

Posten

Interim Report

January - March 2003



- Adjusted operating earnings were SEK-16m (67).
- Net earnings were SEK14m (80).
- Cash flow before financing activities was SEK-515m (-22).
- The Cashier service business unit – as part of its commitment to achieve a break-even position by 2005 at the latest – will close 199 branch offices between April 2003 and May 2004. 385 employees will be affected.

Message from the CEO:

Though we did see a slight improvement of profitability in the first quarter, compared with the fourth quarter of 2002, it is too early to draw any far-reaching conclusions. The need for decisive action to turn around Posten's negative financial performance remains great. The measures we have presented will be implemented. Initiatives include a reduction of the administrative workforce, the introduction of more efficient administrative tools and processes, improvements in production efficiency and measures targeting sick leave. We cannot rule out further cost-containing measures.

The Cashier service business unit will take measures aimed at achieving a break-even position by 2005 at the latest. The Cashier service business segment will therefore close 199 branch offices between April 2003 and May 2004. Furthermore, its range of services and pricing will be assessed during spring/summer 2003.

Posten's strategy effort – aimed at achieving stable, long-term positive earnings growth – is entering its final phase. We are sharply focused on aligning our range with our core mission, to be the customer's top choice for letter and parcel services.

We continuously measure our service performance. Recent measurements show that on-time letter and parcel delivery continues to follow a path of improvement, illustrating that Posten is delivering world-class quality.

Key Data

	2003	2002				
	Q1	FY	Q4	Q3	Q2	Q1
Net sales, SEK m	6,105	23,632	6,318	5,625	5,815	5,874
Adjusted operating earnings ^{*)} , SEK m	-16	-703	-278	-79	-413	67
Adjusted operating margin ^{*)} , %	neg	neg	neg	neg	neg	1.1
Provisions/reversals, SEK m		732	-184		916	
Operating earnings, SEK m	-16	29	-462	-79	503	67
Total assets, SEK m	13 130	13,863	13,863	14,509	15,142	15,954
Equity, SEK m	2,585	2,587	2,587	3,671	3,710	3,377
Return on equity, %, quarterly data	0.5	neg	neg	neg	10.6	2.3
Return on capital employed, %, quarterly data	0.6	3.7	neg	neg	8.6	1.5
Equity-assets ratio, %	20	19	19	25	25	21
Cash flow before financing activities, SEK m	-515	-1,746	-1,141	-649	66	-22
Investments in tangible and intangible fixed assets, SEK m	288	1,740	654	356	432	298
Customer Satisfaction Index, CSI	60	61	61	62	62	62
Average number of employees, accumulated data	37 504	39,554	39,554	39,630	38,776	38,132

*) For definitions, see page 9

Posten Group

Adjusted operating earnings

Adjusted operating earnings were SEK-16m (67), a decline of SEK83m compared with the same period last year. Price increases at the beginning of 2003 have not offset volume attrition and cost increases.

Operating earnings improved by SEK262m compared with the previous quarter. Fourth-quarter earnings were burdened by scheduled development costs. Though cost-containing measures introduced at the end of 2002 lowered costs in the first quarter, it is too early to draw any far-reaching conclusions about their effects.

Rolling 12-month adjusted operating earnings remain negative at SEK-786m. This figure includes development-related costs, attributable to the major service network, corresponding to SEK529m.



Operating income

Net sales

Net sales were SEK6,105m (5,874), an increase of SEK231m. Additional governmental subsidy relating to the provision of essential cashier service accounts for SEK50m of this improvement. The price increase that took effect at the beginning of the year has compensated for volume attrition.

Operating costs

Personnel costs

Personnel costs were SEK3,365m (3,177), an increase of SEK188m. The rise in costs is primarily attributable to salary increases. The average number of employees was 37,504 (38,132), a decrease of 628.

Sick leave, measured as a rolling 12-month value, averaged 34.7 days per salaried (monthly) employee of the group's largest companies. This figure represents a 0.3-day decrease compared with the beginning of the year. The period used in the comparison is, however, too brief to indicate a broken trend. The measures aimed at reducing sick leave are proceeding on schedule.

Other external costs

Other external costs were SEK2,532m (2,452), an increase of SEK80m attributable to higher group-wide costs and inflation.

Financial position

Return on equity

As of March 31, 2003, equity totaled SEK2,585m (3,377). Return on equity for the quarter was 0.5 percent (2.3). As of December 31, 2002, return on equity was negative.

Equity

Group, SKr m	Share Capital	Restricted reserves	Unrestricted reserves	Net earnings	Total
Opening balance, January 1, 2002	600	693	-1,426	3,432	3,299
Appropriation of earnings			3,432	-3,432	0
Transfers between restricted and unrestricted reserves		1,000	-1,000		0
Translation difference			76		76
Net earnings				-788	-788
Closing balance, December 31, 2002	600	1,693	1,082	-788	2,587
Appropriation of earnings			-788	788	
Transfers between restricted and unrestricted reserves		-209	209		
Translation difference		-16			-16
Net earnings				14	14
Closing balance, March 31, 2003	600	1,484	487	14	2,585

Equity-assets ratio

As of March 31, 2003, the equity-assets ratio was 20 percent (21). The one-percentage point increase in the equity-assets ratio since December 31, 2002 is primarily attributable to lower total assets.

Intangible fixed assets

Goodwill was SEK1,033m, a decline of SEK63m compared with December 31, 2002.

Other intangible fixed assets were SEK654m, an increase of SEK110m. This increase is due mainly to investments in a new ERP system.

Tangible fixed assets

Tangible fixed assets were SEK3,638m, a decrease of SEK104m compared with December 31, 2002. The change is primarily attributable to depreciation.

Cash flow

Cash flow before financing activities was SEK-515m, primarily due to a seasonal change in working capital. The corresponding period last year was positively affected by the final payment of SEK426m from the divestment of Postgirot.

Operating activities

Cash flow from operating activities was SEK-227m, of which SEK87m refers to operating earnings after adjustments for non-cash items, and SEK-314m refers to changes in working capital – a normal seasonal variation of accounts payable.

Investing activities

Cash flow from investing activities was SEK-288m. Investments refer primarily to facilities and transportation as well as a new ERP system.

Financing activities

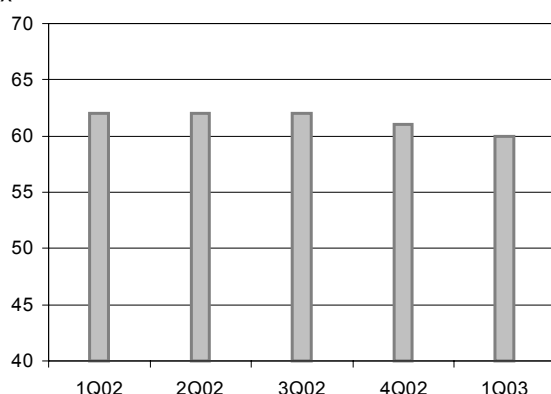
Cash flow from financing activities was SEK-72m, relating mainly to the amortization of loans (SEK-33m) as well as an increase in financial receivables (SEK-30m).

Liquid assets therefore decreased by SEK587m to SEK2,756m at the end of March.

Customer Satisfaction Index, CSI

The CSI performance indicator shed one point since the beginning of the year to 60. The index is continuing to trend down. Boosting satisfaction is an important part of Posten's strategy review.

CSI index



Net sales and operating earnings by business areas

SKr m	Net sales		Operating earnings	
	Jan-Mar 2003	Jan-Mar 2002	Jan-Mar 2003	Jan-Mar 2002
Messaging and Logistics	5,840	5,649	198	217
Cashier Service	304	304	-172	-166
Appropriations	100	50	100	50
Total Cashier Service	404	354	-72	-116
Reversal of provisions corresponding to results in Cashier Service			72	116
Group-wide	11	7	-214	-150
Internal elimination	-150	-136		
Total net sales and adjusted operating earnings	6,105	5,874	-16	67
Provisions				
Total net sales and operating earnings	6,105	5,874	-16	67

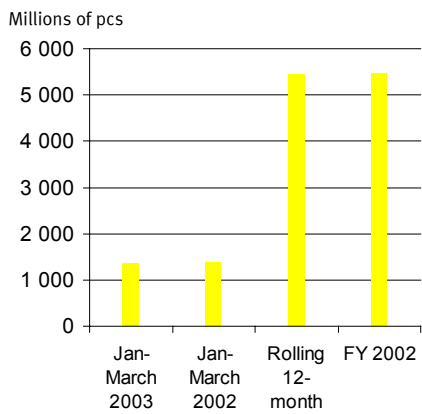
Messaging and logistics

Adjusted operating earnings were SEK198m (217).

Net sales totaled SEK5,840m (5,649). Delivery performance for first-class mail and DPD business parcel achieved record-breaking levels in March.

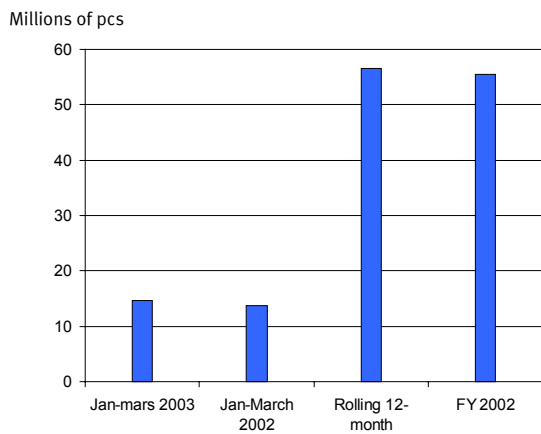
In a landmark deal, Posten signed a framework agreement with the state to provide letter- and parcel-forwarding services to 400 agencies and organizations in the governmental coordinated and centralized purchasing process. The two-year agreement took effect on April 1, 2003.

Mail volumes, excluding parcels



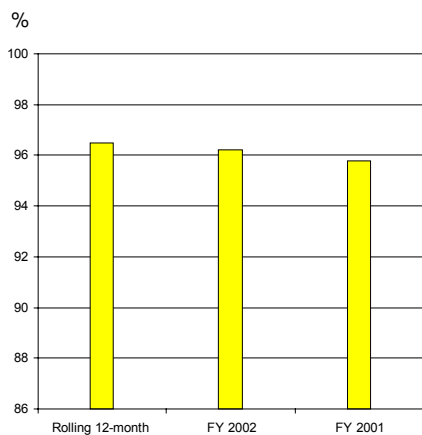
Addressed mail volumes continue to shrink. Unaddressed mail, otherwise known bulk mail advertising (BMA) has partly offset this decline.

Parcel volumes



Parcel volumes continued to grow during the first quarter of 2003.

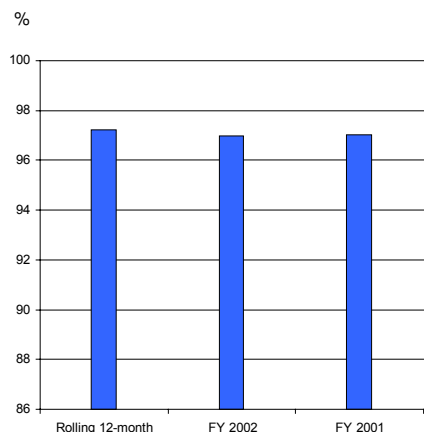
On-time delivery performance, first-class mail



SWEX

On-time delivery performance of 96.8 percent for first-class mail.

On-time delivery performance, DPD business parcel



Posten's on-time delivery performance for DPD business parcels, which it measures on a rolling 12-month basis, was 97.24 percent.

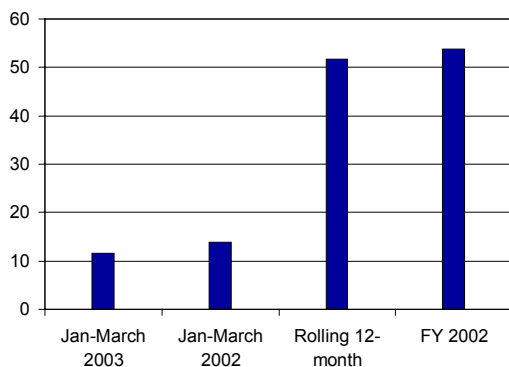
Cashier service

Adjusted operating earnings were SEK-72m (-116). Adjusted for the additional annual reimbursement appropriated by the state of SEK200m (received in June 2002), the comparative value is SEK-66m.

The Cashier service business segment will take measures aimed at achieving a break-even position, in the nonsubsidized business operations, by 2005 at the latest. The Cashier service business segment will therefore close 199 branch offices between April 2003 and May 2004. Furthermore, its range of services and pricing will be assessed during spring/summer 2003.

Transaction volumes, Cashier service

Millions of pcs



Transaction volumes fell 16 percent compared with the same period last year.

Group-wide

Group-wide costs were SEK-214m (-150).

Group-wide figures include, in addition to costs attributable to management functions, corporate projects such as the E25 efficiency improvement project, which necessitated the introduction of a new ERP system, SAP. E25 aims to simplify, improve and streamline Posten's administrative and sales processes, and will result in new methods requiring fewer personnel. The difference between the periods concerns increasing costs attributable to the implementation of E25 as well as image-shaping activities.

Parent company

Operation

The business conducted by the parent company, Posten AB (publ), is limited in scope.

Sales and earnings

The parent company's net sales were SEK0 m (50). The change in net sales is attributable to the fact that the governmental reimbursement for the Cashier services is paid directly to Svensk Kassaservice AB from 2002, not to Posten AB.

Net interest income was SEK57m (32) and earnings after financial items totaled SEK48m (48).

Financial position

As of March 31, 2003, the parent company's total assets were SEK7,273m, a decrease of SEK1,320 m compared with December 31, 2002. Cash and cash equivalents, including short-term investments, totaled SEK1,847m, a decline of SEK615m compared with December 31, 2002. The change refers to the financing of subsidiaries' changes in working capital and expenditures.

Equity was SEK6,173m, an increase of SEK30m since December 31, 2002.

As of March 31, 2003, the equity-assets ratio was 85.4 percent (59.3). As of December 31, 2002, the equity-assets ratio was 71.9 percent.

No investments were made in fixed assets during the period.

Events after the reporting date

The parent company has acquired Post Denmark's interest in the now wholly owned Direct Link NV.

In April 2003 the parent company issued SEK400m in MTN bonds, comprising two loans of SEK200m each. The loans mature in 2.5 and 3 years, respectively.

The board, management and auditors

On April 9, 2003, Posten's board appointed Erik Olsson as the company's new President and CEO, effective May 1.

After the annual general meeting on April 25, 2003, the board of Posten AB (publ) will comprise:

Chairman, Marianne Nivert, reelected

Board members:

Mats Abrahamsson, newly elected

Jonas Iversen, reelected

Jan Kvarnström, reelected

Katarina Mohlin, newly elected

Ulla Litzén, reelected

Christina Ragsten Pettersson, newly elected

Authorized accountant Stefan Holmström of the accounting firm KPMG was appointed as the company's auditor. The National Swedish Audit Bureau's Curt Öberg was appointed auditor for a period of four years.

The three following board members, and their replacements, were appointed by Posten's employees.

Åke Kihlberg, Swedish Union of Service and Communications Employees
Alf Mellström, Swedish Union of Service and Communications Employees
Kjell Strömbäck, Swedish Federation of Civil Servants at Posten

Accounting principles, etc.

This report has been prepared in accordance with Recommendation 20, Interim Reporting, of the Swedish Financial Accounting Standards Council.

The same accounting principles and computation methods were used in this report as for the annual report of 2002.

Adjusted operating earnings: Operating earnings adjusted for items not included in the operating activities, such as provisions.

Adjusted operating margin: Adjusted operating earnings in relation to net sales.

The full costing principle is applied to internal purchases.

Stockholm, April 25, 2003

Posten AB (publ)

The Board of Directors

The information contained in this report has not been audited.

Posten's income statements at a glance

Sek m	2003	2002	
	Jan-March	Jan-March	FY
Net sales	6,105	5,874	23,632
Other operating income	50	36	130
Total operating income	6,155	5,910	23,7620
Operating expenses	-6,171	-5,843	-24,465
Provisions	0	0	732
Total operating expenses	-6,171	-5,843	-23,733
Operating earnings	-16	67	29
Financial items	32	41	-29
Provisions	0	0	69
Earnings after financial items	16	108	69
Tax on net earnings for the year	-3	-30	-865
Minority's share of net earnings for the year	1	2	8
Net earnings for the period	14	80	-788

Posten's balance sheets at a glance

Sek m	2003	2002	2002
	31 Mar	31 Dec	31 Mar
Assets			
Fixed assets	5,888	5,942	6,126
Current assets	3,916	3,752	4,281
Cash and cash equivalents including short-term investments	3,326	4,169	5,547
(own account)	(2,756)	(3,324)	(4,903)
(third party)	(570)	(845)	(644)
Total assets	13,130	13,863	15,954
Equity and liabilities			
Eget Kapital	2,585	2,587	3,377
Minority interest	14	12	4
Provisions for pensions	524	343	387
Other provisions	3,544	3,752	5,065
Long-term liabilities	613	615	674
Current liabilities	5,850	6,554	6,447
Total equity and liabilities	13,130	13,863	15,954

Posten's statements of cash flows at a glance

Sek m	2003	2002	
	Jan-March	Jan-March	FY
Cash flow provided by continuing operations before changes in working capital	87	20	-81
Cash flow provided by continuing operations	-227	242	45
Cash flow provided by investment activities	-288	-264	-1,791
Cash flow before financing activities	-515	-22	-1,746
Cash flow provided by financing activities	-72	-762	-617
Cash flow for the period	-587	-784	-2,363
Liquid funds at the beginning of the period	3,343	5,687	5,687
Liquid funds at the end of the period	2,756	4,903	3,324

Geographic markets

	Sales by market	Assets	Investments
	Jan - Mar 2003	March 31, 2003	Jan - Mar 2003
Sweden	5 333	12 102	281
Rest of Nordic and Baltic regions	517	738	7
Other countries	255	290	
Total	6 105	13 130	288