

A wide-angle photograph of a large industrial warehouse. The ceiling is a complex network of grey metal trusses and beams, with long fluorescent light fixtures hanging from it. In the foreground, an orange and grey forklift is in motion, carrying a pallet stacked high with blue and white packages. The driver is visible through the forklift's window. To the left, a large grey metal structure, possibly a loading dock or part of a conveyor system, is visible. In the background, another forklift and a person are visible near a loading bay. The floor is a smooth, light-colored concrete.

# Second quarter 2017

July 20, 2017

**postnord**

# Overview – results

SEKm	Q2 2017	Q2 2016	△ <sup>2)</sup>	H1 2017	H1 2016	△ <sup>2)</sup>	FY 2016
Net sales	9,083	9,590	-6%	18,431	19,228	-5%	38,478
Adjusted EBIT <sup>1</sup>	-4	-1		188	299		500
EBIT	-291	-270		-197	30		-1,083
Net income for the period	-336	-282		-320	-63		-1,583
Cash flow from operating activities	922	364		1,912	553		1,321
Net debt	32	1,020		32	1,020		354

<sup>1</sup>Adjusted for items affecting comparability. For more information, please refer to the Interim report for the second quarter 2017.

<sup>2</sup>Change excluding acquisitions/divestments and currency.

- Market trends:
  - Growing digitization, mail volumes continuing to decline
  - Continued growth in e-commerce
  - Tough competition in the logistics market
- Transformation of the Danish business is progressing according to plan
- A Parliamentary bill to introduce a new system of postal regulation in Sweden had been announced for May. The current system lacks the necessary flexibility

# Trends in the market

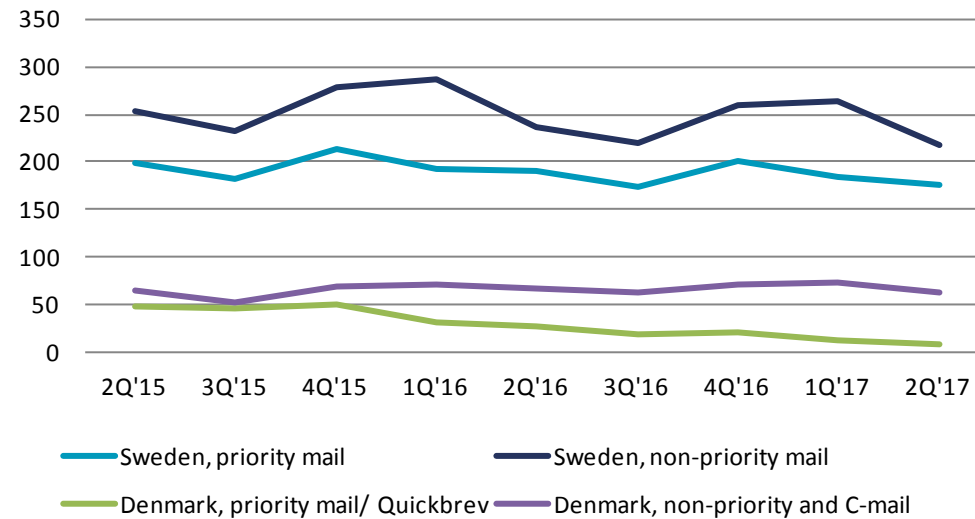
Mail volumes fell by a total 10% compared with Q2 2016

- -23% in Denmark
- -8% in Sweden

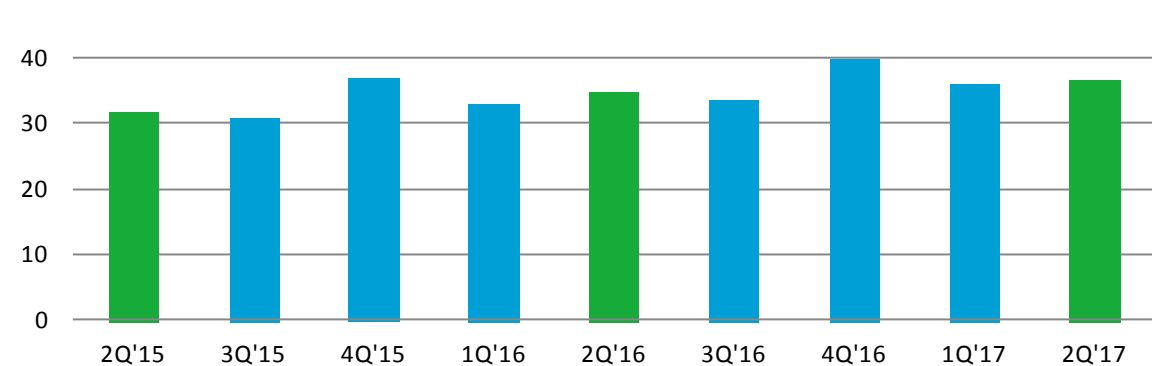
Parcel volumes rose by a total of 6% compared with Q2 2016

- E-commerce-related B2C parcels increased by 12%

MAIL, MILLIONS OF UNITS



PARCELS, MILLIONS OF UNITS

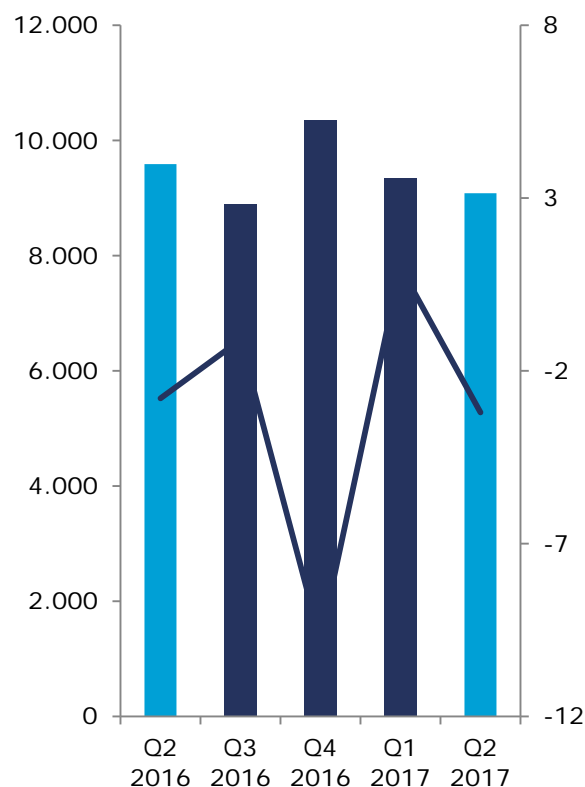




# PostNord, Group

EXECUTION OF THE STRATEGY AND TRANSFORMATION TO MEET THE CHALLENGE OF DIGITIZATION IS ON SCHEDULE.

## NET SALES AND EBIT MARGIN



Net sales, SEKm — EBIT margin (%)

Net sales SEK 9,083m (9,590)

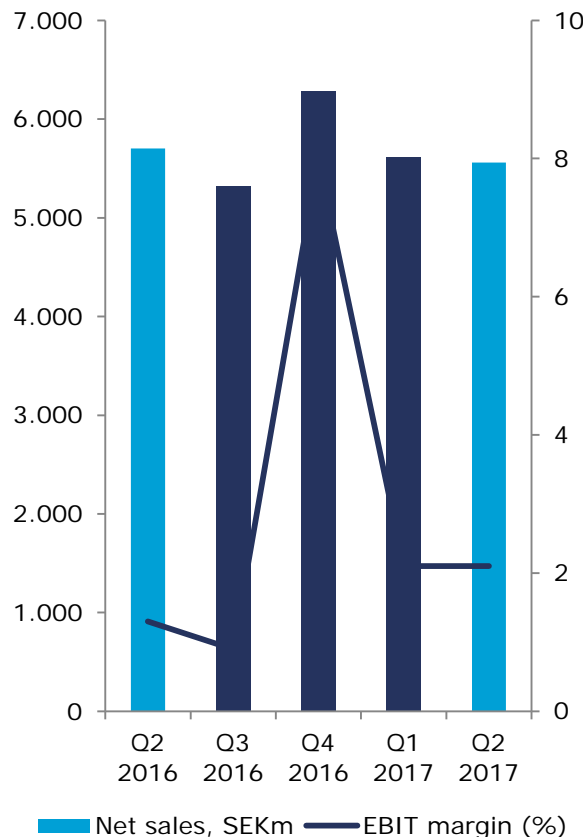
- Net sales decreased by 6% excluding currency effects, acquisitions and disposals
- Growing digitization, decreasing mail volumes, growth in e-commerce-related services

Adjusted EBIT SEK -4m (-1),

EBIT SEK -291m (-270)

- Items affecting comparability of SEK -287m (-269) relate 2017 to the transformation of the Danish business
- The level of earnings, adjusted EBIT, has been maintained via growth in the logistics segment and robust actions on costs
- The transition to a financially sustainable production model in Denmark is in progress

## NET SALES AND EBIT MARGIN



Net sales decreased by 2%, excluding currency effects and acquisitions and disposals

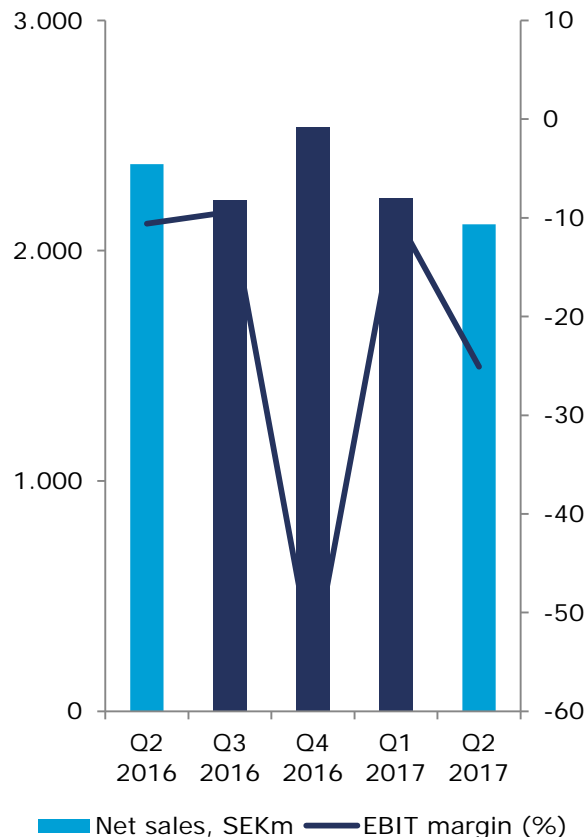
- Mail volumes decreased by a total of 8%
- Increased sales for eCommerce & Logistics, mainly through continued growth in e-commerce, and pallets and mixed cargo groupage.

Adjusted EBIT SEK 114m (91)

EBIT SEK 114m (76)

- Growth in e-commerce and other logistics, together with continued cost adjustments have offset lower sales in the mail business

## NET SALES AND EBIT MARGIN



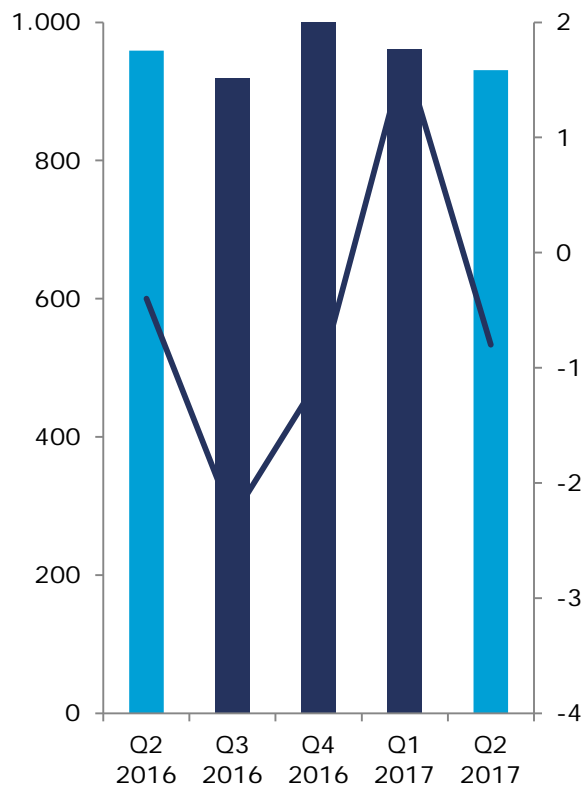
Net sales fell by 13% excluding currency effects and acquisitions

- Mail volumes fell by 23%
- Positive growth for e-commerce, pallets and mixed cargo groupage

Adjusted EBIT SEK -241m (-222),  
EBIT SEK -530m (-253)

- Lower mail income has not yet been offset through higher logistics sales and cost adjustments in the mail business
- Work on introducing a new financially sustainable production model is progressing

## NET SALES AND EBIT MARGIN



Net sales, SEKm EBIT margin (%)

Net sales decreased by 7% excluding currency effects and acquisitions

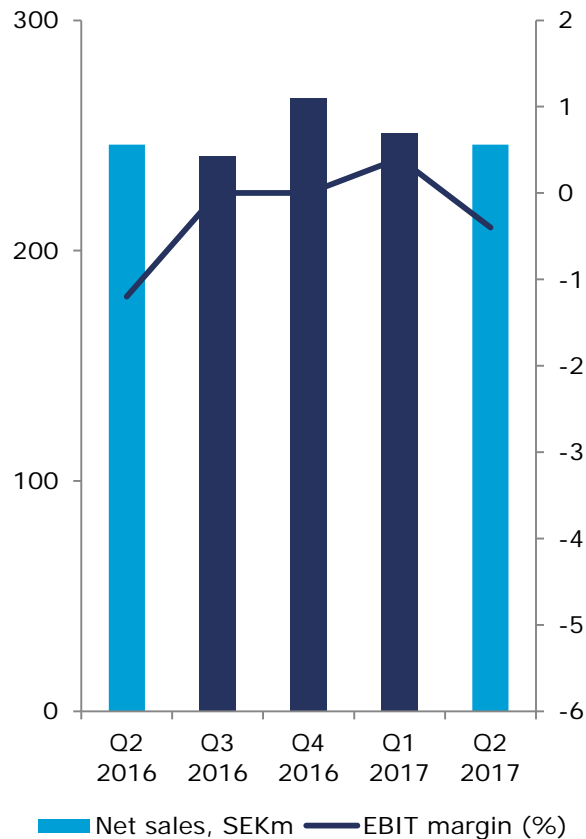
- Price pressure within logistics, calendar effect of timing of Easter from one quarter to another and terminations of unprofitable customer agreements in thermo

EBIT SEK -7m (-4)

- Further robust cost adjustment measures and increased flexibility in the event of volume fluctuations



## NET SALES AND EBIT MARGIN



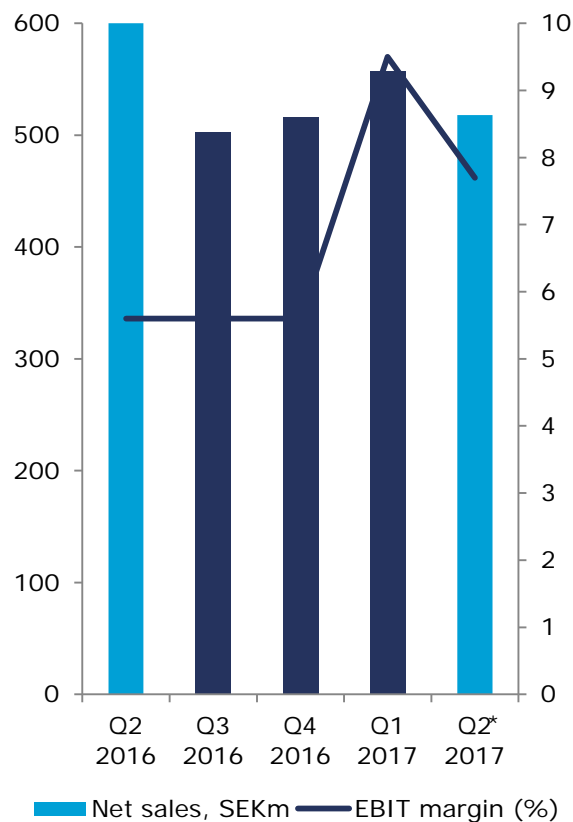
Net sales decreased by 3% excluding currency effects and acquisitions

- Lower sales for InNight and negative Easter impact

EBIT SEK 1m (-3)

- Q2 2016 affected by costs related to the acquisition of Uudenmaan Pikakuljetus Oy (UPK)

## NET SALES AND EBIT MARGIN



Net sales fell by 8%, excluding exchange rates, acquisitions and divestments

- Digitization is reducing the demand for physical communication, while the demand for digital communication offerings is rising

Adjusted EBIT SEK 40m (34)

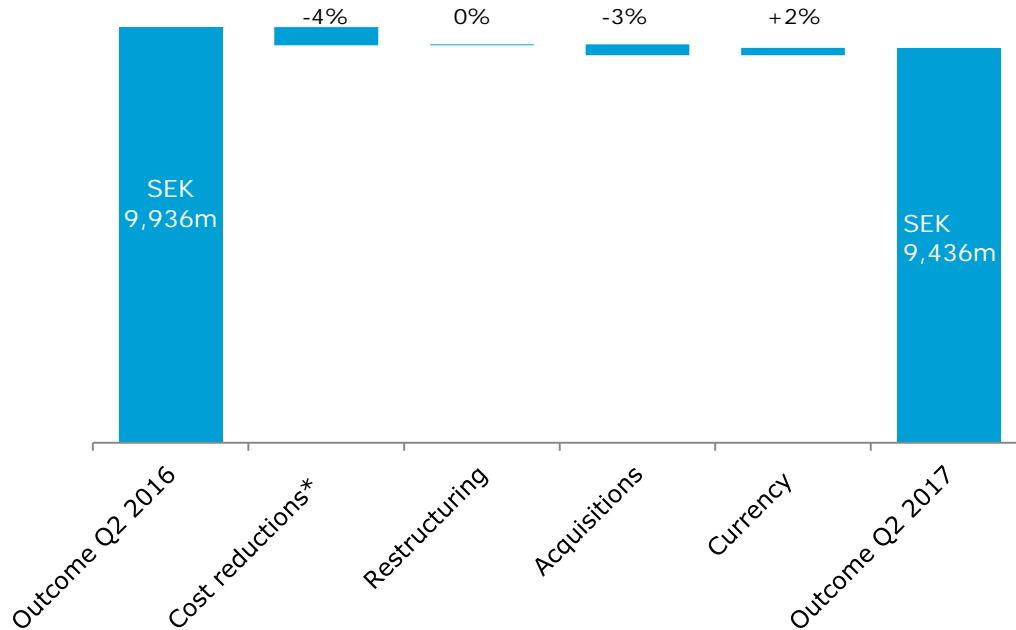
EBIT SEK 40m (-189)

- The improvement was due to tight control of costs, lower staffing levels Last year's EBIT was charged with costs of SEK 223m in connection with disposal of business outside the Nordic region

\*Adjusted EBIT margin

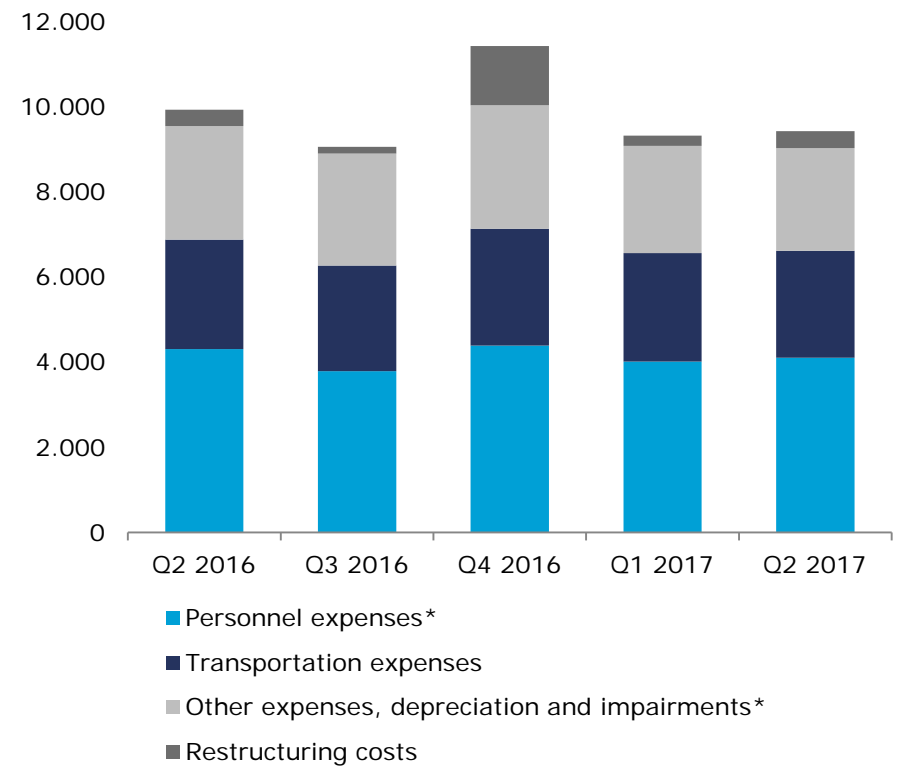
# Trend of costs

TREND OF GROUP'S COSTS



\*Including cost inflation

GROUP'S OPERATING COSTS, SEKm



\*Excluding restructuring costs

# Trend of cash flow

## Cash flow from operating activities SEK 922m (364)

- Positively affected by a compensation from Postens Pensionsstiftelse (the Posten Pension Fund). Change in working capital is mainly a result of higher receivables from foreign postal operators

## Cash flows from investing activities SEK -264m (-622)

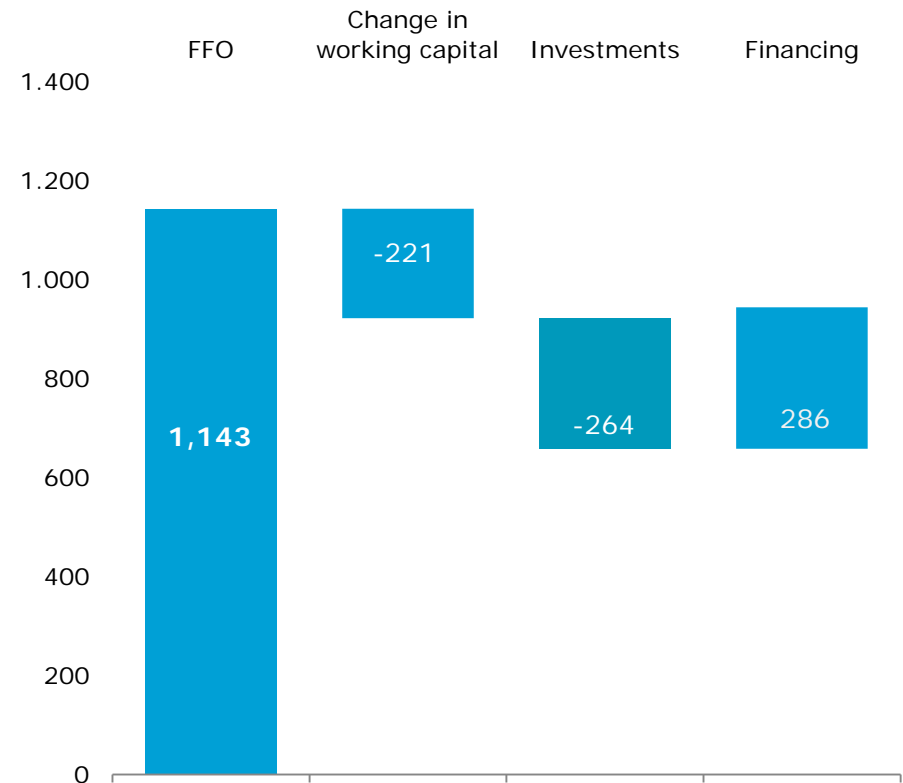
- Investments focused mainly on the integrated production model and IT development

## Cash flow from financing activities SEK 286m (3)

- SEK 300m was issued within the commercial paper program

## Cash flow for the period SEK 944m (-255)

CASH FLOW, SECOND QUARTER 2017, SEKm



# Net debt

Net debt increased by SEK 720m to SEK 32m

- Affected by revaluation of pension commitment and an underlying negative operating cash flow, excluding a retroactive credit of SEK 980m, from Postens Pensionsstiftelse (the Posten Pension Fund) for pension payments relating to 2016

Financial preparedness amounting to SEK 7,627m, of which cash and cash equivalents total SEK 3,086m

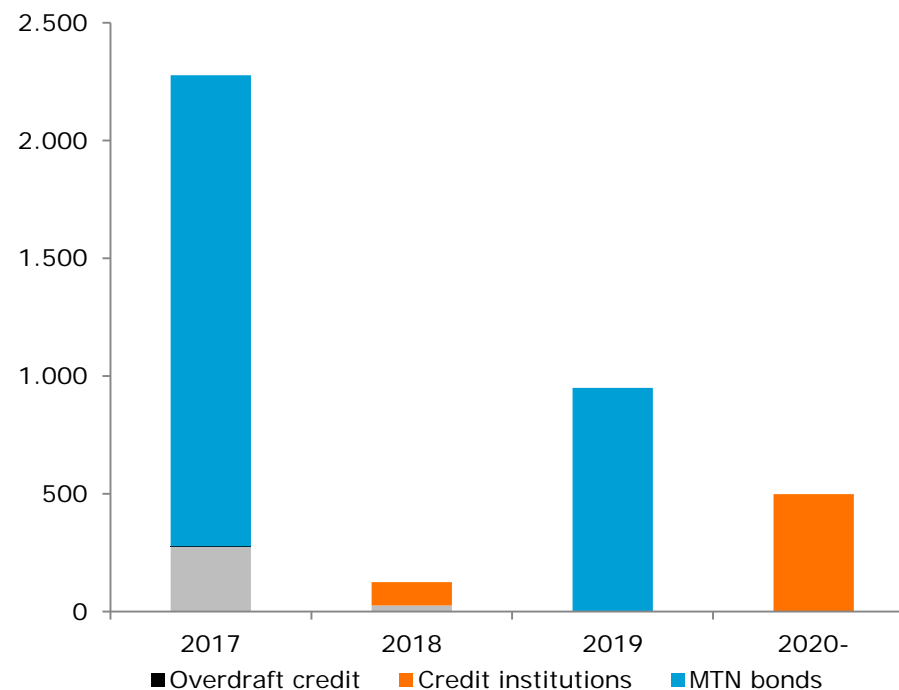
SEKm	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Interest-bearing debt	4,029	3,743	3,745
Pensions and disability pension plans	-88	-1,520	-1,201
Long- and short-term investments	-823	-765	-613
Cash and cash equivalents	-3,086	-2,146	-1,577
<b>Net debt</b>	<b>32</b>	<b>-688</b>	<b>354</b>
<i>Net debt/EBITDAI, times</i>	<i>0.0</i>	<i>-0.5</i>	<i>0.2</i>
<i>Net debt ratio, %</i>	<i>0.4</i>	<i>-9</i>	<i>5</i>
<i>Financial preparedness</i>	<i>7,627</i>	<i>5,646</i>	<i>4,927</i>

# Credit profile

## OVERVIEW OF LINES OF CREDIT, JUNE 30, 2017

Credit	Total amount SEK bn	Amount utilized SEK bn
Revolving credit facility, maturing in 2020	2.0	0.0
Bridging facility maturing in 2019	2.0	0.0
Commercial paper	3.0	0.3
Credit institutions	1.5	0.6
MTN bonds	6.0	2.95
<b>Total utilized, June 30, 2017</b>		<b>3.9</b>
<b>Credit lines with short maturity</b>		<b>2.3</b>

## MATURITY STRUCTURE, JUNE 30, 2017, SEKm



An undrawn revolving credit facility (RCF) of SEK 2.0bn is in place, maturing in 2020.  
An undrawn bridging facility (RCF) of SEK 2.0bn is in place, maturing in 2019.



# Financial targets

The targets are long-term and are to be assessed over a period of 3-5 years.  
The financial targets were adopted at the 2014 AGM

Area	Key ratio	Outcome June 30, 2017	Target
Profitability	Return on capital employed (ROCE)	-15,9%	10.5%
Capital structure	Net debt ratio	0,4%	10-50%
Dividend policy	Dividend	2017: No dividend	40-60% of net income for the year

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## **Forward-looking statements**

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of PostNord. Forward-looking statements herein apply only as at the date of this document. PostNord will not undertake any obligation to publicly update or revise these forward-looking statements to reflect future events, new information or otherwise except as required by law.

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