

President and Group CEO Lars Idermark's speech at PostNord's 2012 Annual General Meeting

Honored guests, ladies and gentlemen.

PostNord is operating in an industry that is undergoing major changes and we are strongly impacted by technological developments and new customer demands. Four years ago we were two national postal companies. Today we are an international Group and leading in communications and logistics in the Nordic countries and we are operating in a competitive market.

In 2011, despite lower sales but through successful cost management, we were able to report a profit growth. We reduced our costs by SEK 2.2 billion and improved our operating profit to SEK 1.6 billion. Operating margin was 4 percent, which may be considered good in an industry with generally low margins. The Board's proposal for the AGM is a dividend of 30 percent of net profit.

We have high ambitions in the environmental area and we reduced our carbon emissions by 7 percent over the past year. Our goal is to reduce emissions by 40 percent by 2020, and we have made good progress.

In summary, it is the opinion of the Board and Management that PostNord has delivered a satisfactory financial performance, given the circumstances with major ongoing changes for us and for other postal companies. As regards the trend for letter volumes, a dramatic change has been underway for several years. In Denmark, letter volumes declined by as much as 12 percent in 2011, due to substitution and digitization. In Sweden, volumes fell by 3 percent.

IPC is an organization for the major postal companies in the world and this organization expects a 40 percent drop in mail volumes worldwide by 2020,

which represents a dramatic change for us and our colleagues in the industry. The entire industry will undergo change and this will require an innovative response.

We believe that our letter volumes will decline by about 12 percent in Denmark and 5 percent in Sweden, this year. And after the first quarter this year, the volume trend is approximately at that level.

Obviously this trend fundamentally impacts the premises for our business. Even if we were able to improve the operating margin slightly in 2011, the underlying profitability of the letter business is subjected to heavy pressure.

There is a great need to adapt PostNord's business over the next few years. We will therefore continue to modify operations to meet market trends. This strategy is essential if we are to continue to be able to run the business without government support.

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In 2011, PostNord adopted a new Group strategy for developments until 2015. The strategy covers four key areas.

First, we will actively work to adapt the letter business to meet the decline in volumes and to defend profitability. Second, we will grow in logistics. We will broaden our offering and our market presence, both organically and through acquisitions, with the objective of becoming a leading logistics player in select areas in the Nordic region. Third, we want to develop complementary offerings in the letter business in particular, and fourth, we want to ensure that our company Strålfors, which offers information logistics solutions, can increase its value and its financial performance in the future.

We are implementing substantial adjustments in the letter business and making significant investments in production to improve efficiency, flexibility and profitability. We are improving the fundamentals so that in the future as well, we can deliver service and quality in line with the demands placed on us

in Sweden and Denmark. For example, we are building new terminals in Hallsberg and Rosersberg in Sweden, which will be in operation from 2014 and 2015.

A few weeks ago we announced that we have acquired Green Cargo Logistics from Green Cargo. We will become number two in Sweden and number three in the Nordic region in third party logistics, an area that is growing strongly and that is a good fit in the Group, given our strategy.

We are also working with additional offerings in our letter business that involve both digital services and support for the letter business. One example is our new partnership with Microsoft: Converting digital documents to physical documents.

Other examples involve services where we use our existing production structure to perform more services. We visit Swedish and Danish households and businesses every day and we can do more than just deliver mail. One example is food distribution, which we have initiated in the Copenhagen area. We are also carrying out an increasing number of home deliveries in Sweden and Denmark.

Yesterday we announced that we will take over responsibility for newspaper distribution for almost all of northern Sweden, which is another example of how we utilize our production capacity. This service involves about 19 newspapers and 100 million items each year. This deal is accompanied by significant synergy opportunities where we can use the same vehicles for mail and for newspaper distribution.

We are currently taking strong measures in Strålfors. We have not been satisfied with the company's financial performance in recent years. We have been working on streamlining operations in 2011 and we are now focusing on improving profitability and growth in key areas. Strålfors is an important business for us in the borderland between digital and physical services.

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Our strategy requires continued cost reductions. Unfortunately we will continue to reduce the number of employees in the Group over the next few years. We will do so responsibly, as we have done to date.

During the fall, we began implementing an efficiency program that will reduce our central administrative costs by SEK 1 billion.

The initiatives arising from our strategic focus will entail substantial investments for the future. They will also entail significant non-recurring restructuring costs, which will have a negative impact on the Group's earnings in 2012.

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Quality is a frequent topic for company like ours. That's the way it should be. Quality is an important competitive factor. PostNord maintains a very high level of quality. I recently read the results of a European survey on quality in which we are at the top. The German postal service and PostNord are among the global leaders in this survey, and we are extremely proud of this accomplishment.

Of course this is of little comfort to an individual customer when mail and parcel deliveries are delayed. Disruptions can of course occur from time to time, but we always take disruptions very seriously. We have had disruptions and challenges in the Stockholm area in recent times, and we are working hard to deal with this.

For this very reason, I want to emphasize that quality is PostNord's hallmark and that Group Management and I are committed to solve emerging problems when they arise. We have a clear focus on quality issues.

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To summarize our situation right now, we face significant challenges, given the major structural changes occurring in our industry. But, we are a fundamentally strong company. We know how to deal with our challenges. We are good at adapting, as we have demonstrated in the past. We know how to create growth and how to improve our profitability.

PostNord will become a more cohesive, flexible and innovative company. We will be able to meet customer demands and offer service and world-class quality in the future.

We will continue to be *the* mail operator for all of Denmark and all of Sweden.

Thank you.