



# New strategic direction for PostNord

Year end 2011

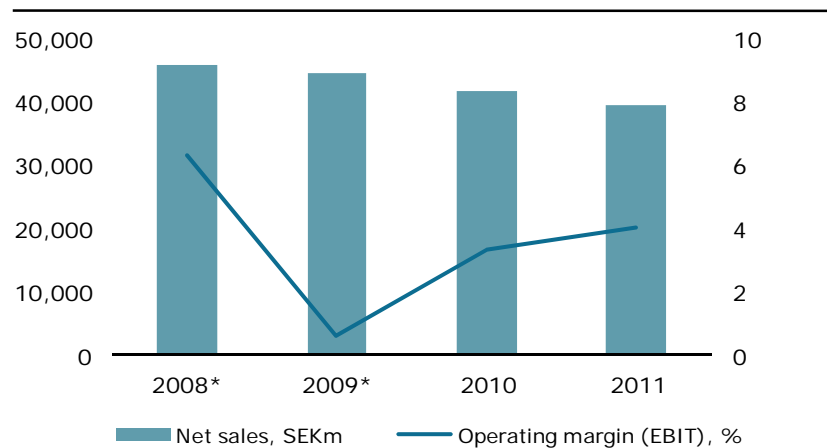
New corporate strategy

2012-02-23

**postnord**

# Satisfactory results for 2011

Net sales and operating margin



\* Pro forma

- ▶ Net sales fell 5% to SEK 39,466m (41,669) attributable to competition from digital alternatives and the weak Danish economy
- ▶ Operating profit improved to SEK 1,571m (1,375) and the operating margin to 4.0 (3.3)%
- ▶ Net profit for the year increased to SEK 1,225m (1,031)



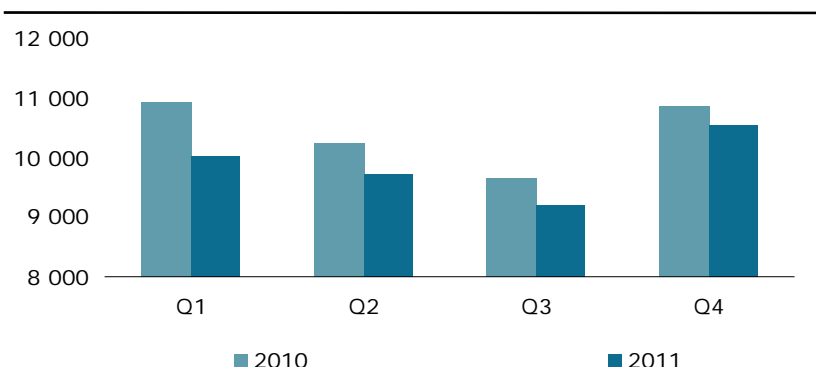
# Financial overview

## Financial overview Jan-Dec

SEKm	2011	2010	Change	
<b>Income</b>	<b>39,740</b>	<b>41,958</b>	<b>-2,218</b>	<b>-5%</b>
Operating expenses	-38,167	-40,589	2,422	-6%
<i>Personnel expenses</i>	-19,110	-20,551	1,441	-7%
<i>Other expenses</i>	-19,057	-20,038	981	-5%
Participations in joint ventures and associated companies	-2	6	-8	
<b>EBIT</b>	<b>1,571</b>	<b>1,375</b>	<b>196</b>	<b>14%</b>
<i>EBIT excl. restructuring provisions</i>	1,659	1,782	-123	-7%
Net financial items	100	-27	127	>100%
Tax	-446	-317	-129	41%
<b>Net profit</b>	<b>1,225</b>	<b>1,031</b>	<b>194</b>	<b>19%</b>
<b>Operating margin (EBIT), %</b>	<b>4.0</b>	<b>3.3</b>	<b>0.7</b>	
Operating margin (EBIT), excl. restructuring provisions, %	4.2	4.2	0	
Return on equity, %	10	8	2	

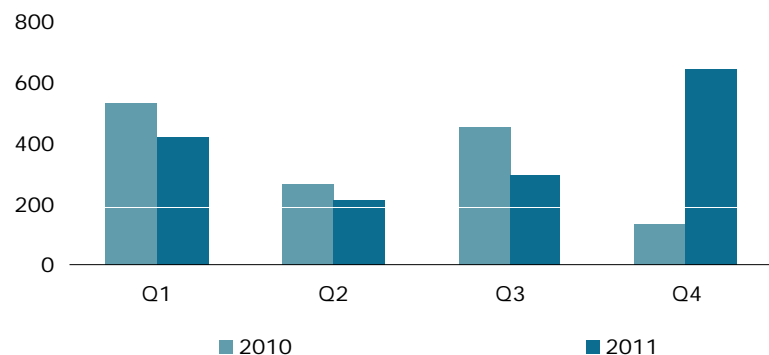
# Decrease in sales – profitability under pressure

Net sales, SEKm



- ▶ Decrease in both net sales and profitability in three of the year's quarters

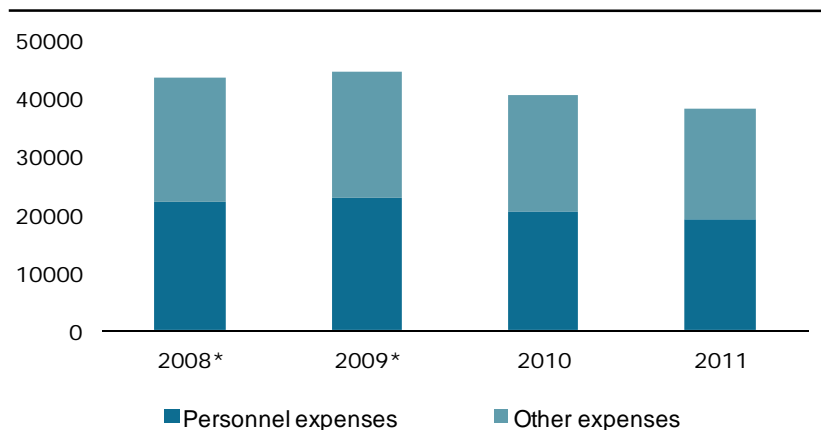
Operating profit, SEKm



- ▶ Operating profit for Q4 2011 was impacted by reversed restructuring provisions of SEK 103m. Restructuring costs in Q4 2010 were SEK 385m

# Successful cost adjustments

Personnel expenses and other expenses, SEKm



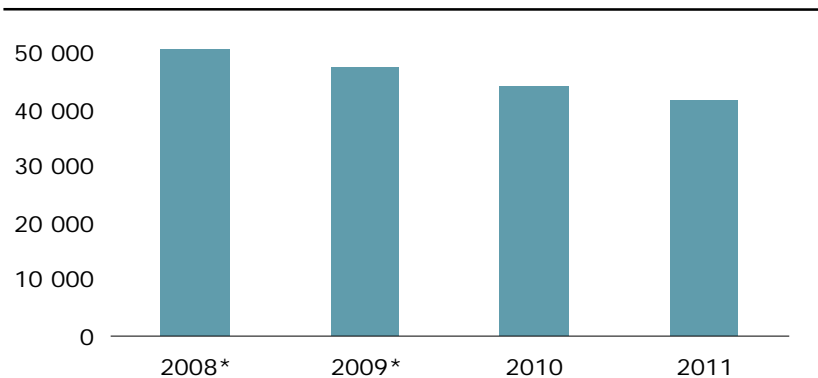
\* Pro forma

- ▶ Operating expenses fell a total of SEK 2.2bn or 6% in 2011
- ▶ Personnel expenses fell 7% in 2011
- ▶ Adjustment to lower volumes and ongoing streamlining activities



# Personnel reductions during year

Average number of employees



- ▶ The average number of employees fell by 5% or 2,300 during the year
- ▶ PostNord had 41,714 employees in 2011\*\*

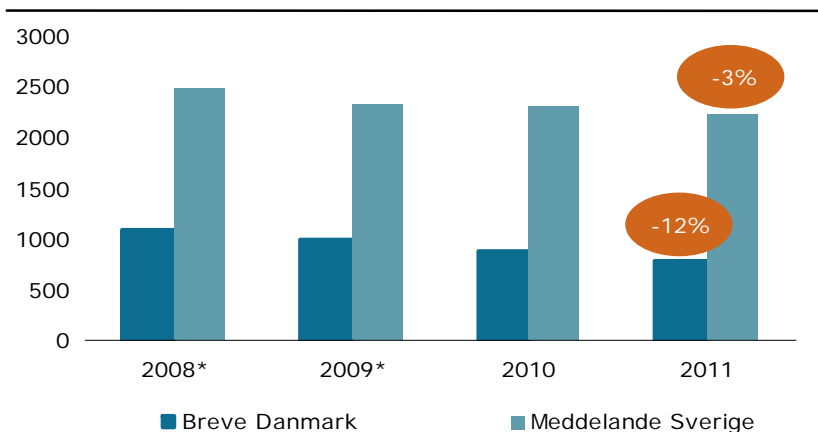
\*Pro forma  
\*\* Average number of employees



# Mail businesses

## Challenging market

Letter volumes, millions of units produced



\* Pro forma

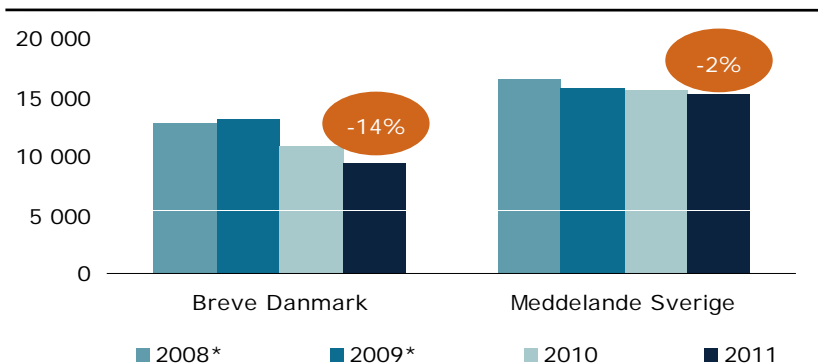
- ▶ Dramatic decline for mail volumes in Denmark and continued decline in Sweden
- ▶ Result of an ongoing paradigm shift with an increased number of communication methods and coordinated initiatives in business and society towards increased digitalization



# Mail businesses

## Improved profitability

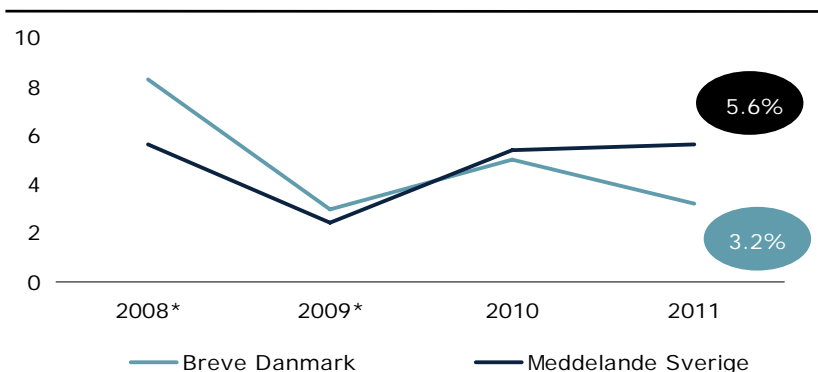
### Net sales, SEKm



### Business area Breve Danmark

- ▶ Slow economy and tough competition
- ▶ Currency changes represented 5 percentage points of the change in net sales
- ▶ Operating expenses fell by 12%

### Operating margin, %



### Business area Meddelande Sverige

- ▶ Strong Swedish economy and advertising market – but continued decline in mail volumes
- ▶ Operating expenses fell 2%, incl. reversals of SEK 114m

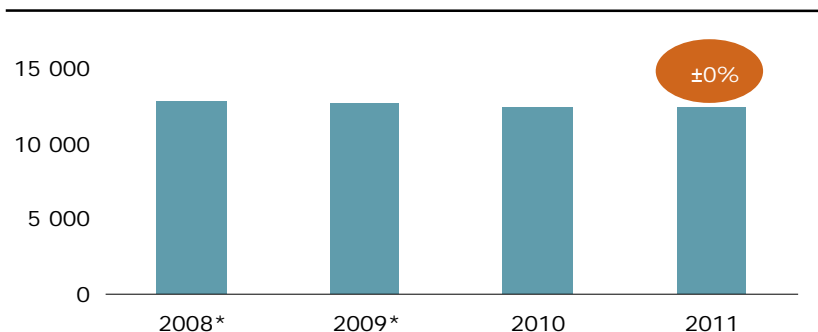
\* Pro forma



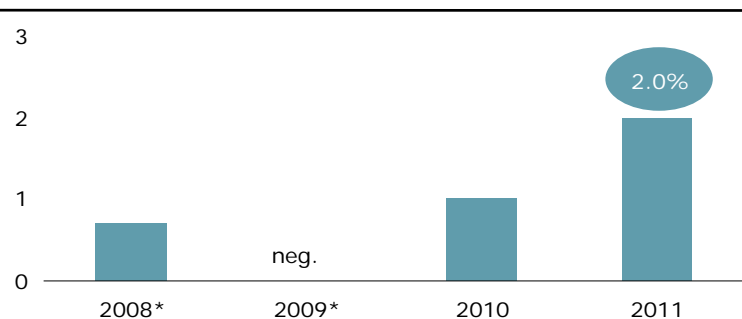
# Logistics business

## Improved profitability

Net sales, Logistics, SEKm



Operating margin, Logistics, %



\* Pro forma

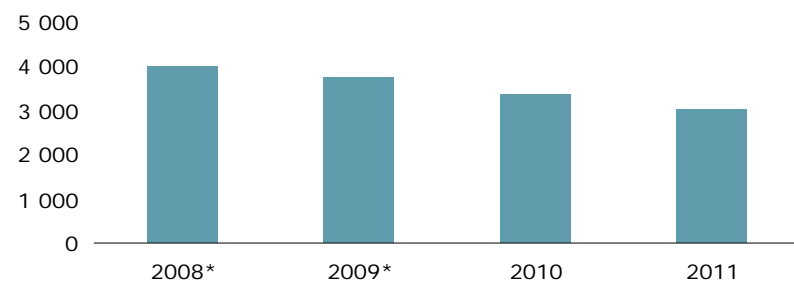
### Business area Logistics

- ▶ Net sales increased in Norway, were stable in Sweden and fell in Denmark
- ▶ Acquisition of Eek Transport in Norway and Nils Hansson Logistics in Sweden
- ▶ Net sales increased by 4% in Q4 due to completed acquisitions of logistics operations
- ▶ Operating expenses fell 1%

# Strålfors

## Continued streamlining

Net sales, Strålfors, SEKm



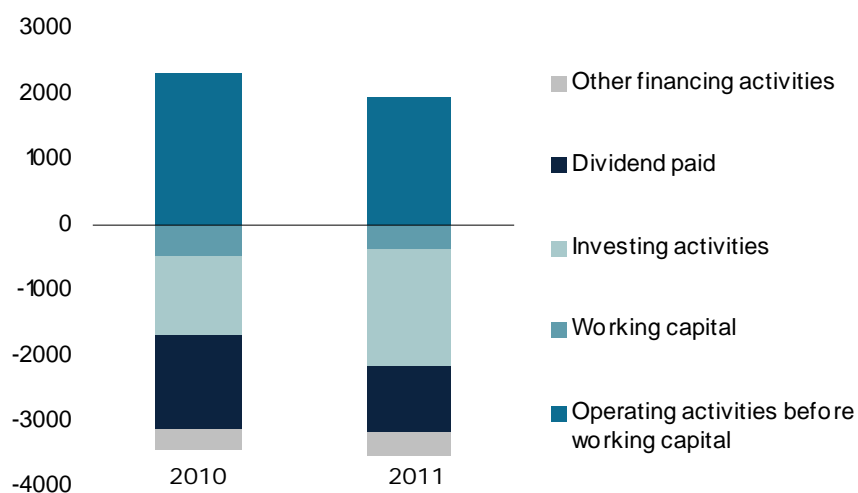
\* Pro forma

### Strålfors

- ▶ Concentration of business – sale of Strålfors Identification Solutions division
- ▶ Stable net sales and cost reductions of 2%, excluding divestment of SIS
- ▶ Continued negative operating profit
- ▶ New organisation and change program for profitability in 2012

# Strong underlying cash flows

Cash flows, SEKm

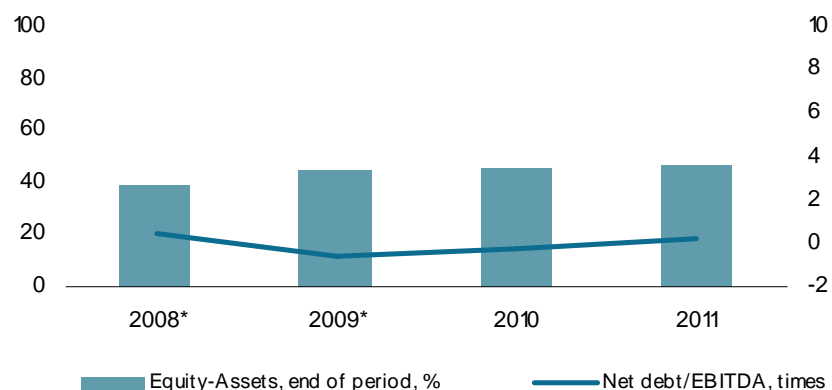


- ▶ Strong underlying cash flows despite lower volumes and economic trends
- ▶ Increased flows to investments. Structural investments in mail businesses will continue to burden cash flows
- ▶ Cash flows from operating activities are expected to remain positive



# Strong financial position

## Equity-Assets ratio and net debt/EBITDA



- ▶ Stable asset base and low net debt
- ▶ Strong financial preparedness: SEK 4.1bn, corresponding to 10% of net sales

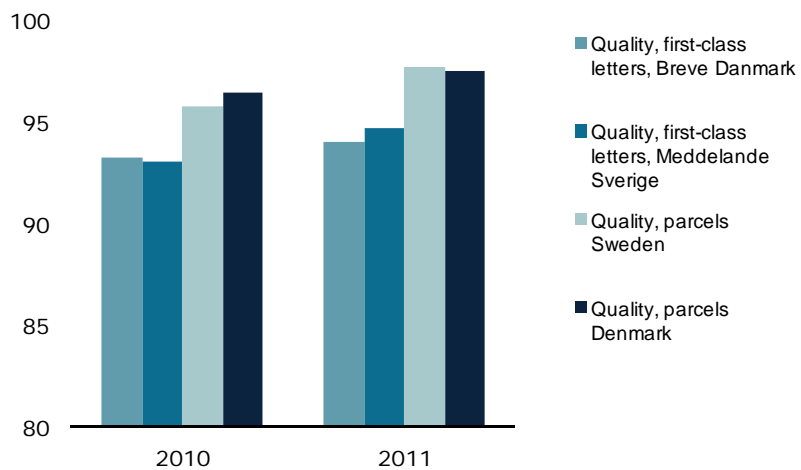
\* Pro forma

## Net financial position

SEKm	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	2,107	3,640
Interest-bearing liabilities	1,098	1,454
Pension provisions	1,587	1,458
<b>Net debt</b>	<b>578</b>	<b>-728</b>

# Improved delivery quality

Delivery quality, %



- ▶ PostNord continues to deliver the universal service obligation with high quality for customers and recipients

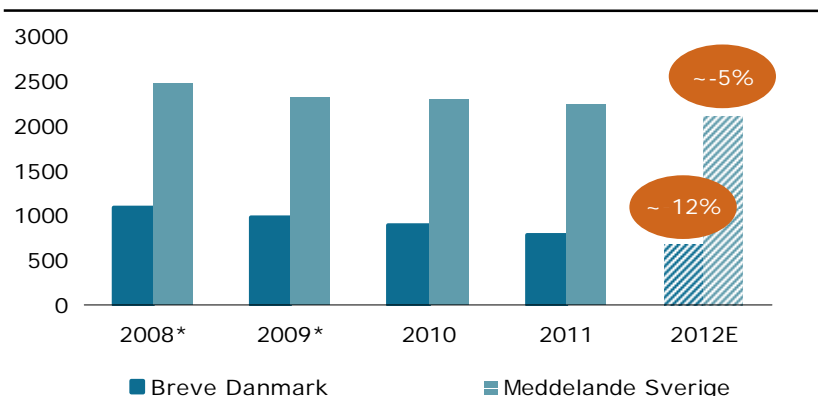




## A new strategic direction for PostNord

# Market outlook for PostNord

Forecast letter volumes 2012



\* Pro forma

## Economic trend

- ▶ Uncertain economic situation 2012
- ▶ Forecasts indicate GDP growth of around 1% in Sweden and Denmark 2012\*\*

## Communication market

- ▶ Structural change with greater range of available forms of communication and political ambition to accelerate digital development for the public
- ▶ Mail volumes will continue to fall sharply in coming years – towards a new and much lower normalized level

## Logistics market

- ▶ Cyclical market driven by global growth, increased international trade and increased e-commerce
- ▶ Expected continued growth

\*\* Sweden 2012: GDP +0.6-1.3% (OECD, KI). Denmark 2012: GDP +0.7-1.1% 2012 (OECD, De Økonomiske Råd)

# "Road map PostNord 2015"

## Target picture

### Deliver on merger rationale

- ▶ Leading Nordic logistics business
- ▶ Meet USO requirements

### Create financial value

- ▶ Sustainable growth
- ▶ Improve operating margin
- ▶ Effective capital utilization

### Lay the groundwork for an IPO

- ▶ Profitable mail businesses
- ▶ Growth within logistics
- ▶ Appropriate capital structure
- ▶ Attractive dividend

### Cohesive group with strategic governance

- ▶ Increased coordination
- ▶ Improved efficiency

## Strategies

Changes to meet mail volume decreases and ensure profitability

Expansion within logistics – broaden offer and market presence

Develop profitable businesses that support mail business

Value maximization of Strålfors

## Activities

- ▶ Cost adjustments
- ▶ Implementation of new production strategy
- ▶ Dialogue on tomorrow's USO

- ▶ Organic growth through additional sales and partnerships
- ▶ Potential complementary acquisitions

- ▶ Complementary digital services
- ▶ New areas of application for existing production resources

- ▶ Cost reductions in existing core business
- ▶ Growth activities within data management, marketing communication, fulfillment



## Mail businesses

# Investment in adaptation of mail businesses

### Investments in sorting terminals



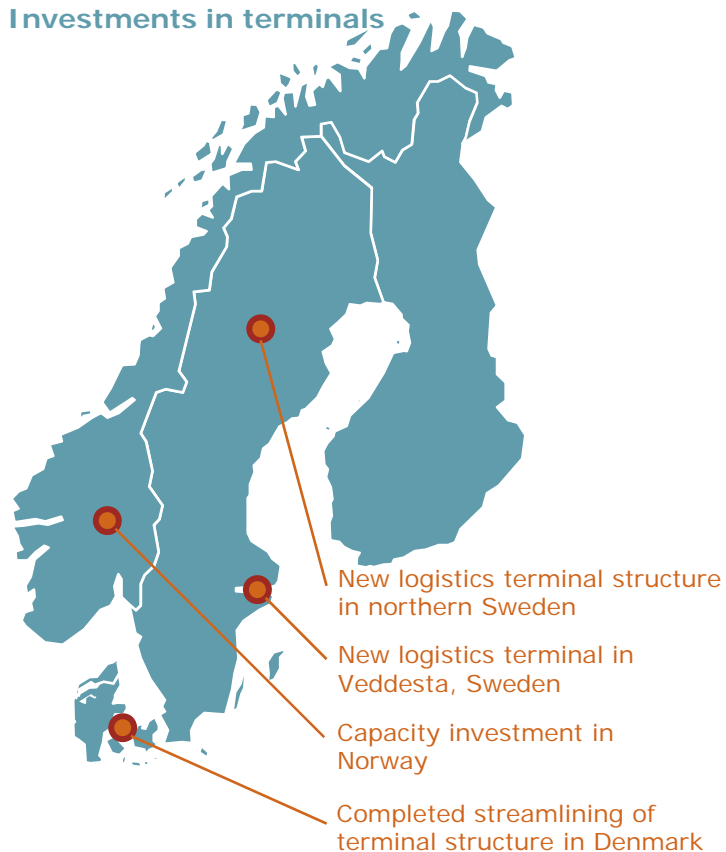
- ▶ PostNord is making major efforts to adapt its mail businesses
- ▶ Significant investment within framework of new production strategy
  - Establishment of a new terminal structure for the Swedish mail business including investments in equipment
  - Similar streamlining of terminal structure has already taken place in Denmark
  - Reinvestments in vehicles and equipment in both Sweden and Denmark
- ▶ The adaptation means continued reduction of costs and adjustment of staffing to lower volumes

Changes to assure profitability and ability to deliver required service and quality – based on lower demand

## Logistics business

# Profitable expansion in logistics

### Investments in terminals

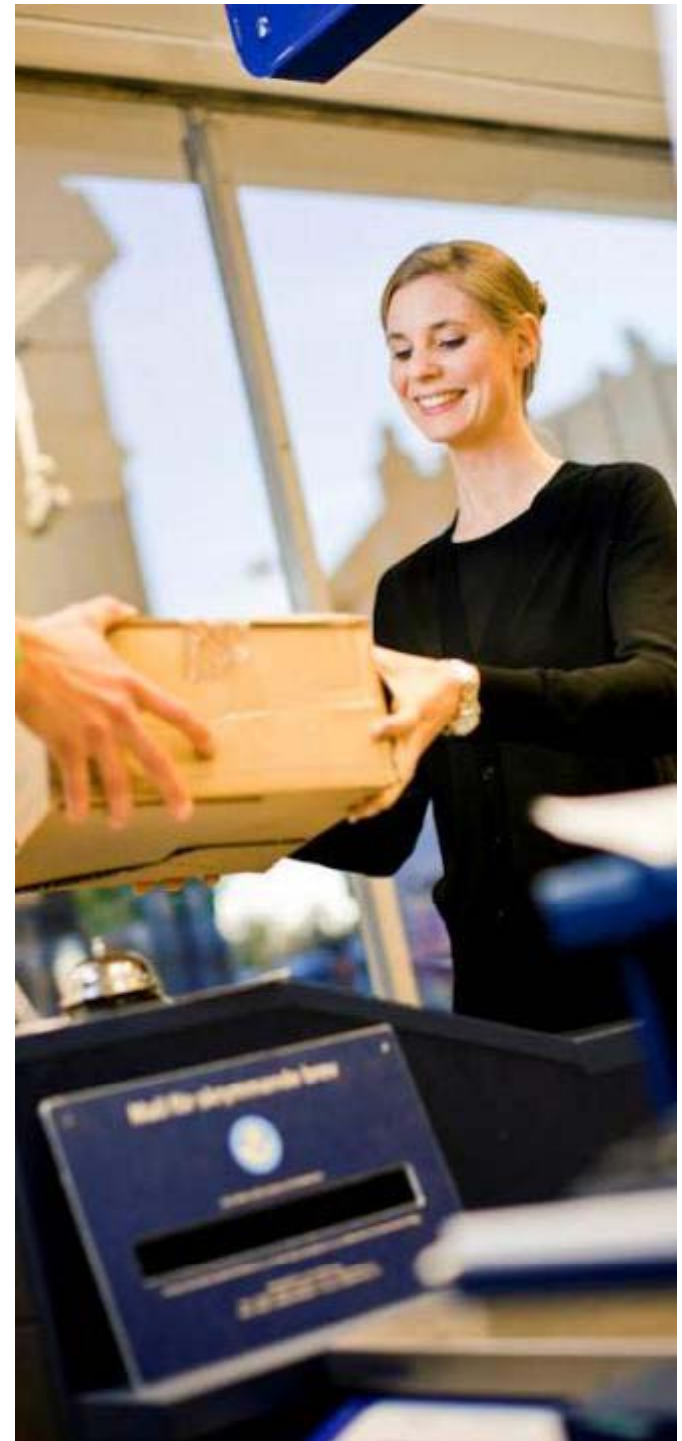


- ▶ PostNord serves the logistics market in a number of areas – with particular strength in parcel and pallet distribution
- ▶ PostNord will broaden its offering across the spectrum of logistics services and increase its Nordic market presence:
  - Organically within existing structures through additional sales and partnerships
  - Through potential add-on acquisitions
- ▶ PostNord is building the Nordic region's strongest logistics infrastructure
- ▶ Parallel efficiency initiatives to reduce unit costs and improve efficiency

PostNord will become the market leading logistics company in the Nordic region

# Summary

- ▶ Satisfactory results given the market trend
- ▶ Underlying profitability under pressure
- ▶ Successful cost management
- ▶ Strong underlying cash flows and strong financial position
- ▶ Mail volumes will continue to fall substantially
- ▶ Logistics market growing
- ▶ New direction established for PostNord:
  - Investment in adaptation of mail businesses to meet anticipated letter volume decline and secure profitability
  - Profitable expansion in logistics to meet competition and become market leader
- ▶ Operating profit 2012 will be burdened by significant restructuring costs





[postnord.com](https://postnord.com)

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