

PostNord Investor presentation MTN 2018

Stockholm
2018



postnord



Håkan Ericsson

- President and Group CEO since October 2013
- B. Sc. Economics
- Previous positions: President of Carlson Wagonlit Travel's North and Latin American operations, CEO of Loomis Cash Handling, Executive Vice President at SAS Airline Support Business, MD of DHL European Freight Operation, and senior positions in the Danzas, ASG and Fraktarna logistics groups



Gunilla Berg

- Chief Financial Officer, CFO, since September 2014
- B. Sc. Economics
- Previous positions: Executive Vice President and CFO of Teracom Group, SAS Group and KF Group
- Board member at Atlas Copco and ÅF



Thomas Bacteman

- Chief Communications Officer since October 2017
- B. Sc. Economics
- Previous positions: Chief Communications Officer at Swedbank and Studsvik, Partner at Hallvarsson & Halvarsson and Brunswick Group

Business Overview and Business Strategy

Håkan Ericsson, CEO

Brand, Image and Sustainability

Thomas Backteman, Chief Corporate Affairs

Financial Position and Funding Overview

Gunilla Berg, CFO

Business Overview and Business Strategy

The leading communication and logistic business in the Nordics

In 2017 PostNord delivered:

~37 BSEK Net Sales

388 MSEK EBIT (adj)

30 000+ Employees

4.3 billion letters and other mail items

154 million parcels

And has:

6 250 distribution points in the Nordics

State owned
company

Reduced
risk in mail

Positioned for
growth in logistics
and digital
communication

Strategy

postnord

– building the best logistics and communications business in the Nordic region



1 in Nordic distribution and eCommerce

Leading in physical and digital communication solutions

Proud employees that fulfill our customers needs

The most competitive network and information platform provider

State ownership

Danish and Swedish state ownership and corporate governance

- Postal services in Sweden and Denmark
- Supplier of universal service obligations (USO) in Sweden and Denmark
- Transition funded by owners
- Discussion between the owners regarding future USO financing construction

**Reduced
risk in mail**

Digitalization of society



Continued investment in technology, automation, capacity and speed

State of the art sorting for letters and parcels

Joint production and delivery helps optimize delivery of declining mail volumes

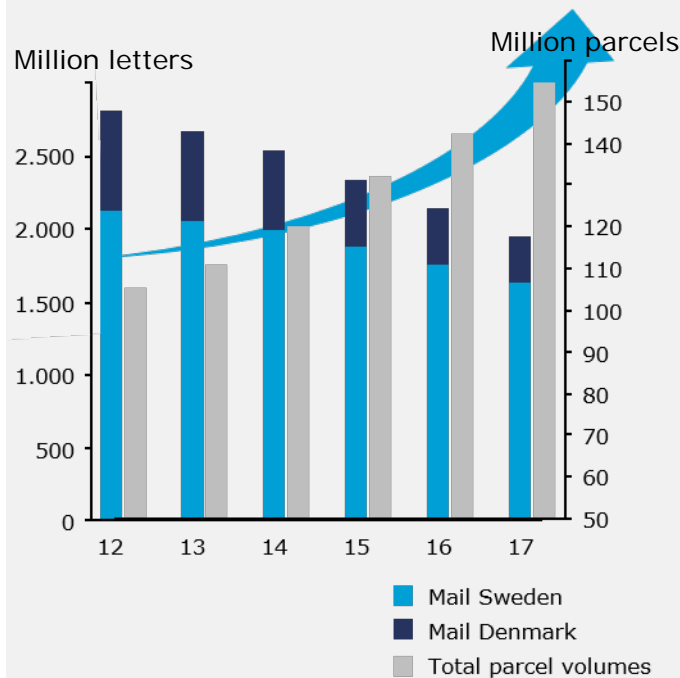
Behind revenue growth, cost management needs to reflect post and parcel volume trends

Digitalization

– growth driver that implies both opportunities and challenges

Opportunities

Total parcel and letter volumes



PostNord Strålfors

Strong growth in digital communication.
In PostNord Strålfors SE:

>60% of EBIT from digital services

Challenges

Mail volumes

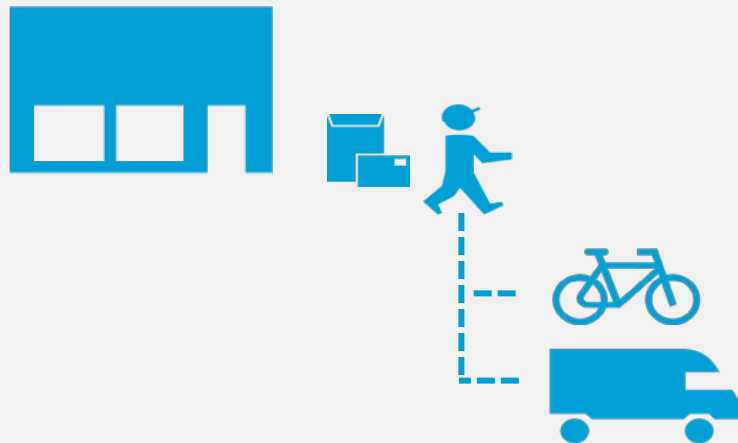
Sweden

| | |
|-----------------------------------|--------------|
| Change during 2017 | -7 % |
| Change since 2009 | -46 % |
| Change, priority mail, since 2000 | -60 % |

Denmark

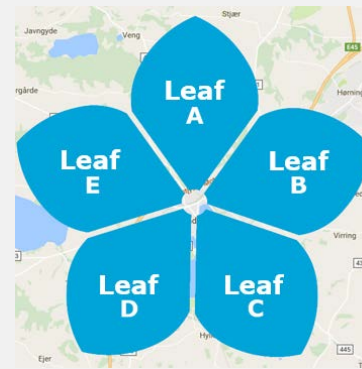
| | |
|-----------------------------------|--------------|
| Change during 2017 | -18 % |
| Change since 2009 | -79 % |
| Change, priority mail, since 2000 | -96 % |

Distribution depot



- Mail network is discontinued
- Parcels and letters in the same network
- Fewer terminals
- Letter distribution start at depot
- 27 depots with cars and 74 depots with bikes only

Basic flow – “The flower”



- Items in basic flow are distributed to each household once a week
- A distribution area is divided in 5 leaves – one area per day

Express flow

- Quickbrev for overnight delivery



- Very strong growth in logistics parcel driven by eCommerce
- Leading market position in the Nordic region
- Capacity increase to absorb growth opportunities
- Well positioned to handle both physical and digital communication

How do we take advantage of the positive momentum in logistics, with growth in order intake, sales and earnings

- Adjustment in mix of fixed and variable costs
- Most attractive offers
- Integrated and flexible production
- Consumer focused product development

**Positioned for
growth in
logistics and digital
communications**

Brand, Image and Sustainability

Win back the hearts and minds of the employees, customers, and the consumers

PostNord's image, our customers, consumers, and our employees perceptions and trust have declined over the last two years

- Low involvement and motivation among employees limit PostNord's ability to implement changes and create a positive service experience for customers and consumers.
- A weak reputation limits the ability to position PostNord as a competitive company and an attractive employer.
- Inadequate media relations risk creating a negative perception of PostNord with other prioritized stakeholders.



Win back the hearts and minds of the employees, customers, and the consumers

Long term goals:

- Engaged, empowered, and motivated employees
- The preferred choice and best-in-class brand equity
- Image, trust and customer experience above our category average

Measures to achieve the goals

EMPLOYEES

The creation of a common **purpose** of why we exist and for whom, is a fundamental need and will be a platform for internal **mobilization**:

- A clear and engaging Purpose
- Best in class Service Concept
- New Intranet and engaging dialogue
- Activities for increased engagement

CUSTOMERS

Product development, sustainably high **quality** and **customer service** are key to strengthening the position as preferred partner going forward:

- World-class delivery quality
- Measures for improved customer satisfaction – make it easy to be a customer
- Communicate PostNord's offering – Launch windows
- New Market Website and efficient external channels

CONSUMERS

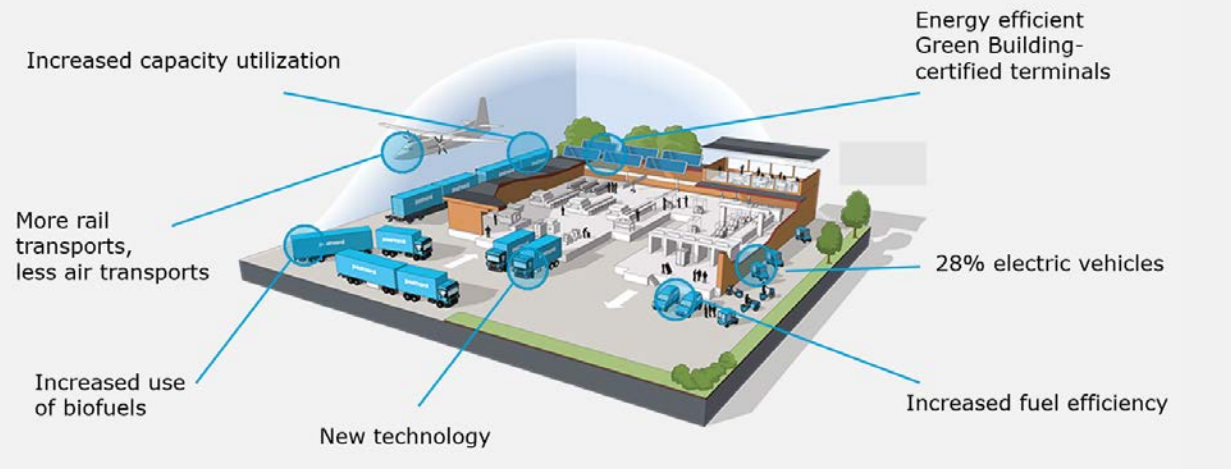
End-consumer perception determines image and trust – Changing perceptions starts within PostNord and will be supported by our **brand expressions**, e.g. **messaging** and **tone-of-voice**:

- Focus on quality in all processes and touch points
- PostNord Listens
- Better handling of Claims/Complaints
- Engaging Corporate story and message platform
- Advertising concept and branding campaign

Sustainability goals 2015-2020

Reduced CO₂-emissions

Target:
40% reduction by 2020
(base year 2009).

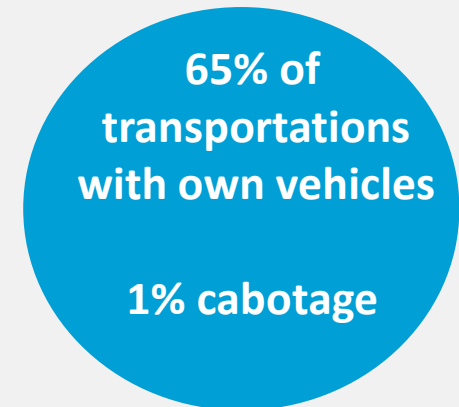


Increased share of female managers

Target:
40% female managers
by 2020.

Sustainable supply chain

Target:
By 2020, at least 80% of the Group's total spend will be with suppliers who accept and comply with the Code of Conduct for Suppliers.



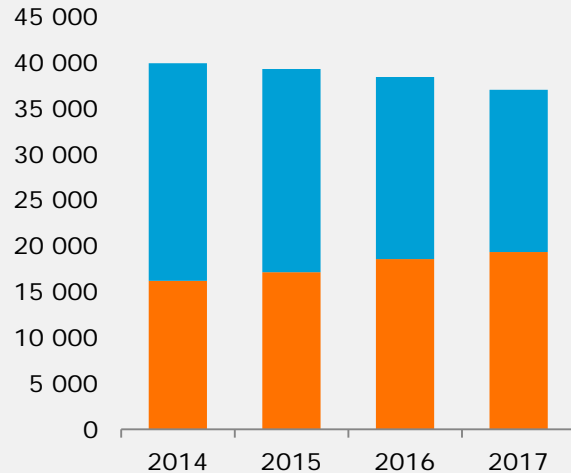
Financial Position and Funding Overview

Net sales, cost distribution and EBIT

2014-2017

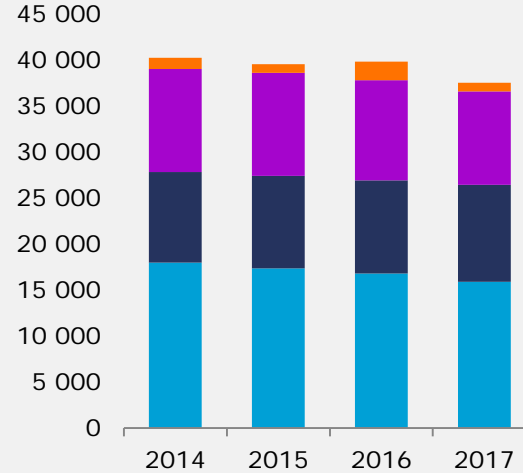
MSEK

Group revenue



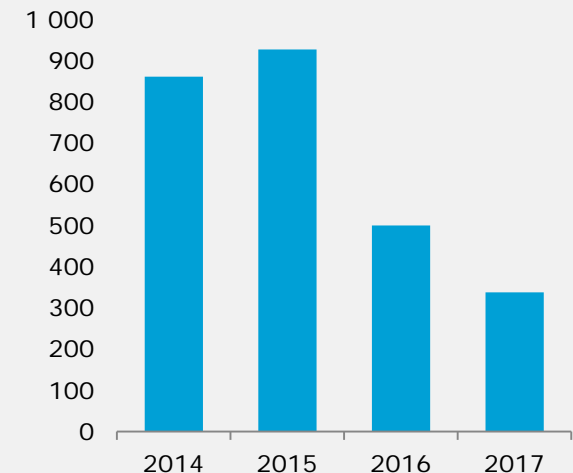
- Ecommerce & Logistics
- Communication Services

Group operating expenses



- Personal expenses
- Transportation expenses
- Other expenses, depreciation and impairment
- Restructuring costs

Group adjusted operating income (EBIT)



Financial key data

| The Group | H2 2018 | 2017 | 2016 |
|---|---------|--------|--------|
| Net Sales, MSEK | 18 605 | 37 007 | 38 478 |
| Operating income, MSEK | -975 | -124 | -1 083 |
| Adjusted operating income, MSEK | -6 | 338 | 500 |
| Net income, MSEK | -1 068 | -337 | -1 583 |
| Cash flow from operating activities, MSEK | 1 837 | 1 361 | 1 321 |
| Return on capital employed, excl IAC, % | -12.4 | 4.5 | 5.6 |
| Net debt ratio (net debt/equity), % | -4 | 3 | 5 |
| Financial preparedness, MSEK | 6 161 | 4 196 | 4 927 |

How do we reach our targets over time

- Transformation of Denmark will improve operating cash flow and profitability
- Positive impact from distribution from the owners

Financial targets

Profitability

Return on capital employed (ROCE)

10.5%

Capital structure

Net debt ratio

10-50%

Dividend policy

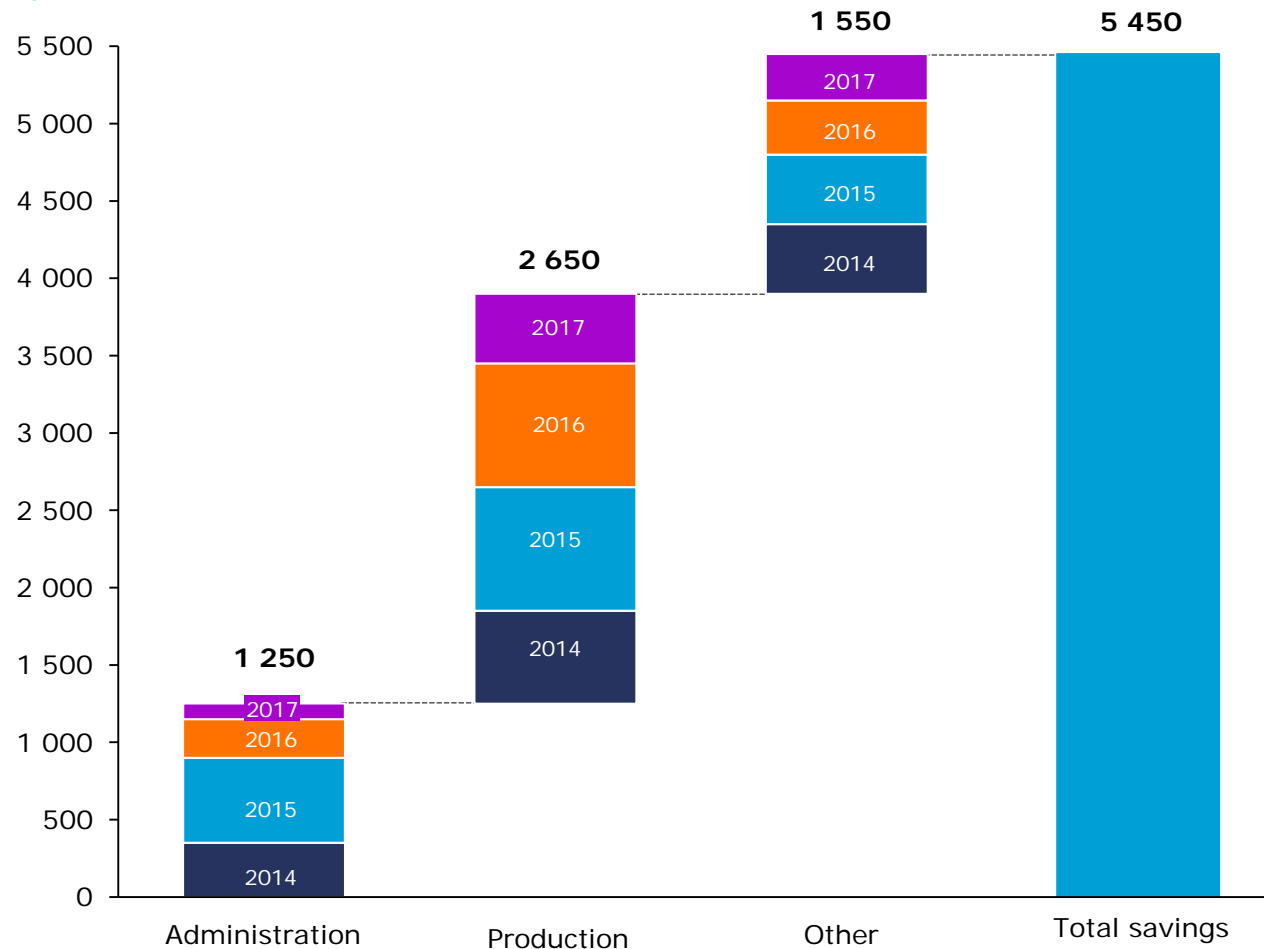
% of net income

40-60%

We have achieved major savings since 2014

Savings 2014-2017*

MSEK



* Accumulated cost savings, leading to yearly reduction of cost level. Based on 2013 cost base.

Support from owners

Support from the Danish and Swedish states

- Adaptation of regulations regarding postal services in Sweden and Denmark
- Transition funded by owners
 - 2.2 BSEK
- Discussion between the owners regarding future USO financing construction
 - Previously received for "Svensk Kassaservice"
 - Peers in Europe

**Committed and
supportive
owners**

40% Danish state
60% Swedish state

- Operating cash flow stable over time
- Continued transformation/transition requires substantial measures to uphold productivity and competitiveness
- Understanding in the national parliaments and among the general public as to the need for adaptation of regulation USO services
- Preparedness for financial support from owners to support USO services and transition

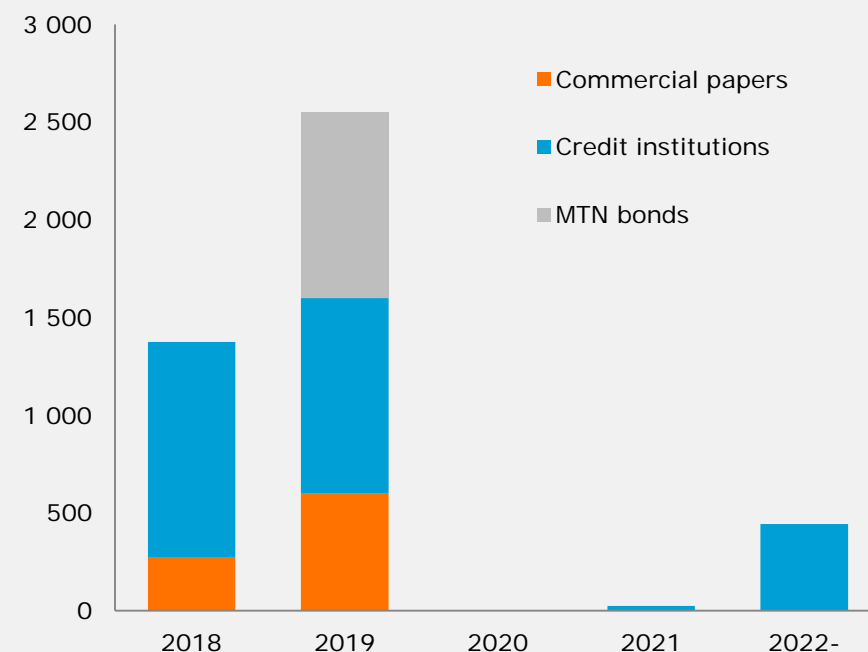
**Limited
cash flow risk**

Funding overview and debt profile

DEBT OVERVIEW AS OF JUNE 30, 2018 BSEK

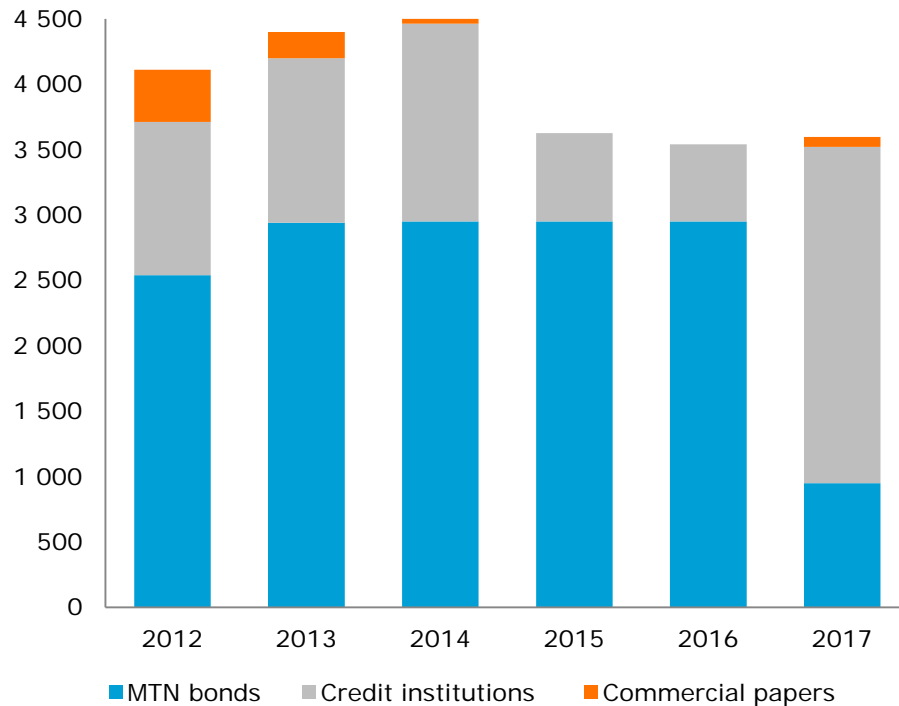
| Credit | Total value BSEK | Drawn value BSEK |
|---|---------------------|---------------------|
| Revolving credit facility, maturity 2021 | 2.0 | 0.0 |
| Commercial paper programme | 3.0 | 0.875 |
| Club term loans, mortgage loans and bilateral loans | 2.6 | 2.6 |
| Swedish MTN-program | 6.0 | 0.95 |
| Drawn in total, June 30 2018 | | 4.4 |
| Whereof short term loan maturities | | 2.9 |

DEBT MATURITY STRUCTURE AS OF JUNE 30, 2018 MSEK



An undrawn revolving credit facility (RCF) of 2.0 BSEK is available, maturing in 2021.

Debt profile 2012-2017



- Debt level is stable over time
- Main funding source MTN for long term funding
- Seasonal variances is funded short term

Funding strategy and transaction overview

To support the groups long term strategic goals

- Well balanced and diversified funding sources
- Cost efficient funding
- Well balanced maturity profile
- Long term relationships with investors and bankers

Transaction overview

- FXD and/or FRN SEK Senior Unsecured transaction with a combined expected issue size of SEK 1bn
- 3-7 year maturity
- Replacing bridge financing and securing financial flexibility

Key investment highlights

Ownership

Highly critical service in society. State ownership. Ownership support.

Regulation

New postal regulation in both Denmark and Sweden.

Markets

Regulated mail market. Logistics and digital communications market with strong growth opportunities.

Position

Strong position as Nordic market leader. Strong Nordic network.

Financials

Solid financial position and a high financial preparedness.

Q&A

Multi-year review

| SEKm, unless otherwise specified ¹⁾ | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 ³⁾ | 2010 ³⁾ | 2009 ³⁾ |
|--|---------|---------|---------|---------|---------|---------|--------------------|--------------------|---------------------|
| PostNord Group ²⁾ | | | | | | | | | |
| Net sales | 37,079 | 38,478 | 39,351 | 39,950 | 39,533 | 38,920 | 39,466 | 41,669 | 44,633 |
| Other operating income | 324 | 263 | 765 | 632 | 233 | 253 | 274 | 289 | 249 |
| Operating expenses | -37,527 | -39,824 | -39,552 | -40,247 | -39,114 | -38,669 | -38,167 | -40,589 | -44,605 |
| Operating income (EBIT) | -124 | -1,083 | 564 | 351 | 662 | 511 | 1,571 | 1,375 | 284 |
| Operating margin (EBIT), % | -0.3 | -2.8 | 1.4 | 0.9 | 1.7 | 1.3 | 4.0 | 3.3 | 0.6 |
| Total operating income (EBITDAI) | 1,193 | 1,737 | 2,436 | 2,198 | 2,310 | 2,410 | 3,237 | 3,292 | 2,298 |
| Operating margin (EBITDAI), % | 3.2 | 4.5 | 6.2 | 5.5 | 5.8 | 6.2 | 8.1 | 7.8 | 5.1 |
| Net income for the period | -337 | -1,583 | 278 | 176 | 306 | 247 | 1,225 | 1,031 | 2,414 ⁴⁾ |
| Cash flow from operating activities | 1,361 | 1,321 | 1,585 | 670 | 1,657 | 1,825 | 1,634 | 1,824 | n.a. |
| Net debt | 238 | 354 | -171 | 3,672 | 1,624 | 4,299 | 578 | -728 | -1,384 |
| Net debt ratio (net debt/equity), % | 3 | 5 | -2 | 46 | 18 | 37 | 5 | -6 | -10 |
| Return on capital employed, % | -16 | -121 | 5.4 | 31 | 6.0 | 4.4 | 135 | 51 | 21 |
| Investments | 1,196 | 1,182 | 1,109 | 1,690 | 2,241 | 2,331 | 1,957 | 1,277 | - |
| Dividend, total *proposed | 0* | 0 | 0 | 0 | 129 | 103 | 368 | 1,000 | 1,440 |
| Average number of employees (FTE) | 31,350 | 33,278 | 35,256 | 37,407 | 39,305 | 39,713 | 41,714 | 44,060 | 47,625 |
| Number of employees at end of period | 39,789 | 39,929 | 42,111 | 44,859 | 47,667 | 49,297 | 48,568 | 51,405 | 51,981 |
| of whom, temporary employees | 8,992 | 7,272 | 7,292 | 8,793 | 10,180 | 10,473 | 9,871 | 9,906 | 11,312 |
| Volumes, millions | | | | | | | | | |
| Group total, parcels ⁵⁾ | 154 | 142 | 132 | 120 | 111 | 105 | 98 | 100 | 97 |
| Denmark, priority mail/Quickbrev | 40 | 101 | 201 | 237 | 278 | 320 | 411 | 602 | 680 |
| Denmark, non-priority and business mail | 265 | 272 | 259 | 308 | 337 | 365 | 366 | 283 | 305 |
| Sweden, priority mail | 712 | 757 | 811 | 880 | 912 | 925 | 980 | 1,045 | 1,088 |
| Sweden, non-priority mail | 925 | 1,008 | 1,061 | 1,103 | 1,144 | 1,198 | 1,251 | 1,266 | 1,245 |

¹⁾ See definitions, Note 32, page 71.

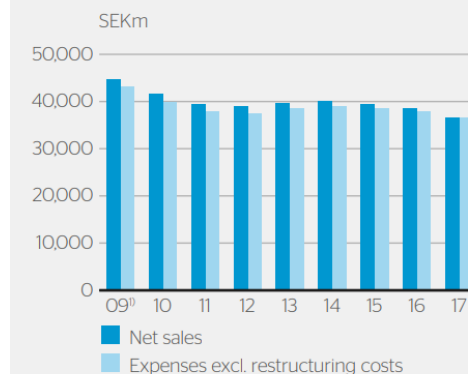
²⁾ Figures prior to 2012 have not been restated to reflect the requirements of IAS 19, Revised, Employee Benefits.

³⁾ Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

⁴⁾ Includes a capital gain of SEK 2,002m on the sale of Post Danmark A/S's share in Belgium's bpost (formerly De Post-La Poste) in July 2009.

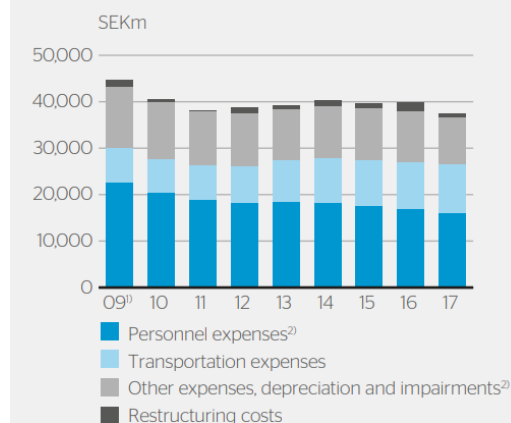
⁵⁾ Volumes produced eliminated for volumes between countries

Group net sales and operating expenses



¹⁾ Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

Group operating expenses



¹⁾ Figures for 2009 are based on a compilation of the results for Posten AB and Post Danmark A/S.

²⁾ Excluding restructuring costs.