

Interim Report

January-June 2002



Loading mail onto one of Posten's Falcon Air carriers

- Operating earnings for the six months ended June 30, 2002 were Skr 570 m (-253). The earnings improvement is attributable to the reversal of provisions previously made for future losses in the cashier network of Skr 916 m.
- The rollout of the new service network is proceeding according to plan. 55 of Posten's 91 local areas have implemented the new service network.
- The Swedish Parliament has increased subsidies for cashier service to Skr 400 m. The EU Commission found the government subsidies in compliance with EU regulations, facilitating the reversal of Skr 916 m in provisions.
- The alliance with La Poste/DPD is proceeding according to plan. La Poste has become a 50% partner in Posten's Polish subsidiary, Masterlink, which, in turn, has acquired the franchise rights to DPD (Direct Parcel Distribution) in Poland for the coming 15 years. Posten has also acquired the franchise rights to DPD in Estonia, Latvia and Lithuania for the coming five years.

Posten



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Key data

	2002			2001 Pro forma ^{*)}				
	Jan-Mar	Apr-Jun	Jan-jun	Jan-Mar	Apr-Jun	Jul-Sep	Oct.-Dec	Full year
Net sales, Skr m	5,874	5,815	11,689	5,486	5,316	4,990	5,876	21,668
Provisions, Skr m		916	916				293	293
Operating earnings, Skr m	67	503	570	-1	-252	103	1,570	1,420
Profit margin, %, excluding provisions	2,4	neg	neg	0,1	neg	3,2	24,2	6,3
Total assets, Skr m	15,954	15,142	15,142	14,927	15,980	16,210	17,311	17,311
Equity, Skr m	3,377	3,710	3,710	48	-124	110	3,299	3,299
Return on equity (ROE), %	2,3	10,6	12,8	neg	neg	170,4	122,6	136,6
Return on capital employed (ROCE), %	1,5	8,6	10,1	0,2	neg	2,1	51,8	51,7
Equity-assets ratio, %	21,2	24,5	24,5	0,3	neg	0,7	19,1	19,1
Investments in tangible and intangible fixed assets, Skr m	298	432	730	175	359	240	413	1,187
Customer Satisfaction Index, CSI	62	62	62	62	62	62	63	63
Employee Dedication, ViP	59	59	59	57	58	58	59	59
Average number of employees	38,132	38,776	38,776	38,541	38,996	39,662	39,466	39,466

^{*)} Pro forma see p. 3. The effect of the accounting change is explained in Posten Annual Report 2001, p. 39.

Operations

The period was characterized primarily by the continuing rollout of the new Service Network, integration of the Swedish and international parcel operations, the streamlining program to improve administrative and sales processes, as well as the conversion of Swedish Cashier Service into an autonomous subsidiary.

In August, French postal operator La Poste acquired a 50 percent interest in Polish parcel operator Masterlink Express Sp. z o.o via GeoPost International Holdings GmbH. Posten owns the remaining 50 percent interest in Masterlink. Masterlink subsequently acquired the franchise rights to DPD (Direct Parcel Distribution) in Poland for a period of 15 years. Additionally, Posten has signed a deal with DPD for the franchise rights to DPD parcel services in Estonia, Latvia and Lithuania for the coming five years.

Satisfied Customer Index, CSI

The Customer Satisfaction Index (CSI), at 62 (62), was unchanged compared to the same period last year.

Employees

The average number of employees declined by 220 to 38,776 (38,996). Of this figure, 1,553 are employed outside Sweden, an increase of 843 compared to year-end 2001. The increase is chiefly attributable to acquisitions and an accounting change that calls for the inclusion of 50 percent of joint-venture companies' employees in the group's reporting. During the same period, the average number of employees in Sweden decreased by 1,797.

The ViP employee satisfaction scorecard was 59 (58).

Accounting change and other related business

Posten began reporting joint-venture companies according to the proportion method on January 1, 2002. Previously, these companies were reported according to the equity method. Comparative figures have not been restated.

In 2001, future conditional pension benefits were adjusted upward at year-end. In 2002, adjustments are being made on a continual basis.

For the period ended June 30, tax has been calculated according to the prevailing tax laws and regulations of each respective country where Posten operates. Deferred tax receivables attributable to losses have only been taken into account for the net loss in Sweden. Previously, the standard tax rate has, under consecutive years, been applied to the group's overall results.

"Posten Pro forma" refers to Posten excluding Postgirot. This report refers exclusively to "Posten Pro forma."

This interim report has been prepared in accordance with regulation RR20 of the Swedish Financial Accounting Standards Council.

Net sales and operating earnings by business segment

Skr m	Net sales		Operating earnings	
	Jan-June 2002	Jan-June 2001	Jan-June 2002	Jan-June 2001
Messaging and Logistics				
- Market Communication	2,567	2,567		
- Administrative Communication	2,890	2,915		
- International Mail	754	665		
- Outsourcing	894	789		
- eCommerce & Logistics	2,916	2,018		
- Individual	924	930		
- joint	522	1 399		
- internal elimination	-573	-770		
Total Messaging and Logistics	10,893	10,513	-286	-105
Svensk Kassaservice (Swedish Cashier Service)	805	343	-60	-148
Internal elimination	-9	-54		
Total excl. Provisions	11,689	10,802	-346	-253
Provisions			916	
Total	11,689	10,802	570	-253

As Swedish Cashier Service began operating on April 1, 2001, the comparative period refers to April-June.

Messaging and Logistics

Net sales were Skr 10,893 m, an increase of Skr 380 m compared to the same period last year. Acquisitions at year-end 2001, price effects, and an accounting change boosted net sales by Skr 695 m. The underlying decline in net sales is largely attributable to the inclusion during the first quarter of net sales for cashier service operations during the comparative period.

Operating earnings for the Messaging and Logistics business segment were Skr -286 m (-105) for the six months ended June 30, and Skr -469 m (-252) for the second quarter. The decline in operating earnings during the period is primarily due to the growing costs of the service network rollout, as well as costs associated with the E25 streamlining program, which aims to boost earnings by Skr 1,000 m annually by 2005. Streamlined business support systems will be the primary vehicle for achieving the program's objectives. Drastically lower passenger revenues reported by Posten's air carrier Falcon Air, as well as costs for the integration of acquired companies have also impacted operating earnings. Mail volumes have continued to decline, marking a continuation of the trend that emerged in 2001. The drop is a result of the proliferation of electronic substitutes and the overall economic climate, and is expected to continue through the end of 2002. Heavier parcel volumes have been unable to fully offset lighter mail volumes.

The countrywide rollout of the new Service Network is proceeding at a healthy pace. Roughly 20 new outlets are being opened every day, and the rollout should be completed by the end of the year.

Swedish Cashier Service

On June 1, Svensk Kassaservice AB (Swedish Cashier Service) became a wholly owned subsidiary. The company provides routine cashier services via a nationwide network. Through Swedish Cashier Service, Posten serves as an agent for Nordea, FöreningsSparbanken, Postgirot Bank, and Länsförsäkringar Bank. In addition to making bank deposits and withdrawals, bill payment, daily business receipt management, and check cashing services are also offered.

As a result of the decision to raise the level of state subsidies to Swedish Cashier Service from Skr 200 m to Skr 400 m per year, operating earnings improved considerably compared with the first quarter of 2002 and the same period last year.

Transactions continue to decline by a rate of 15-20 annually.

Other operating earnings

The absence of rental proceeds following the sale of Postfastigheter AB accounts for the decline in other operating expenses to Skr 80 m (219).

Financial position

Total assets

The accounting change to the proportion method accounts for the increase in goodwill as well as tangible fixed assets, buildings.

The accounting change has also resulted in a reduction of financial fixed assets.

Total assets declined by Skr 2,169 m, and totaled Skr 15,142 m at June 30. The change in total assets is principally due to a reduction in current interest-bearing liabilities and the reversal of provisions. Goodwill previously reported as shares in associated companies has been reclassified as goodwill.

Provision for future losses in cashier service operations

Previously, Posten was allocated funds to provide cashier service in commercially unviable areas lacking suitable alternatives. The Skr 200 m Posten received annually up to 2001 was insufficient to cover costs. The Swedish Parliament has, therefore, allocated Skr 400 m in 2002 for this purpose.

Following an examination of the case, the EU Commission found the government subsidies in compliance with EU regulations.

This decision facilitated the reversal of a provision by Skr 916 m, which impacted earnings for the period by a corresponding sum.

At year-end 2001, the provision totaled Skr 2,093 m. Following the reversal of Skr 916 m, as well as the current reversal owing to the operating loss of Skr 60 m for the period, the provision at June 30, 2002 was Skr 1,117 m. The provision corresponds to projected losses up to 2006 over and above those covered by state subsidies (Skr 400 m per year).

Equity

Skr m	Jan-June 2002	Jan-Dec 2001	Jan-June 2001 Pro forma
Opening balance		726	726
Effect of accounting change 2001*		-783	-783
Opening balance for the period (adjusted according to above)	3,299	-57	-57
Dividend	0	0	0
Translation difference	3	-76	-6
Net earnings for the period	408	3,432	-61
Closing balance	414	3,299	-124

*) See Posten Annual Report 200,1 p. 39

Equity-assets ratio

At June 30, 2002, the equity-assets ratio was 24.5 percent, an increase of 5.4 basis points compared to December 2001.

Cash flow

Investment activities

The group's increased investments are primarily attributable to restructuring of the service network and cashier service, and chiefly concerns tangible fixed assets.

Financing activities

Cash flow provided by financing activities of Skr -2,223 m is attributable the change in brokered service arrangements that Swedish Cashier Service regarding unsettled payments, as well as the redemption of the MTN program and commercial paper that matured during the period.

Parent company

Operations

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

Sales and net earnings

The parent company's net sales were Skr 1 m (105). Beginning 2002, subsidies previously allocated to the parent company will be reported by Posten's subsidiary, Svensk Kassaservice AB. This change accounts for the difference in net sales. Net interest income amounted to Skr 159 m (57) and earnings after financial items totaled Skr 133 m (144).

Financial position

At June 30, the parent company's total assets were Skr 6,060 m (7,274). Cash and cash equivalents, including short-term investments, amounted to Skr 816 m (359). Following the sale of Postgirot Bank AB, the parent company's postal giro account balance is reported as cash and cash equivalents. Last year, these were reported as intercompany financial receivables.

Equity amounted to Skr 3,505 m (2,951) and the equity-assets ratio was 58.4 percent (41.1).

As with the same period last year, the parent company has not invested in tangible fixed assets.

Stockholm, August 21, 2002

Posten AB (publ)

Lennart Grabe
President and CEO

The information contained in this report has not been audited.

Posten's income statements at a glance

Skr m	January-June		Q 2		Full Year	
	2002	2001	2002	2001	2001	2001 ^{*)}
	Pro forma		Pro forma		Pro forma	
Net sales	11,689	10,802	5,815	5,316	21,668	24,072
Other operating income	80	219	44	88	1,802	1,723
Total operating income	11,769	11,021	5,859	5,404	23,470	25,795
Operating expenses	-12,115	-11,274	-6,272	-5,656	-22,343	-24,058
Provisions	916	0	916	0	293	293
Total operating expenses	-11,199	-11,274	-5,356	-5,656	-22,050	-23,765
Operating earnings	570	-253	503	-252	1,420	2,030
Financial items	51	-38	10	-10	-55	-56
Earnings after financial items	621	-291	513	-262	1,365	1,974
Tax on net earnings for the year	-214	0	-184	-10	-83	-254
Minority's share of net earnings for the year	1	-3	-1	-4	1	1
Net earnings before the sale of Postgirot		-294		-276	1,283	1,721
Transfer of income from Postgirot to remaining operations		-			438	
Capital gains on the sale of Postgirot					1,711	1,711
Net earnings for the period	408	-294	328	-276	3,432	3,432

^{*)} Including Postgirot during 11 months

Posten's balance sheets at a glance

Skr m	June 30	June 30	31 december	
	2002	2001	2001	2001
	Pro forma		Prof orma	
Assets				
Fixed assets	6,074	9,314	5,935	5,935
Current assets	4,169	3,425	4,299	4,299
Cash and cash equivalents including short-term investments	4,899	3,241	7,077	7,077
Total assets	15,142	15,980	17,311	17,311
Equity and liabilities				
Equity	3,710	-124	3,299	3,299
Minority interest	5	1	4	4
Provisions	4,678	8,225	5,492	5,492
Long-term liabilities	612	1,332	708	708
Current liabilities	6,137	6,546	7,808	7,808
Total equity and liabilities	15,142	15,980	17,311	17,311

Skr m	Jan-Jun	
	2002	2001 Pro forma
Cash flow provided by continuing operations before changes in working capital	202	-205
Cash flow provided by continuing operations	830	-267
Cash flow provided by investment activities	-786	24
Cash flow provided by financing activities	-2,223	131
Cash flow for the period	-2,179	-112
Liquid funds at the beginning of the period	7,077	3,326
Liquid funds at the end of the period	4,898	3,214

Posten's statement of cash flows at a glance

Posten's net sales and operating earnings by geographic area

Skr m	Net sales	Operating earnings	Operating earnings
	Jan-June 2002	Jan-June 2002 excl. Provisions	Jan-June 2002
Sweden	10,714	15	931
Other Nordic countries and Baltic region	826	-29	-29
Other countries	149	14	14
Global expenses		-346	-346
Total	11,689	-346	570

Global expenses include groupwide costs of business incurred by Posten.