First Quarter 2014

2014-05-06

POST

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First quarter 2014

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- New organization – more focus on e-commerce – greater synergy potential
- New brand structure
- Continued decline in mail volumes and increased price pressure
- Restructuring costs, associated with personnel reductions made in conjunction with the new organization, impacted all business areas
- Lower operating profit
- Continued cost savings and efficiency measures

PostNord Group – first quarter

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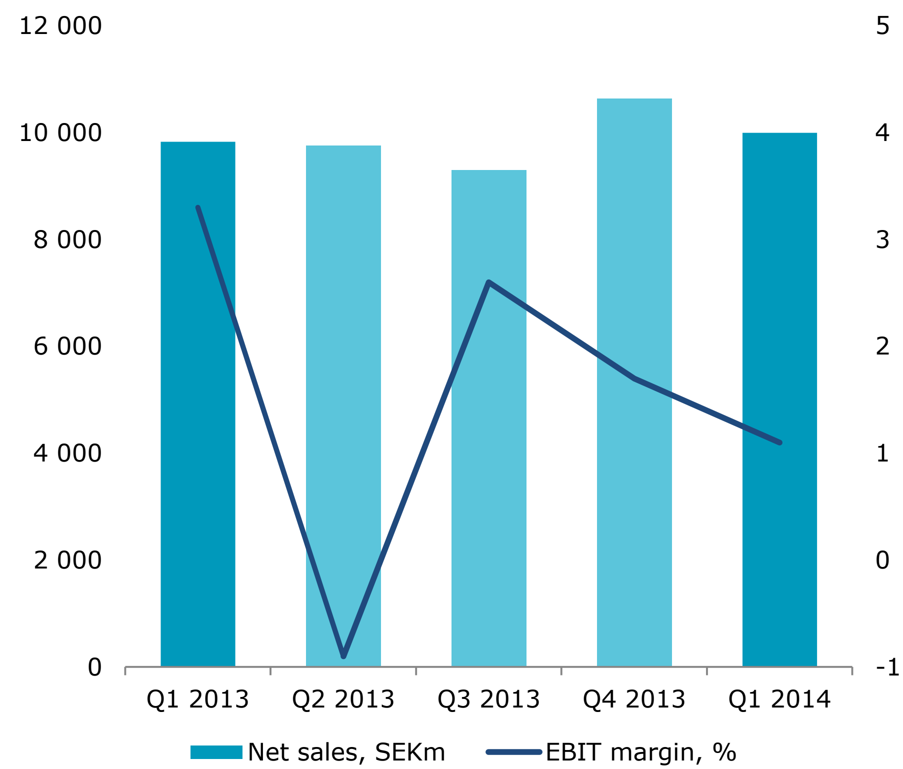
- **Net sales increased by 2% to SEK 9,999m (9,832)**
  - Increased sales within Logistics (+7%), mainly due to acquisitions, and reduced sales within Mail & Communication (-1%), mainly due to declining mail volumes
- **Expenses increased by 4% to SEK 9,960m (9,551)**
  - Due to acquisitions and restructuring costs
  - Underlying cost reduction of 1%
- **EBIT totaled SEK 106m (330)**
- **EBIT margin was 1.1 (3.3) %**
  - Decrease in earnings mainly due to restructuring costs, but also to price pressure
- **Cash flows from operating activities decreased to SEK -469m (425)**
  - Negative cash flows from change in working capital

NET SALES AND EBIT MARGIN



Business operations – first quarter

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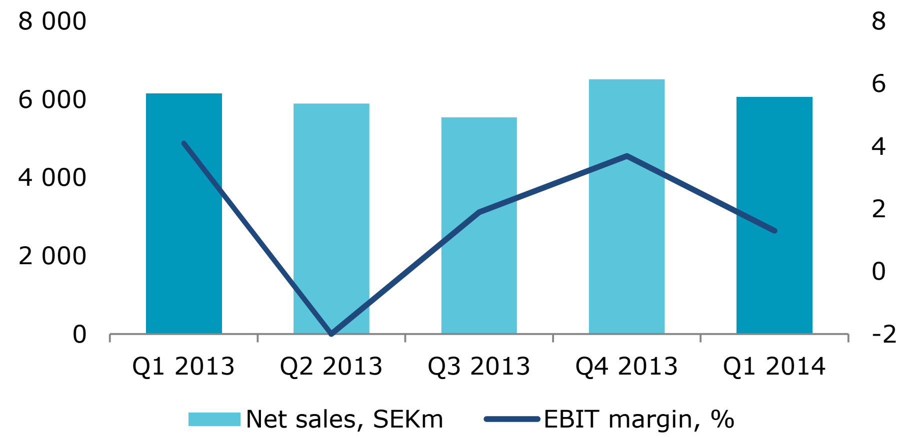
Q1 2014	Mail & Communication 	Logistics 	Strålfors 
Volumes	Letters: -6% (DK -13%, SE -4%)		
	All parcels: +8%. B2C-paket: +15%		
Net sales	SEK 6,070m (6,148)	SEK 3,395m (3,161)	SEK 681m (682)
△ net sales	-1%	+7%	no change
EBIT	SEK 83m (259)	SEK -9m (66)	SEK -11m (15)
EBIT margin	1.3 (4.1) %	neg (1.9%)	neg (2.2%)
	Continued decline in mail volumes due to digitization. Price pressure.	Growing e-commerce and B2C volumes. Positive trend in SE. Price pressure.	Increased sales from standardized printing solutions, increased competition from digital alternatives.

First quarter 2014
Mail: Declining mail volumes

- Net sales decreased by 1%
  - Mail volumes decreased by 6% (DK: -13%, SE: -4%)
  - Parcel volumes unchanged
  - Revenues also affected by increased competition and price pressure, primarily in direct mail and parcel markets
- Expenses up by 2%, mainly due to higher restructuring costs
  - Mail Sweden’s expenses increased by 3%, mainly related to personnel reductions in conjunction with the new organization
  - Mail Denmark’s expenses down by 5% (excl. acquisitions and currency) due to efficiency measures in production and administration
- EBIT decreased to SEK 83m (259)

NET SALES AND EBIT MARGIN



SEKm	Q1 2014	Q1 2013	△	△*
Net sales	6,070	6,148	-1%	-3%
of which, Mail Denmark	*2,341*	*2,371*	*-1%*	*-6%*
of which, Mail Sweden	*3,805*	*3,852*	*-1%*	*-1%*
EBIT	83	259	-68%	-67%
of which, Mail Denmark	*-16*	*-9*	*-78%*	*-56%*
of which, Mail Sweden	*99*	*268*	*-63%*	*-63%*
EBIT margin, %	1.3%	4.1%		

* Excluding acquisitions and currency effects

First quarter 2014
Logistics: Sales growth

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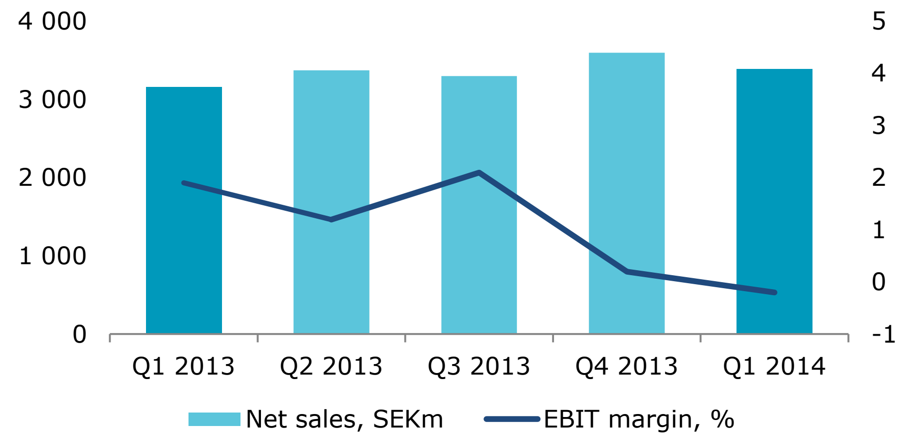
- Net sales up by 7% (2% organically)
  - Positive growth in Sweden
  - Heavy price pressure and subdued market in Norway
  - Organic sales growth, primarily in parcels to private customers (B2C)
- Expenses up by 5%
  - Mainly due to acquisitions and restructuring costs
- EBIT totaled SEK -9m (66)

NET SALES AND EBIT MARGIN



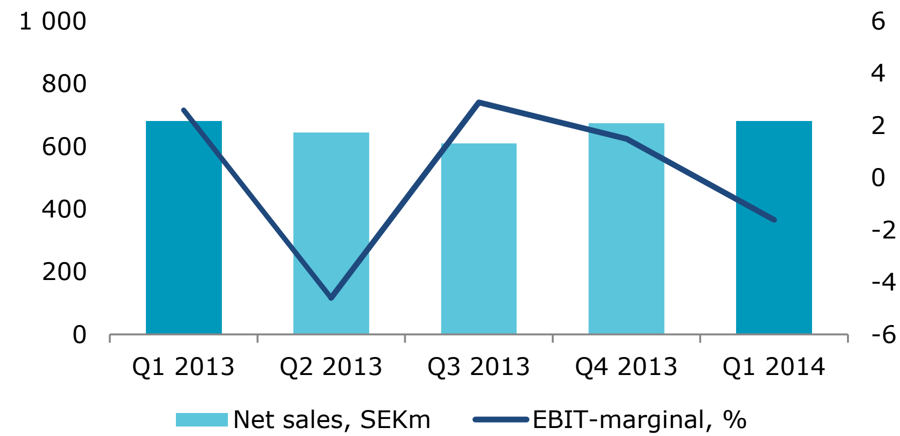
SEKm	Q1 2014	Q1 2013	△	△*
Net sales	3,395	3,161	7%	2%
EBIT	-9	66	--	--
EBIT margin, %	neg	1.9%		

* Excluding acquisitions and currency effects

First quarter 2014
Strålfors: Sales unchanged

- Net sales unchanged
  - Excluding acquisitions and currency, net sales decreased by 2%
  - Increased demand, mainly for new standardized printing solutions, neutralized by increased competition from digital alternatives
- Expenses increased by 4%
  - Mainly due to restructuring costs
- EBIT totaled SEK -11m (15)

NET SALES AND EBIT MARGIN



SEKm	Q1 2014	Q1 2013	△	△*
Net sales	681	682	--	-2%
EBIT	-11	15	--	--
EBIT margin, %	neg	2.2 %		

2013 values restated due to adjusted report from subsidiary

* Excluding acquisitions, divestments and currency

Strategic priorities

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to manage the conversion to lower mail volumes and create a balanced logistics business with strong focus on Nordic home market

Five key priorities…

- Nordic region's leading e-commerce service partner
- Leading logistics operator in the Nordic region
- New core products for service logistics
- Group-wide communication offer
- Sustainable business

… and four prerequisites

- Stable IT operation
- Reduced cost base
- Integrated production model
- Goal-oriented delivery culture

New organization and more uniform market presence

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- New organization as of March 31st
- Country units enable greater uniformity for customers and establishment of integrated production models
- Establishment of strategic e-commerce unit
- Changes to brand structure create uniformity and strengthen PostNord's offer
- Gradual introduction of new brand symbols over the next three years

	Sweden	Denmark	Norway/Finland
Business area Mail & Communication	postnord	postnord	postnord
Business area Logistics	postnord LOGISTICS	postnord LOGISTICS	postnord LOGISTICS
Strålfors		postnord Strålfors	
E-commerce & Corporate Clients		postnord	

Welcome decision on new Danish postal law

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- New Danish Postal Act took effect March 1st 2014. Some key provisions:

  - Option of delivering non-priority mail within four days rather than three

  - Requirement for post office network is defined

  - Option of introducing additional charge for Monday delivery of priority mail

New financial targets

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- 2014 AGM adopted new financial targets for the group
- Targets are long-range and evaluated over a 3-5 year period

Target		March 31, 2014	Dec 31, 2013
Capital structure	Net debt ratio of 10-50%	23%	15%
Profitability	Return on operating capital of 10.5%	4.0%	6.0%
Dividend	Dividend of 40-60% of net profit, with 50% as the norm	2013 dividend: SEK 128.8m (40.4%)	2012 dividend: SEK 103.0m (42.0%)

The definitions of net debt and operating capital were changed in conjunction with adoption of the new financial targets.

Profit summary

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SEKm	Q1 2014	Q1 2013	△	2013	2012	△
Net sales	9,999	9,832	2%	39,533	38,920	2%
Other income	60	45	33%	233	253	-8%
Income	**10,059**	**9,877**	2%	**39,766**	**39,173**	2%
Operating expenses*	-9,960	-9,551	4%	-39,114	-38,669	-1%
Participations in the earnings of associated companies	7	4	75%	10	7	43%
EBIT	**106**	**330**	-68%	**662**	**511**	32%
Net financial items	-21	-57	63%	-208	-144	-44%
Tax	15	-91	--	-148	-120	-22%
Net profit	**100**	**182**	-45%	**306**	**247**	**30%**
Operating margin (EBIT), %	*1.1*	*3.3*		*1.7*	*1.3*	

*Including depreciation and impairments

2013 values restated due to adjusted report from subsidiary

Cost development

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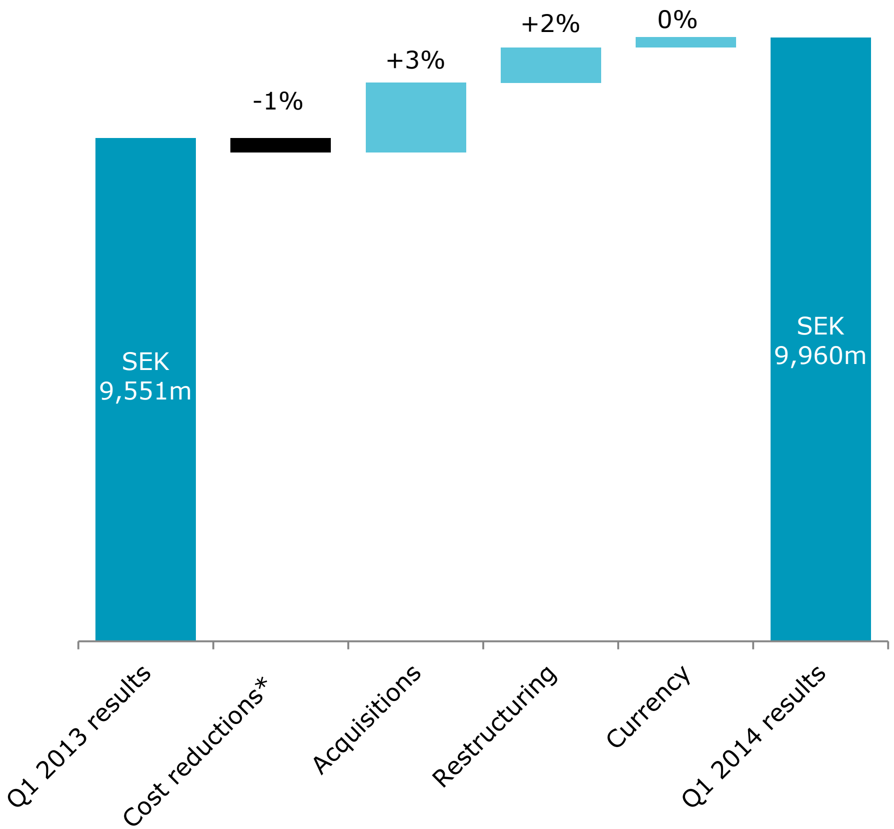
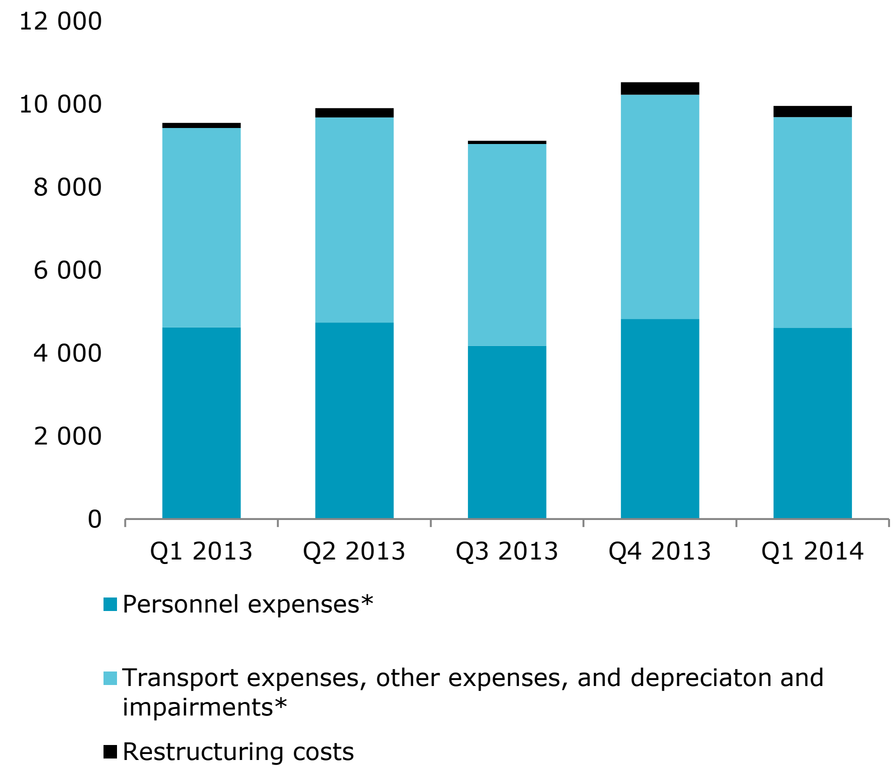
COST DEVELOPMENT, TREND



* Including cost inflation

OPERATIONAL EXPENSES, SEKm



* Excluding restructuring costs

Cash flows

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CASH FLOWS

SEKm	Q1 2014	Q1 2013	2013	2012
FFO	365	372	1,550	1,776
Change in working capital	-834	53	112	49
Cash flow, operating activities	**-469**	**425**	**1,662**	**1,825**
*Margin**	*-5%*	*4%*	*4%*	*5%*
Investment	-463	-757	-2,653	-3,533
Financing activities	-55	-137	-82	2,654
Net cash flow	**-987**	**-469**	**-1,073**	**946**
Cash and cash equivalents	993	2,571	1,973	3,046

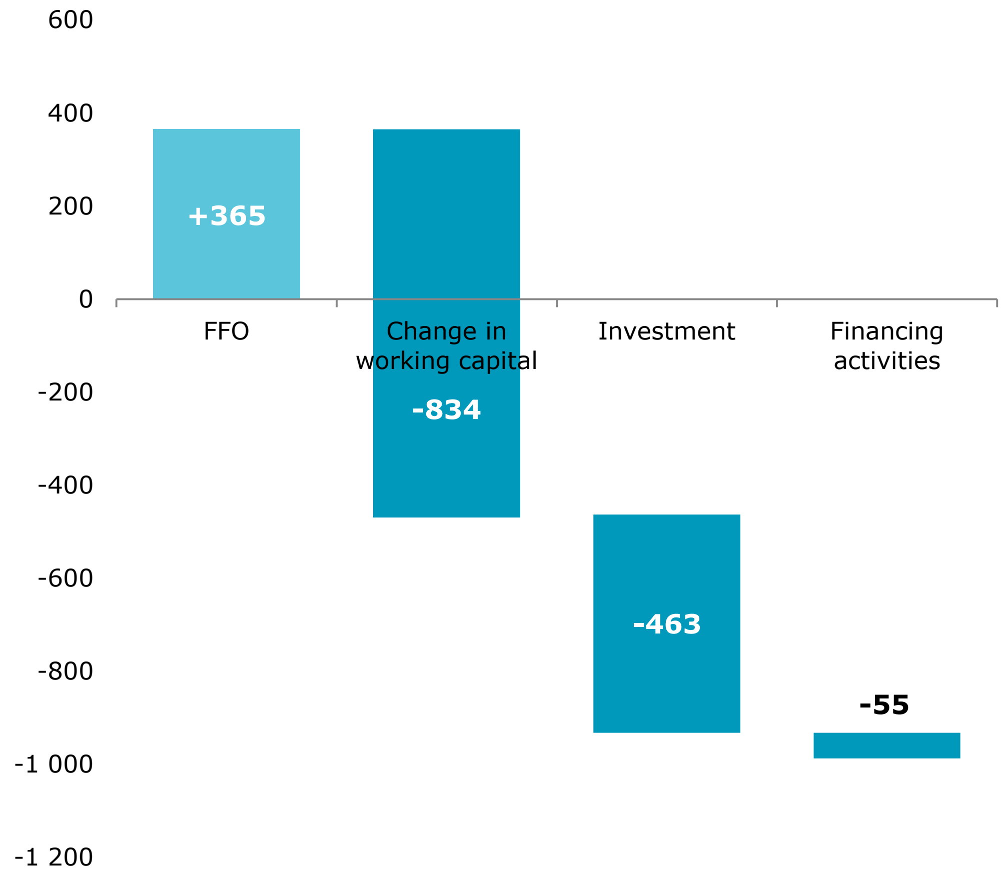
*Income/cash flow from operating activities

2013 values restated due to adjusted report from subsidiary

Cash flow development

- Net cash flows totaled SEK -987m
- Negative cash flows from changes in working capital due to decrease in accounts payable, increase in accounts receivable and increase in deferred items
- Investments made primarily in new vehicles, transport and sorting equipment and facilities in connection with new terminals in Sweden

NET CASH FLOWS, SEKm



Increased net debt

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- Net debt increased by SEK 507m to SEK 2,128m, primarily due to decrease in cash and cash equivalents
- Changed definition of ”net debt” in conjunction with adoption of new financial targets
  - Now also includes financial receivables and current interest-bearing receivables
- Financial preparedness of SEK 3.0 bn, of which SEK 1.0 bn in cash and cash equivalents

NET DEBT

SEKm	Mar 31 2014	Dec 31 2013
Interest-bearing debt	- 4,555	-4,589
Pension provisions*	-33	-375
Total	**- 4,588**	**-4,964**
Financial receivables	1,225	1,199
Current interest-bearing receivables	242	163
Cash and cash equivalents	993	1,981
Net debt	**-2,128**	**-1,621**
Net debt/EBITDA, times	*1.0*	*0.7*
Net debt ratio, %	*23*	*15*
Financial preparedness	*2,993*	*3,981*

* Includes assets under management

Debt maturity profile

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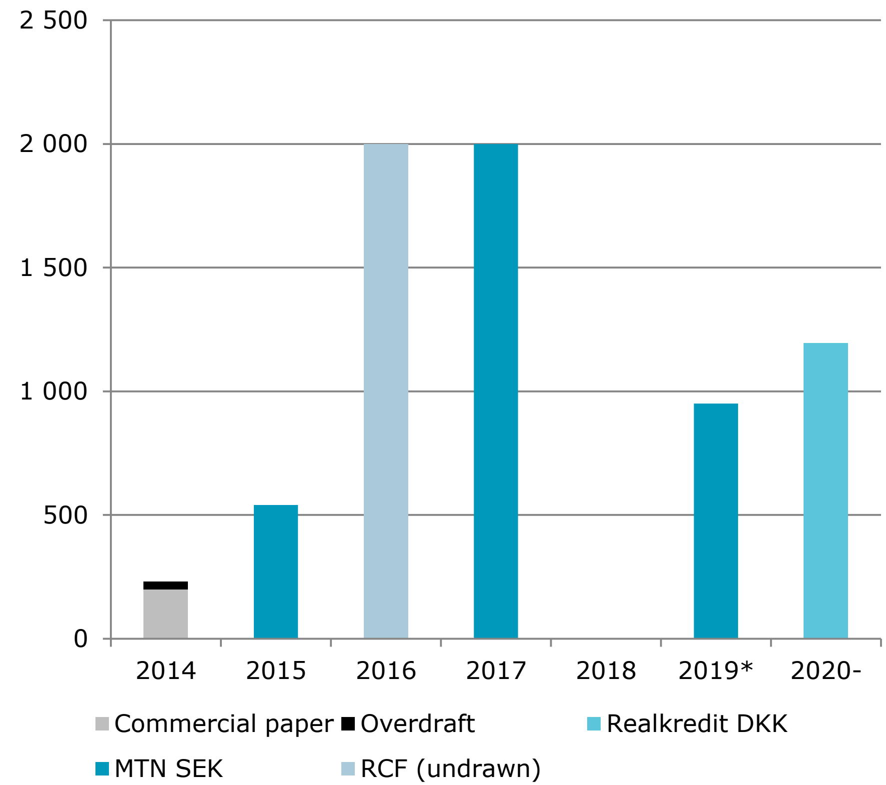
CREDIT OVERVIEW, MARCH 31, 2014

Credit	Total value SEK bn	Utilized value SEK bn
Revolving credit facility, 5-yr, SEK	2.0	0
Commercial paper, SEK	3.0	0.2
Realkredit Danmark A/S, real estate financing (Post Danmark A/S), 20-yr, DKK	1.2	1.2
MTN program, SEK	6.0	3.5*
Total utilized per March 31, 2014		4.9
Short-maturity credits		0.2

MATURITY STRUCTURE, MARCH 31, 2014, SEKm



* Includes MTN issue of SEK 550m, settlement date April 1, 2014

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Outlook

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Mail volumes	Decrease in 2014: • 4-5% in Sweden • Preliminary projection: 12-14% in Denmark (previously 9-11%)
Investments	3-5% of group income during 2014-2016
Profitability and cash flows	Increase in profitability and improved cash flows in coming year
Credit rating	Ambition to continue being an investment grade company

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