4 2016	6 432	267	2 667	343	4 174	18
Q4 2015	6 623	214	2 716	273	4 382	-44
YTD 2016	24 772	645	9 839	800	16 525	49
YTD 2015	25 074	686	10 069	816	16 777	71

Segment Mail



Letter products
Banking services
Dialogue services

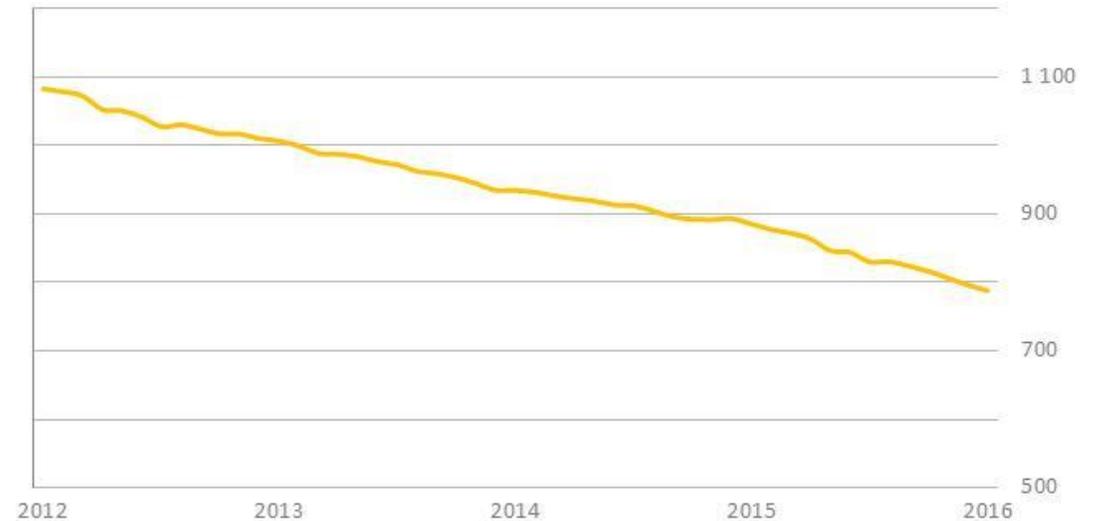
Segment Mail: Market development

- 2016 shows an increased decline in volumes as a consequence of digitalisation with our customers.
 - The decline in volumes of addressed mail in Norway was 10.9 %.
 - The decline in volumes of unaddressed mail in Norway was marginal.
 - Bring Citymail Sweden had an increase in volumes of 15.4 %.
- The Group is implementing a number of measures to adjust the level of operations and costs to the decline in mail volumes. The mail distribution on Saturdays was discontinued in 2016.

VOLUME ADDRESSED MAIL (NORWAY), millions

769 (last 12 months)

-28.9 % (last 4 years)



Segment Mail: Key Figures 2016

- Operating revenues in the fourth quarter of 2016 were **MNOK 2 667**, MNOK 49 weaker than last year.
- EBITE was **MNOK 343** in the fourth quarter of 2016, MNOK 70 above the same period in 2015.
 - Positive effects from cost-reducing measures compensate for the decline in volumes.
 - The use of digital solutions is increasing, and the decline in volumes of physical letters is expected to continue.
 - The Mail segment needs structural changes in order to adjust to the decline in volumes and to maintain a satisfactory profitability. As one of the initiatives, Posten is preparing a transition to one adressed mail stream.

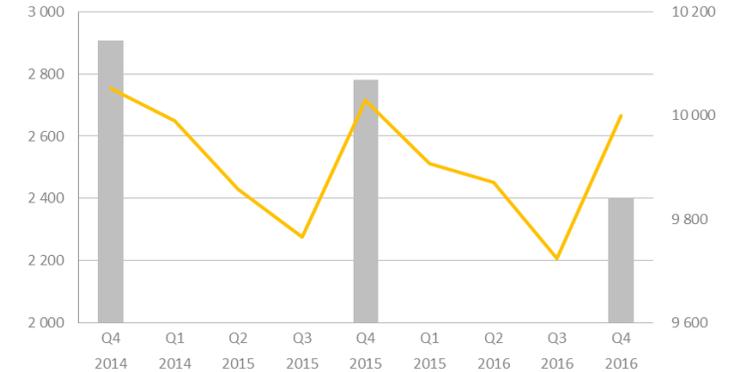
REVENUE, MNOK

2 667

9 839

— QTD

■ YTD



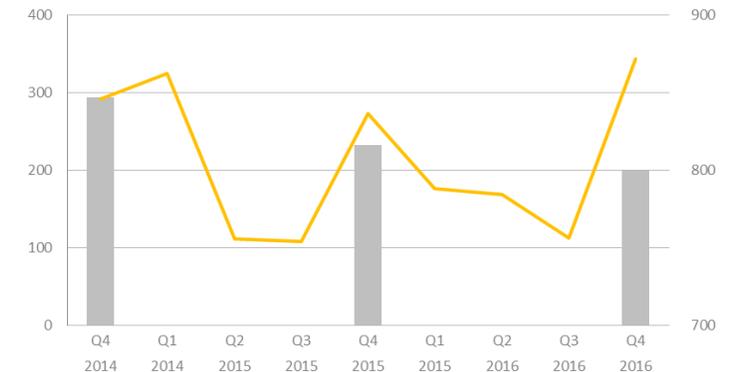
EBITE, MNOK

343

800

— QTD

■ YTD



Segment Logistics



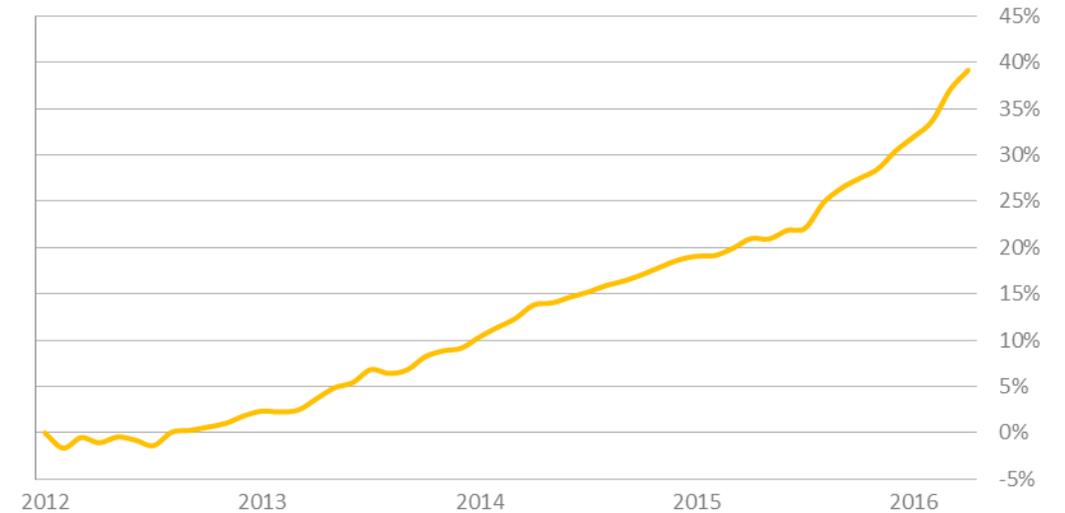
Segment Logistics: Market development

- Weak economic growth in mainland Norway
- Challenges in the oil sector
- Significant growth in the e-commerce trade from abroad
- Positive development for the parcels business in Sweden
- Generally a weaker growth in GNP than in the other Nordic countries

E-COMMERCE VOLUME DEVELOPMENT FROM Q3 2012, %

15.0 % (last 12 months)

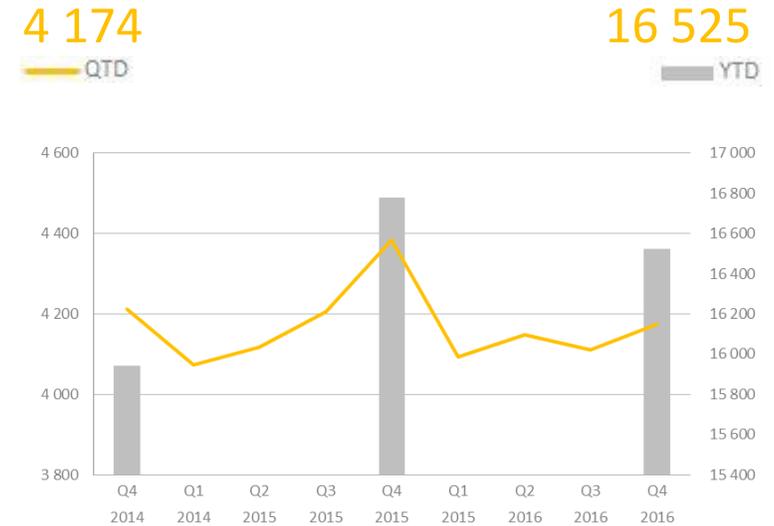
39.2 % (last 4 years)



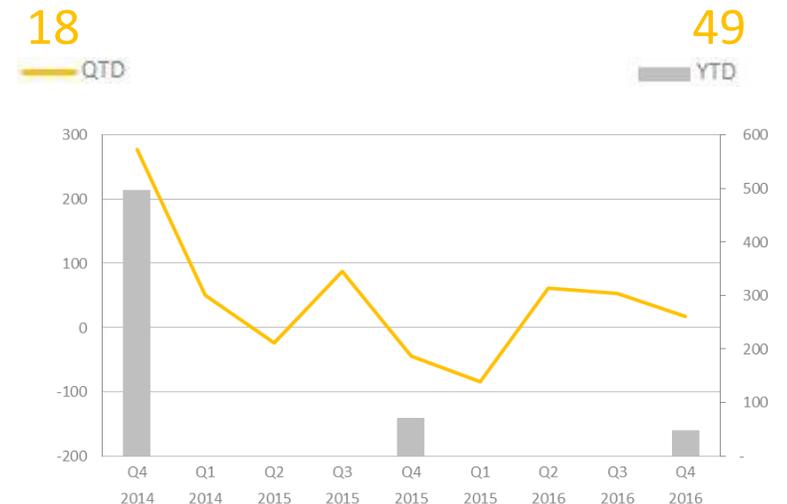
Segment Logistics: Key Figures 2016

- Operating revenues in the fourth quarter of were **MNOK 4 174**, a decline of **MNOK 208** from the same period in 2015.
- EBITE was **MNOK 18** in the fourth quarter of 2016, an increase of MNOK 62 from the same period in 2015.
 - Reduced activity in the Norwegian economy, challenges in the oil sector
 - Increased competition, in particular in the important e-commerce segment, pressures margins down
 - A number of cost measures have been implemented to improve profitability in the segment, including the discontinuing of former Ekdahls (Cargo Inrikes)

REVENUE, MNOK



EBITE, MNOK



Future prospects

- The ownership of Posten has been transferred from the Ministry of Transport to the Ministry of Trade and Fisheries effective from 1 January 2017.
- Increased decline in volumes in the Mail segment as a consequence of customer digitalisation. Transition to one addressed mail stream is planned from 2018.
- In the Government fiscal budget for 2017, MNOK 177 have been granted to the purchase of commercially non-viable postal services necessary for society. This is MNOK 316 lower than the estimated requirement for 2017.
- Cost measures have been implemented to mitigate the negative consequences of the market development. The winding-up of the freight business in former Ekdahls in Sweden is part of this.
- Uncertain market prospects in the logistics segment makes 2017 a challenging year for the Group
- We continue industrialisation and streamlining operations and the new logistics center at Alnabru will start up in 2017
- Posten Norge is working with a new strategy aimed at strengthening profitability and focus operations.

