

President & CEO Lars Idermark's speech to the PostNord 2013 Annual General Meeting

NOTE: The speech as delivered orally supersedes this written script.

Honored participants, ladies and gentlemen.

It has now been four years since the merger of Post Danmark A/S and Posten AB was finalized.

Today, PostNord is a major Nordic company with three businesses – Mail, Logistics and Strålfors.

Our Mail business is undergoing major changes as a result of the structural market changes caused by increased levels of digitalization. Mail carriers' bags contain fewer and fewer letters – but more and more parcels and advertisements.

Within Logistics, we hold a leading Nordic position in parcel and pallet distribution. We are now developing the business in new directions and with new services to meet customer demands.

We offer our services under four main brands: Posten, Post Danmark, PostNord Logistics and Strålfors.

2012 has in many ways been a challenging year for PostNord.

Our business environment has been characterized by the slowdown of the global economy with the financial crisis in Europe. In Scandinavia, the macroeconomic situation deteriorated gradually during the year.

The paradigm shift that our entire industry is undergoing as a result of digitalization and changing demand for communication services has continued to drive down demand for mail. This trend has been reinforced by the economic situation, with less economic activity.

The logistics market has also been challenging during the year.

The Nordic logistics market is characterized by stiff competition and price pressure. Weakened economic activity affected business here as well.

It is therefore particularly gratifying to say that PostNord performed relatively well during the year – despite the prevailing circumstances.

PostNord's net sales decreased by 1 percentage point in 2012. This nevertheless represents a stabilization in relation to the trend of recent years.

Operating profit was down but, excluding non-recurring items and the comprehensive restructuring measures taken during the year, the operating margin was four percent. This is a decent margin in our industry.

Restructuring costs of nearly 1.2 billion kronor are associated with the structural personnel changes we are making to streamline the business and meet our customers' changing demands.

Three of our four business areas reported improved adjusted operating profit. Cash flows from operating activities are stable, and the group's capital structure has been further optimized.

Given the complex circumstances we have had and that characterize our company's reality, this is a satisfactory result.

During the past year, implementation of the Roadmap PostNord 2015 strategy proceeded as planned.

The strategy is chiefly focused on development within five main areas:

- We are repositioning our Mail business to remain competitive into the future.
- We are developing our Logistics business by broadening our offer and our market presence.
- We are implementing value-enhancing measures within Strålfors.
- We are also developing a number of key service areas. These include the e-commerce offer and our advisory role in the area of marketing communication.
- We are continuing to capture the synergies resulting from the merger.

Let's now look at the development of our Mail business.

The effects of digitalization and reduced mail volumes have continued to put pressure on profitability for the Mail business. But impact on profit was mitigated to some extent through intensive streamlining and cost-cutting efforts.

The Swedish Mail business reported a good full-year result – despite the continued decrease in mail volumes.

We implemented comprehensive streamlining measures within the Danish Mail business in 2012 to meet the volume development, and we created conditions for generating new profitability.

Streamlining efforts in Denmark were made possible, in particular, thanks to the new postal legislation that came into effect in 2011. We anticipate additional adjustments of the regulatory provisions to prevailing market conditions in Denmark.

However, the volume decreases in Denmark in recent years – around 12 percent per year – are among the most dramatic in comparable markets.

They result from the implementation on the part of Danish companies and authorities of extremely far-reaching digitalization strategies.

This portends future challenges for many postal operators throughout Europe. Mail volumes will continue to decline – in Denmark and in other countries.

Mail will continue to play an important role for the business sector and society. But what is sent and the conditions under which it is sent will undoubtedly change.

The initiatives currently being taken by governments to promote the digitalization of societal communication are commendable in many respects. But the directional choice will have consequences in the form of sharply declining mail volumes.

Our company is highly dependent on regulatory requirements in our business operations.

In recent years, important steps have been taken in many European countries, including Denmark, to adapt the scope and focus of universal postal services to prevailing market conditions. This will also need to be done in Sweden.

The signal from PostNord is clear.

We want to be able to offer an efficient, self-financed postal service in the future as well. One prerequisite for this is the development of the regulatory framework in harmony with market changes.

We are continuing to develop our Logistics business.

Net sales increased, both before and after acquisitions, and underlying profitability improved. Logistics now accounts for more than one-third of our net sales, and this share will increase.

We have continued to implement our strategy of creating end-to-end logistics solutions and cross-border capacity within the Nordic region.

We have also strengthened our existing Logistics business with complementary businesses. During the year we acquired one of Scandinavia's leading players within the growing third-party logistics market.

We also acquired logistics businesses in Norway, where PostNord holds a strong position and is the challenger.

E-commerce continues to grow.

Our assessment is that e-commerce grew by around 15 percent in the Nordic region in 2012. And this growth will continue.

This benefits both the Mail and Logistics businesses. Parcel volumes increased, particularly during the fourth quarter. The number of distributed light parcels and small parcels also increased.

As for our third business area, Strålfors, we have succeeded in turning around the previous negative trend.

We have streamlined operations and improved efficiency.

To increase the company's growth rate, a reorganization process was started in late 2011 to form the current four divisions. We completed the reorganization last year.

Strålfors has now reported positive operating profit each quarter as of Q2 2012, and positive adjusted operating profit for the full-year. We anticipate further profitability improvement.

2012 and 2013 are two important conversion years in terms of adapting the corporate structure and cost level to new conditions. And activity level was high during the past year.

Let me describe some of the most important efforts that have been made within the framework of our strategy:

Reducing and changing the cost structure is one of our most crucial issues.

We reduced costs by continuously adapting the businesses to lower mail volumes.

Another key measure for reducing costs has been the program to streamline the group's central administration, which was concluded during the year.

We reduced the group's underlying cost base by close to 1.7 billion kronor.

And through these active efforts to reduce costs, we laid the foundation for improved profitability this year.

I've already spoken about the acquisitions we've made within the Logistics business. These are key acquisitions that strengthen our business and credibility as a comprehensive Nordic logistics operator.

We also made two synergy-driven acquisitions within the Mail business.

With the acquisition of SvenskMorgondistribution we developed our position within newspaper distribution in Sweden, enabling greater utilization of our vehicle fleet and production capacity.

The acquisition of Distributionservices in Denmark helped improve efficiency in the production of unaddressed mail.

The establishment of our new terminal structure in Sweden is proceeding according to plan. The mail terminal in Hallsberg and the logistics terminal in Veddesta will both be put into operation this year, followed by the mail terminal in Rosersberg in 2014.

The new terminals improve our capacity to fulfill our universal service obligation in Sweden. These are also environmentally sound investments that enable us to increase the share of mail items we ship via rail, which will reduce our carbon dioxide emissions.

We have also worked to improve the governance of the group. We introduced a new operational governance model and a new model for monitoring the businesses.

We also initiated the implementation of a new brand for our Nordic logistics offer. During the year we will progressively launch the PostNord Logistics brand. The change will be made gradually and will start off with a name change for our third-party logistics operations.

PostNord is a large company in the Nordic region, and our operations are of great importance to many companies and individuals. We play an important role in the communities where we operate.

One of the issues of particular concern to our stakeholders is the capacity to deliver high-quality postal services.

We had some local problems with mail delivery in Sweden during 2012. It is therefore gratifying to see that delivery quality for 1st-class letters improved on the whole in the group.

Our business is largely based on transports, and we work continuously to reduce our impact on the environment.

When we use less energy we reduce our costs and strengthen our competitiveness – while also safeguarding our environment.

We therefore have a clear goal of reducing our carbon dioxide emissions by 40 per cent by 2020. We reduced our emissions by five percent last year.

Among the many activities we implemented in 2012, I would also like to mention the new framework for financing our operations that was created during the year.

With the establishment, above all, of a bond program and several issues within its framework, we generated sources of financing for development, structural changes and innovation.

We continue to invest in production systems in the Mail businesses. This will enable us to improve mail production scalability, efficiency and profitability.

PostNord will continue to develop the Logistics business under profitability and expand our offer and market presence in the Nordic region.

The changes being made within our operations are changes that need to be made. They create opportunities for growth and improved profitability for the company.

They also improve our capacity to continue to deliver high levels of service and quality in tomorrow's communication and logistics markets.

We provide a vital public service that many regard as integral to society.

Every business day, we distribute 27 million mail items, 400,000 parcels and 60,000 pallets of goods to 25 million Nordic residents and 2 million companies.

And, year after year, we exceed the requirements imposed for universal postal service.

I am pleased and proud of what we, together, have succeeded in achieving during the past two years, during which I have had the privilege of serving as President & CEO.

The conditions for doing so have been far from ideal.

But we have been successful so far.

And with the determination and dedication demonstrated each and every day in our businesses, I am convinced that PostNord will continue to perform well.

I'd like to close by thanking PostNord's employees for their great efforts.

I would also like to thank the Board, particularly chairman Fritz Schur, for a fine collaboration.

And please allow me to express my thanks for all of the efforts that will be made in the future that will enable PostNord to continue to be the Nordic region's leading communication and logistics company.

Thank you.

Every care has been taken in the translation of this speech. In the event of discrepancies, however, the Swedish original will supersede the English translation.