

A scenic landscape featuring a calm river in the foreground, a forested hillside in the middle ground, and a blue PostNord truck driving on a road that runs along the edge of the hillside. The sky is overcast with soft clouds.

Infrastructure Day 2018 The development in Denmark

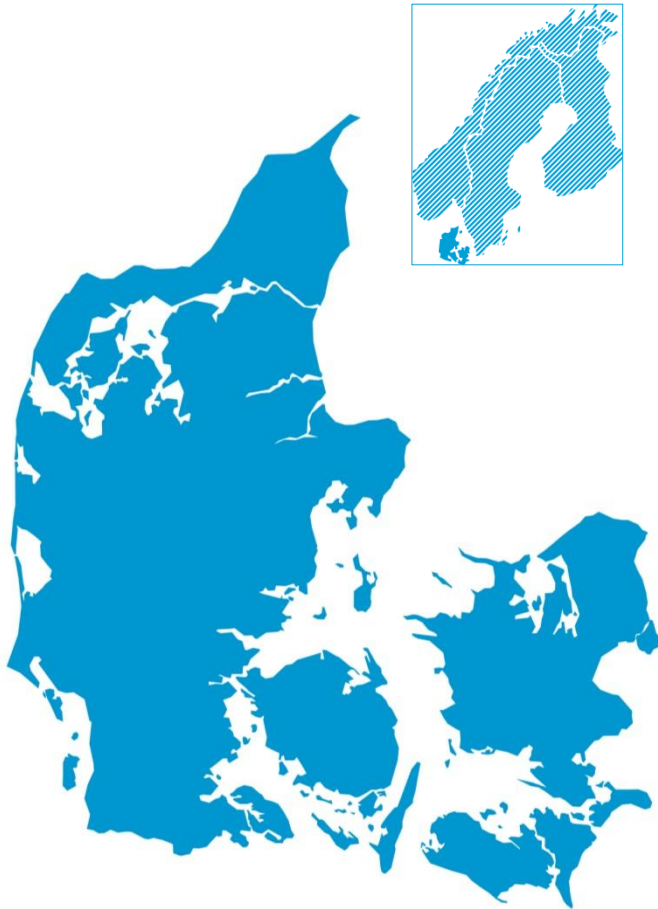
Jesper Buhl, Head of International
relations, PostNord Denmark

2018/10/26 Brugg-Windisch

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PostNord Danmark at a glance

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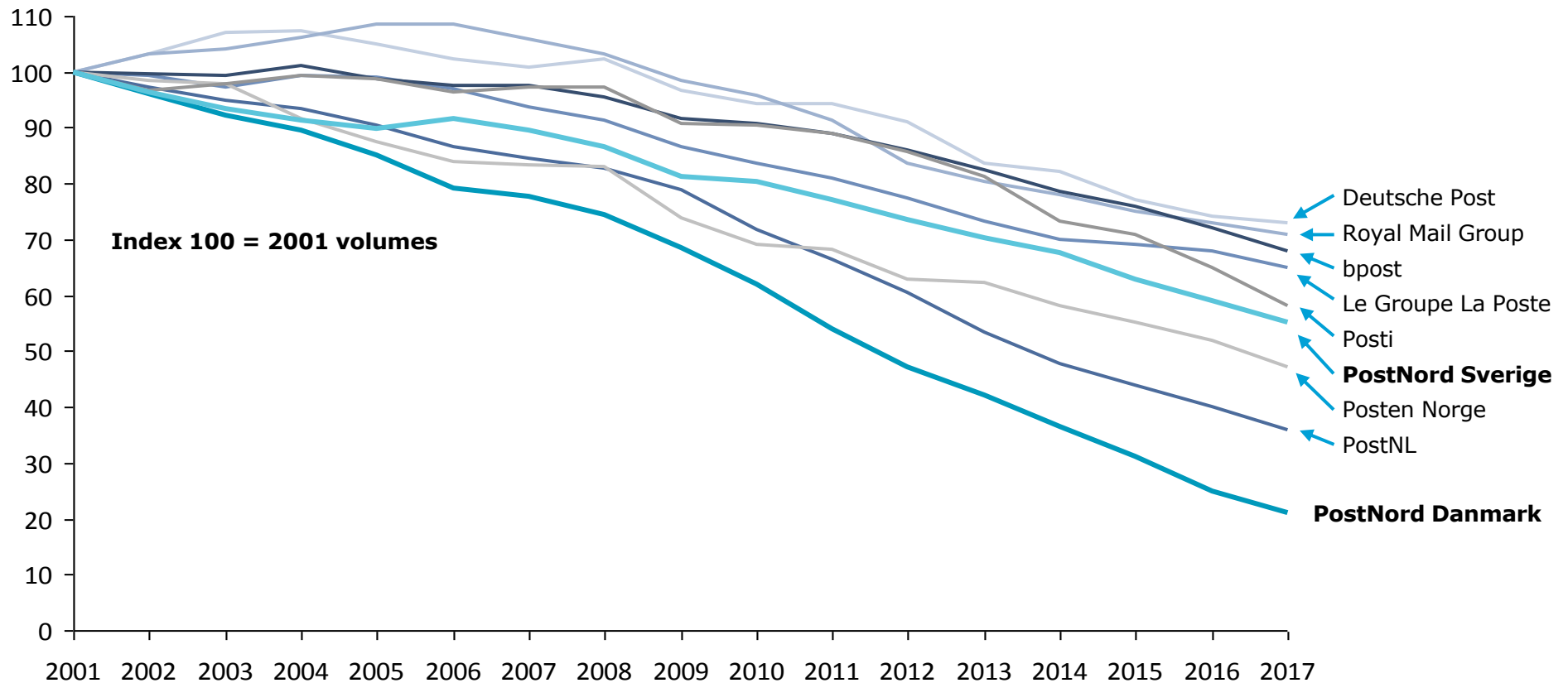


- The postal service in Denmark was founded in 1624
- Since 2009, Post Danmark has been part of PostNord – a joint company owned by Sweden and Denmark
- The ownership is divided between Denmark (40 %) and Sweden (60 %)
- PostNord Danmark is currently undergoing the biggest transformation in its history -

In 2017, PostNord Danmark delivered 350 mill. letters and 50 mill. parcels to 2.7 mill. households divided on 251 delivery days

The biggest challenge is the digitalization of the letters

At the highest PostNord Denmark handled 1.5 bill. letters a year in year 2000



The dramatic change happened on 1 November 2014 as a new national digital strategy was set into force



- From this day all communication with the state, the municipality and other public authorities had to be electronically
- From this date the decline in the letter volume has been more than 12 % - and up till 20 % a year.



About e-Boks

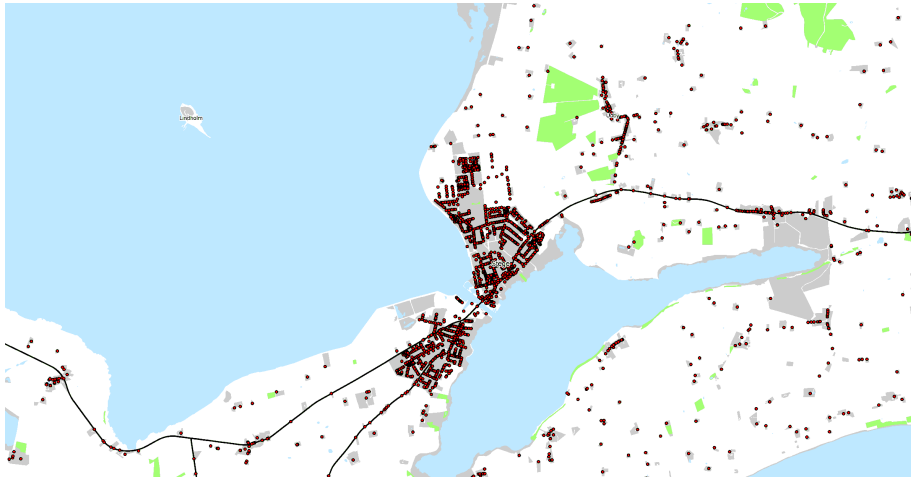
e-Boks is an independent limited company founded in 2001 and jointly owned by Nets and Post Danmark.

The idea behind e-Boks is to increase the efficiency of mail distribution between companies and private mail recipients. This means lower postage costs, better service and less strain on the environment.

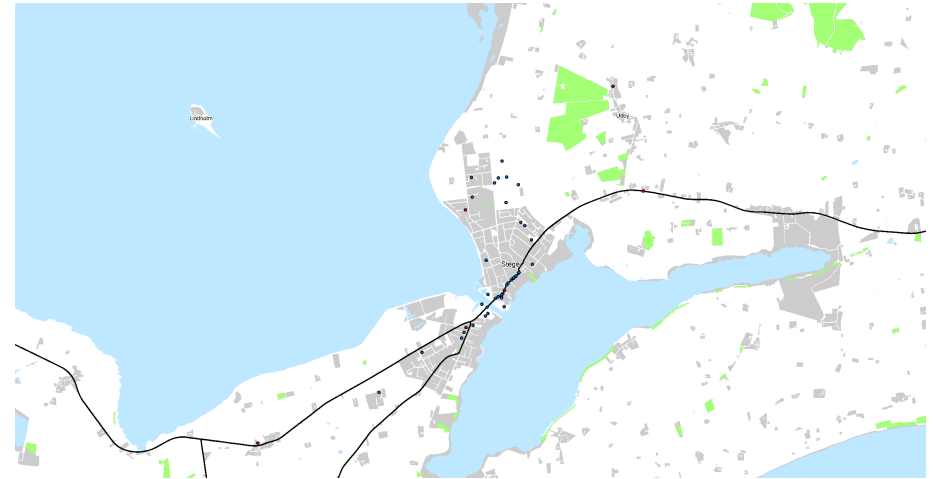
Facts about e-Boks in 2017

- The population of Denmark: 5,6 mio. inhabitants
- 4,7 mio. private users in Denmark
- 30.000 senders
- 442 mio. letters send to e-boks
- 23 mio. log-ons in Denmark each month
- The number of FTE's in e-Boks has gone up with 6 from 2016 to 70 FTE.

The effect on mail is significant...

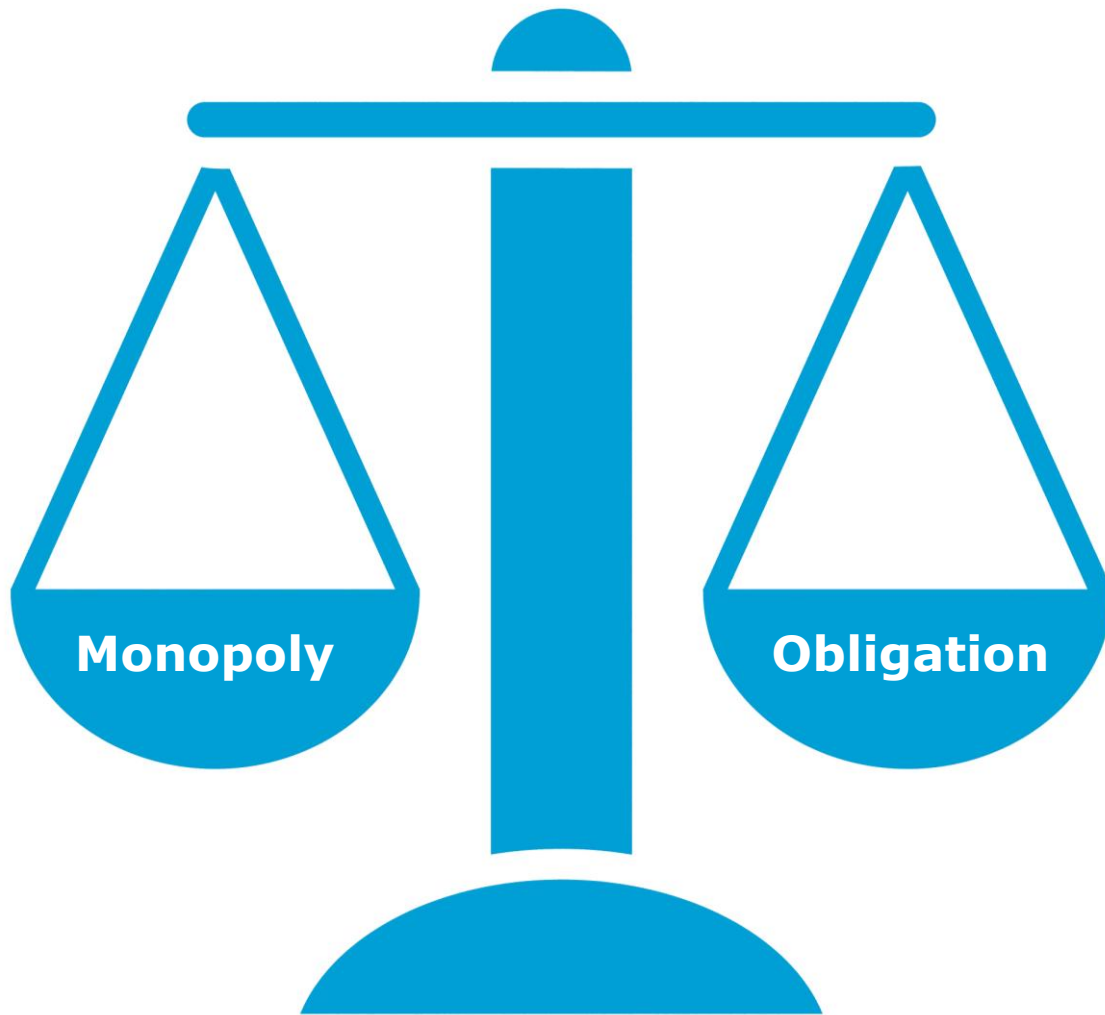


3850 inhabitants in the town Stege
**3850 potential mail recipients or
at least half of them should have
had a Letter**



Actual mail delivery in Stege
on a specific day in 2017 was
= 6 letters and 33 parcels

The Universal Service Obligation (USO) ^{postnord} - a balance to maintain



Obligation to deliver letters to every household in the entire country at a unified price.

USO - before and today

The USO before

Day to day letters

Newspapers at a low price

Quality 93%

Letters delivered to door

Up to 10.000 letter boxes

Up to 1.200 post offices (own)

Price cap

The USO today

Up to five days / letters once a week

Newspapers handled (almost) as letters

Quality 93%

Letters delivered to boxes at the sidewalk
/ at ground floor

5.700 letter boxes

1000+ post offices run by partners

Price cap for only one letter product

Is there a need for a postal operator in the future?

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- Still more than 350 mill. letters a year to be delivered
- Service level obligations are the same through out Denmark
- The letters that remain are harder to digitalize
- There is an enormous growth in e-commerce
- We will meet the demands, continue to be a major player

Examples of different topics sent as a letter

- Clothing, shoes, electronics and books (e-commerce)
- Passport, drivers license
- Credit card, health insurance card
- Travel card, membership card
- Samples
- Blood tests and answers
- Tickets
- Call for car inspection
- Christmas cards, invitations and so on

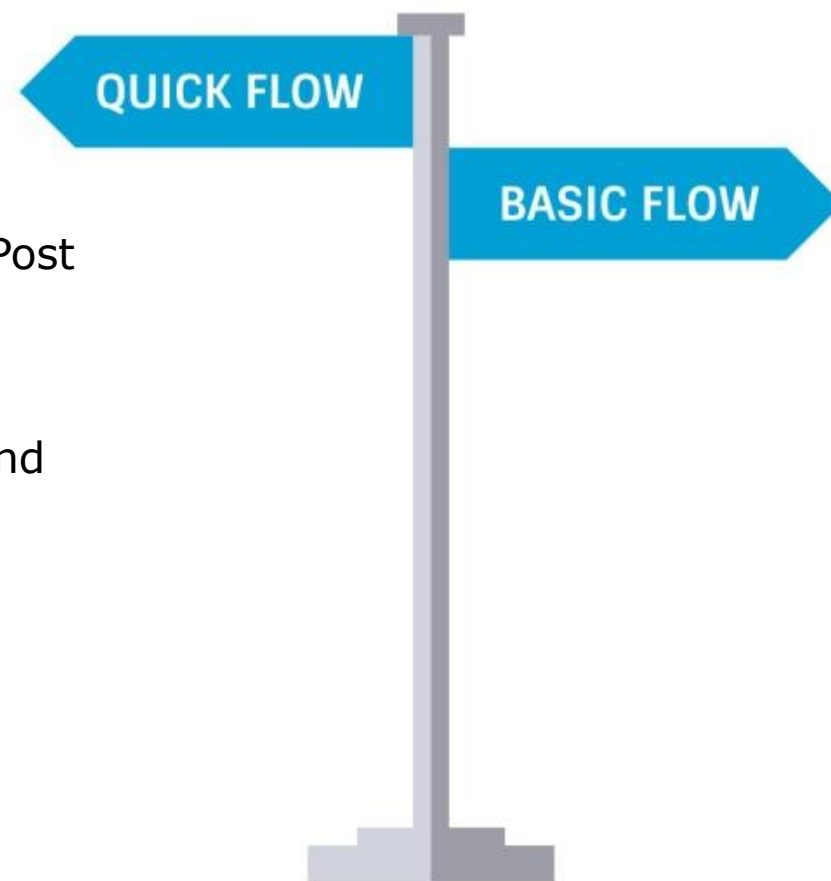
Source: Copenhagen Economics

The European postal companies follow one of three directions for development

- **First strategy** is to almost exclusively use the distribution network for delivering of mail. This strategy is used primarily by postal operators in countries where the mail volumes is high. This strategy is only tenable as a strategy in case of some sort of state aid.
- **Second strategy** is to use the network of post offices to offer both postal - and financial services. In Denmark this is not relevant since the banks already have gone digital. In general this is not a sustainable strategy over time. The digitalization will come - want it or not.
- **Third strategy** is to combine distribution of letters, parcels and logistics. This strategy is followed by the other Nordic countries and for instance by Deutsche Post DHL.

The Transformation - New Production Model

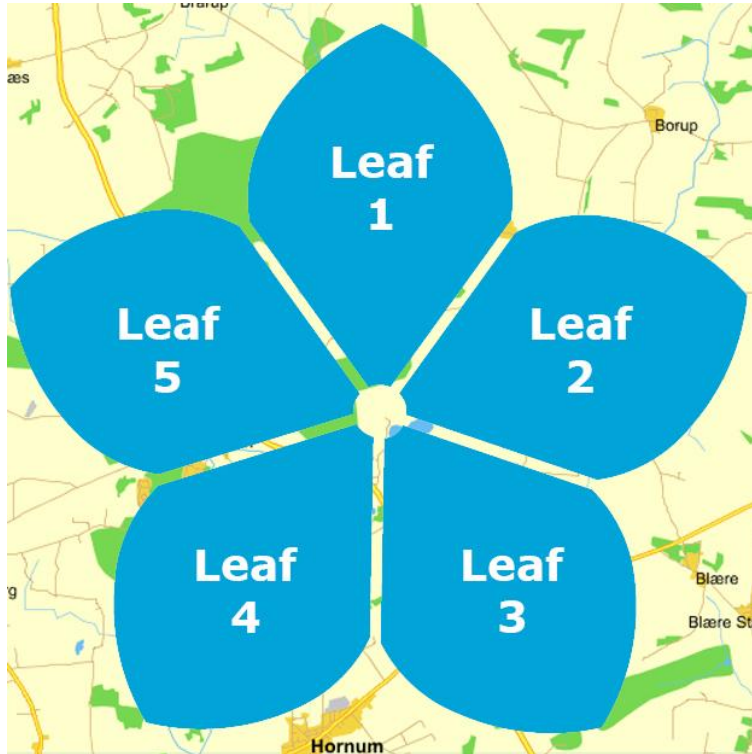
- We are transforming PostNord Denmark from a company with letters and a few parcels to a company with parcels and a few letters
- For that reason we do no longer operate in own Post offices.
- PostNord Danmark is no longer in the market for distribution of newspapers, unaddressed items and service logistics
- Our focus is on logistics, parcels - and letters (until the last letter) divided into to flows
- The New Production Model is the key to the transformation.



Basic flow: Up to five days (Flower)

Quick flow: Day to day

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Basic flow

- Items in Basic flow are distributed to each household once a week
- A distribution area is divided into five parts - receiving mail in the Basic flow sequentially - one area per day
- This means a significant reduction in the number of daily routes.

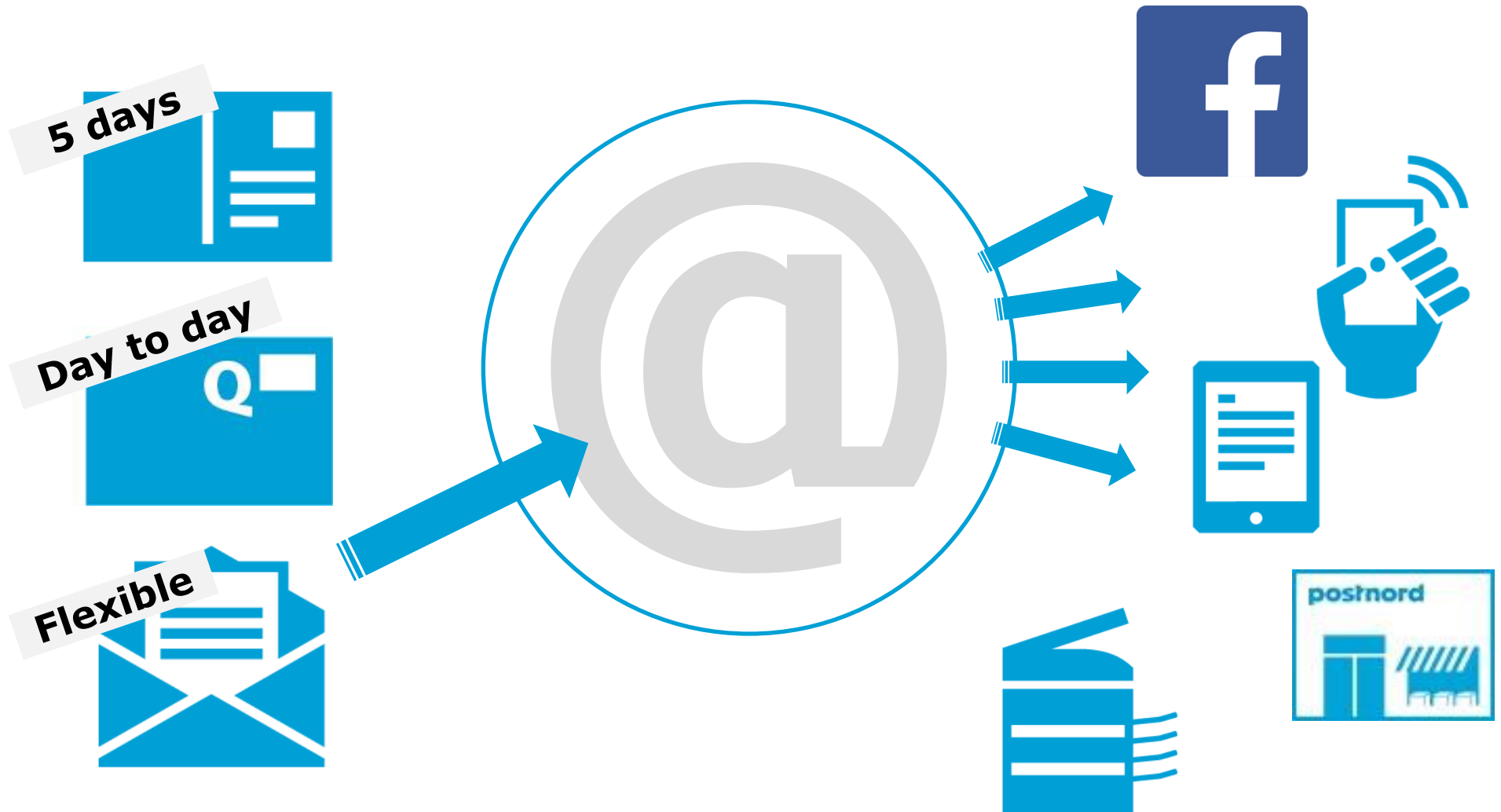


Quick flow (Day to day)

- All parcels
- Quick letters
- Import A (Prime)
- Newspapers



In our view, the future is further digitized and flexible



Conclusion for PostNord Denmark



- Denmark is the most digital country in the world
- PostNord aims to become the first postal company in the world, that solves the digitalization challenge and creates a sustainable economic model
- The new production model is in place and it works
- We are developing new services for our customers that reflects their needs and fits into our production and distribution system