# HEADING FOR TOMORROW

## Company Presentation

Frankfurt | 27 November 2019

# WHY INVEST IN FP …

## THE EXPERT IN SECURE DIGITAL COMMUNICATION

- **FP** stands for almost 100 years of secure mail business "Made in Germany"
- **FP** ranks #1 in Germany and #3 worldwide in its core business franking; an oligopolistic market with high entry barriers
- **FP** accompanies its existing more than 200,000 customers into the digital world by offering state-of-the art digital products & services
- **FP** leverages high-security technology from its core business into new growth markets (IoT)
- **FP** has 1,100 employees worldwide and is headquartered in Berlin, Germany
- **FP** had a revenue of >EUR 200m in FY18, of which 80% is recurring

### TWO ATTRACTIVE INVESTMENT PILLARS

**1** STRONG POSITION IN CORE BUSINESS WITH 80 PER CENT RECURRING REVENUES

**2** LEVERAGE OF CUSTOMERS AS WELL AS EXPERTISE AND TECHNICAL KNOW HOW INTO NEW HIGH GROWTH MARKETS

# FP: SYNONYM FOR ONE CENTURY OF SECURE COMMUNICATION

Secure
annual transfer of
**1.2 bn € of**
**customer deposits**

**No. 1** in Germany
**No. 3** worldwide

**>200,000** customers,
in 40 countries worldwide

**1,100** employees

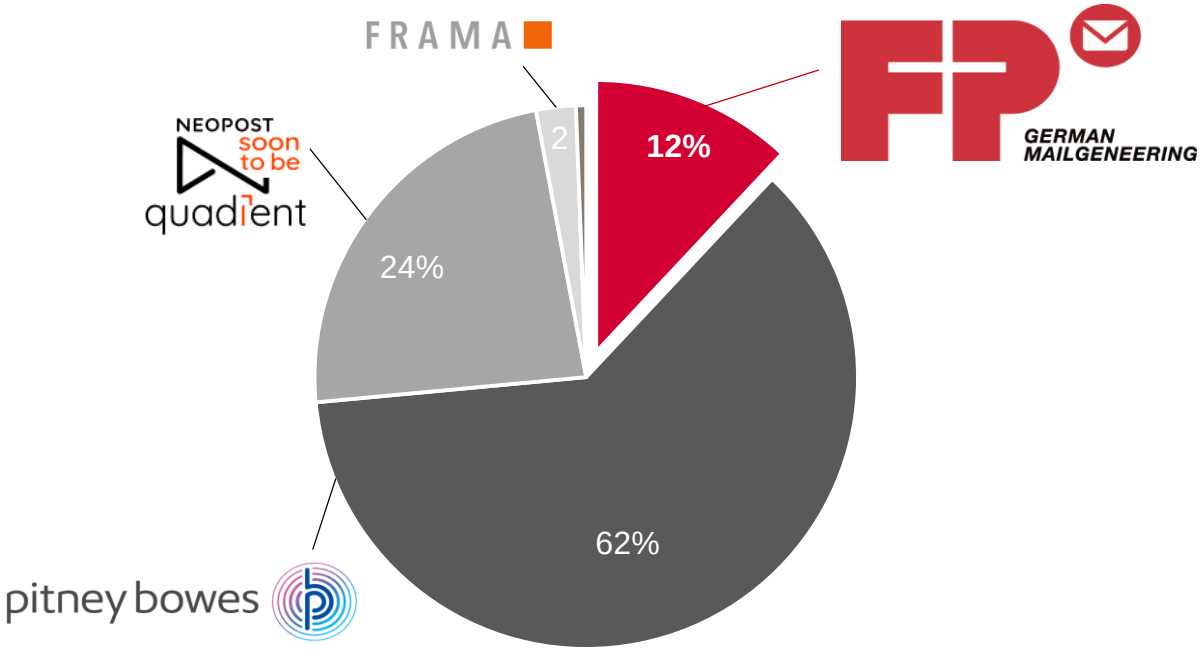
**700** patents support
leading R&D Position

# FP STRONG POSITION IN CORE MARKET

## SOLID FOUNDATION TO CONQUER NEW GROWTH MARKETS

### Global market share franking business

Sep 30 2019 [1]




### The franking market

- Franking market is highly oligopolistic with high entry barriers
- Global franking market has an estimated volume of 2-3bn USD[2]
- Franking business offers attractive margins (EBITDA margin <30%) with a high proportion of recurring revenue (~80%)
- FP ranks #3 worldwide and #1 in Germany and Austria and is active in 40 countries

**FP:** High-margin franking business is cash-cow to invest in new business segments

[1] market estimates [2] FP estimate based on industry revenues

# GERMAN MAILGENEERING

## INNOVATION AND SECURITY MADE IN GERMANY

Secure Mail Business and
Secure Digital Communication Processes

TRUST

INNOVATION

SECURITY

### CONNECTIVITY

- Interconnecting complex technical systems for conditions monitoring or further service offering

### SENSOR SYSTEMS

- Detection and management of technical operating conditions (e.g. temperature)

**FP DNA**

### ACTUATOR SYSTEMS

- Responsible for moving and controlling a mechanism or a system based on sensor date

### CRYPTOGRAPHY

- Protects Information systems against any manipulation and unauthorized reading
- Allows for clear identification of information sender

# FP'S TRADITIONAL SKILLS SET

## BASIS FOR TRANSFORMATION

Leveraging our key competencies for the digital age

Valid for the last century, valid for the next:

Security

Simplification

Convenience

# ACT-STRATEGY SHAPES OUR FUTURE

FP GERMAN MAILGENEERING

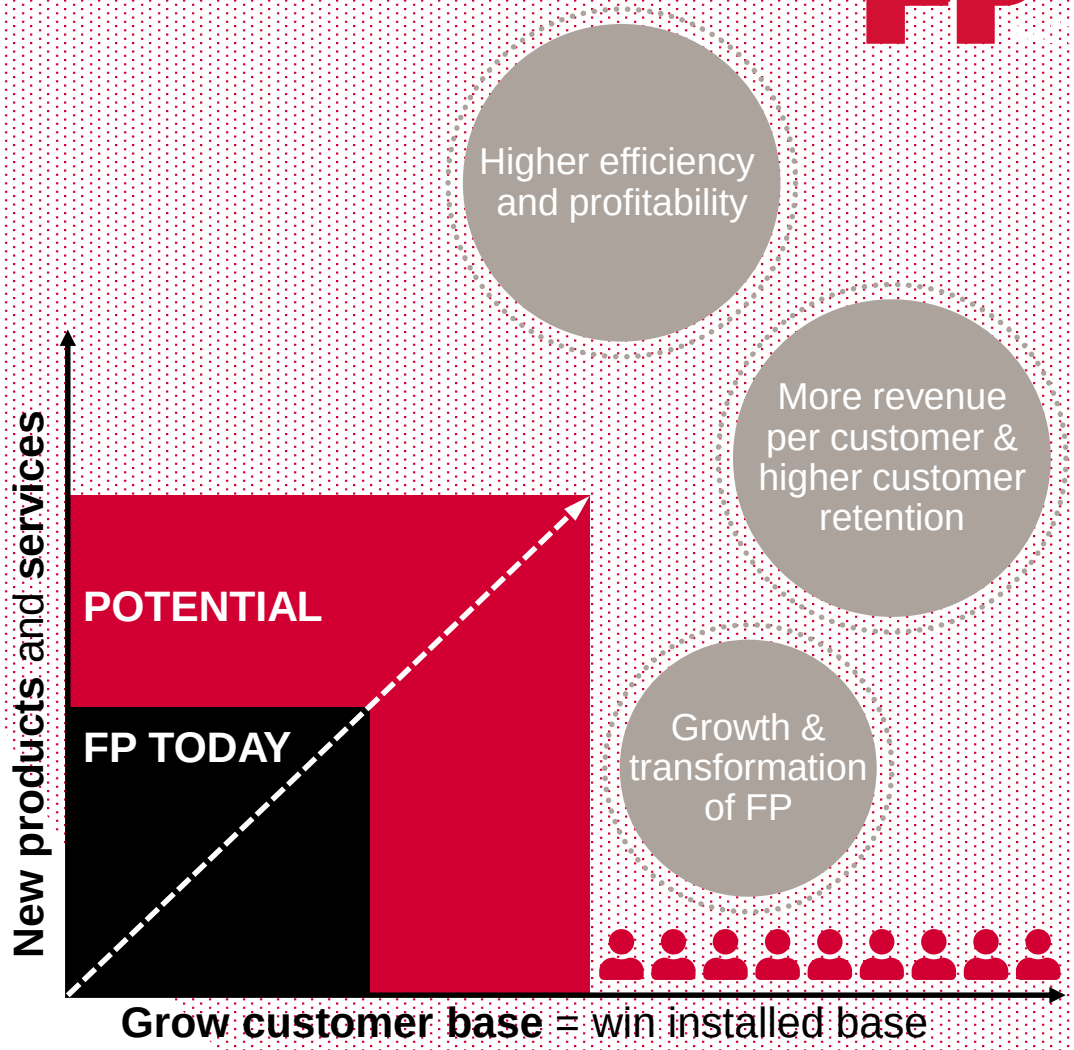
# GROWTH-STRATEGY ACT HAS THREE DIMENSIONS

## ATTACK – CUSTOMER -TRANSFORM

**ATTACK**
Keep winning additional customers and market shares in core business

**CUSTOMER**
Accompany our customers on their journey into the digital world

**TRANSFORM**
Leveraging our Technology – Penetrate IoT mega markets



# FP: GROWTH BALANCES DECLINE

## FP EXPANDS INTO GROWTH MARKETS

**Addressable market**

**Secure Mail Business** | **Secure Digital Communication Processes**

discover FP

| Franking | e-Signature | Secure IoT |
|---|---|---|
| 2-3 bn $[1] | 9 bn $[2] | 30 bn $[3] |
| CAGR -3-4% | CAGR 30-35% | CAGR 30-35% |

P2P | M2M

Source: 1) FP estimate based on industry revenues, 2) Target market size 2023, PS Market Research 6/2017, 3) Target market size 2023, Markets & Markets Research 6/2017

# ATTACK IN CORE BUSINESS

KEEP WINNING ADDITIONAL CUSTOMERS
AND MARKET SHARES IN CORE BUSINESS

FP GERMAN MAILGENEERING

# THE CORE MYTHS OF THE FRANKING MACHINE MARKET

## The three myths

1. The postage meter market has ~~no~~ future

2. FP will ~~not~~ grow in its core market

3. Digitalization will come ~~overnight~~

# POSTBASE VISION SETS FOUNDATION FOR FURTHER ATTACK

## MOST ADVANCED POSTAGE METER IN THE WORLD

- Built for our customers, with our customers
- Unmatched convenient user experience
- Connected2Tomorrow with the new customer portal discoverFP

# SALES STRATEGY

## INTENSIFY CUSTOMER PENETRATION AND ACQUIRE NEW LEADS

- Intensify and accelerate lead generation
- Use every positive customer contact for cross- and upselling
- Improve cost per order
- Exchange best practice
- Expand range of products and solutions
- Accelerate time to market
- New leasing model

# FP 9M 2019 CORE BUSINESS

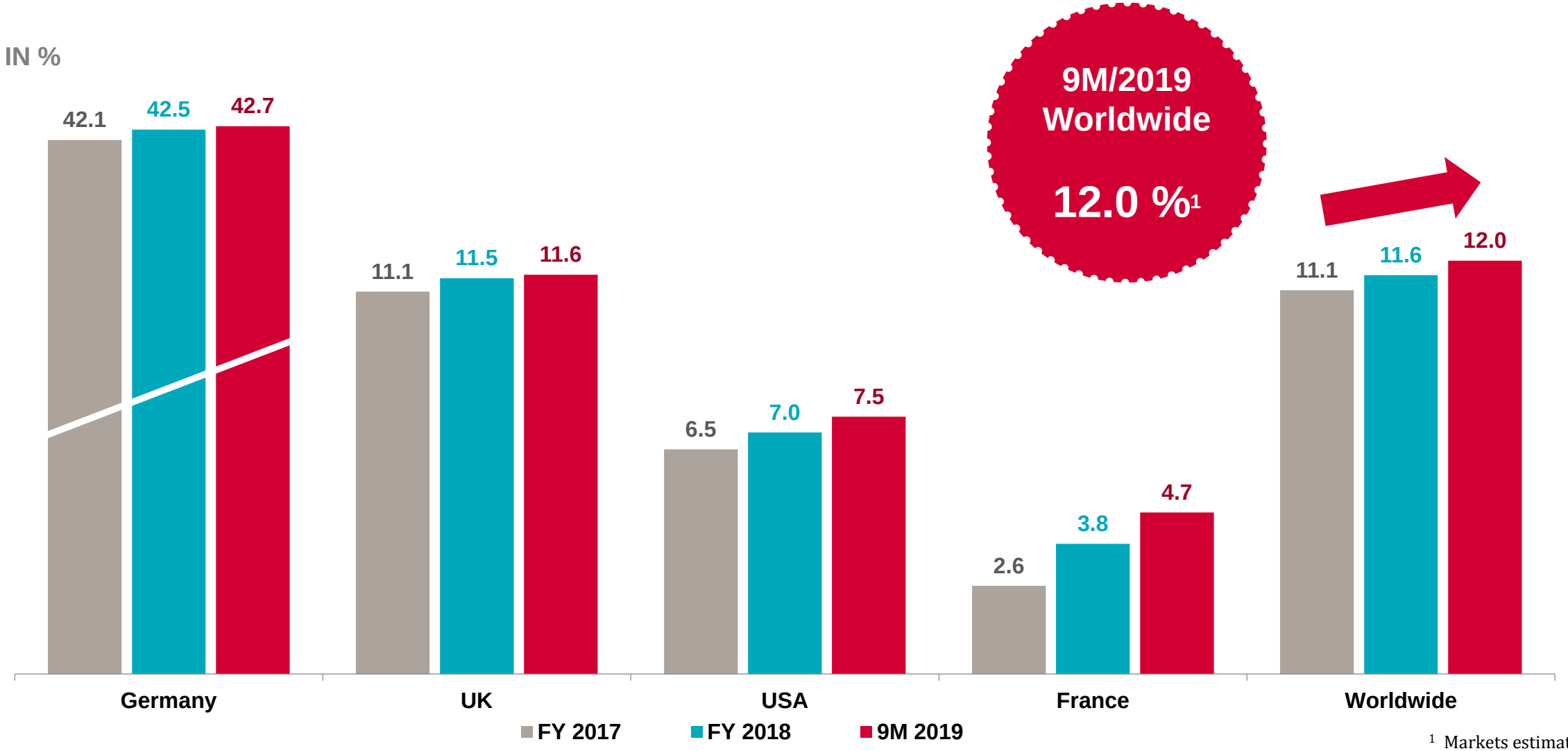
## SUCCESSFUL ATTACK IN CORE BUSINESS 2016 - 9M 2019

### Peer group comparison

| Revenue growth franking machine business | FP | Peer 1 | Peer 2 |
|---|---|---|---|
| **FY 2016** | **2%** | **-6%** | **-7%** |
| excluding currency effects | 4% | -5% | NA |
| **FY 2017** | **1%** | **-6%** | **-5%** |
| excluding currency effects | **3%** | -4% | NA |
| **FY 2018** | **0%** | **-6%** | **-6%** |
| excluding currency effects | **2%** | -4% | NA |
| **9M 2019** | **2.7%** | | **- 8.1%** |
| excluding currency effects | **0.3%** | | **n.a.** |

# FP 9M 2019 MARKET SHARE IN FRANKING FURTHER INCREASED

## OUTPERFORMING MARKET & COMPETITORS



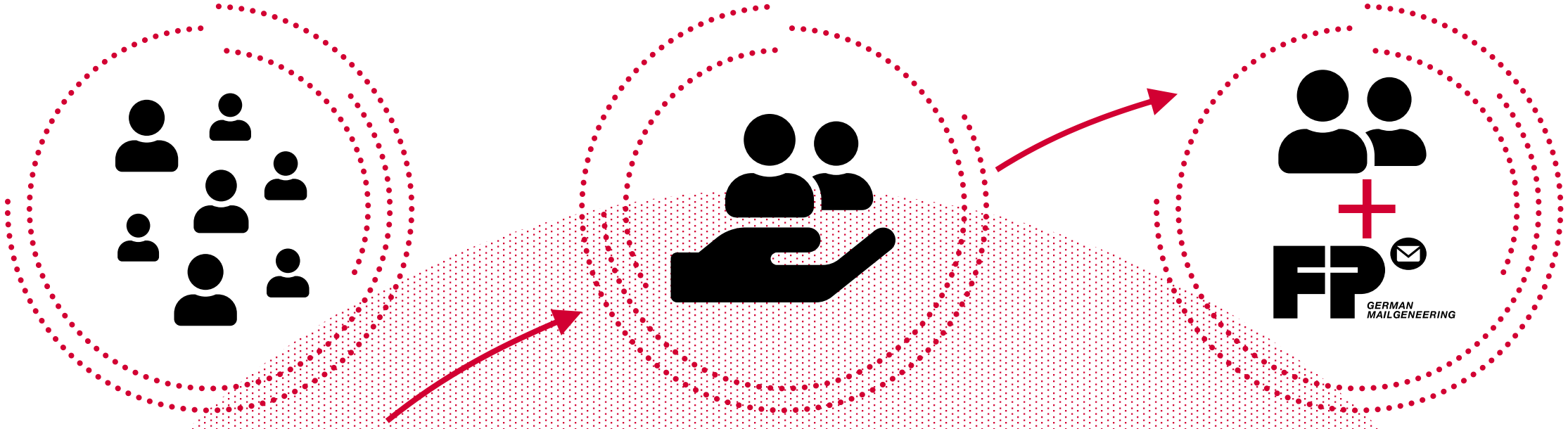

[1] Markets estimates

# LEVERAGE CUSTOMER POTENTIAL

ACCOMPANY OUR CUSTOMERS ON THEIR JOURNEY INTO THE DIGITAL WORLD

# FOUNDATIONS OF GROWTH

## LEVERAGE CUSTOMERS




**>200,000**

Accompany customers on their journey into the digital age

Expecting guidance, affordable and tailored digital solutions

Sustainable growth thanks to lasting mutual benefits

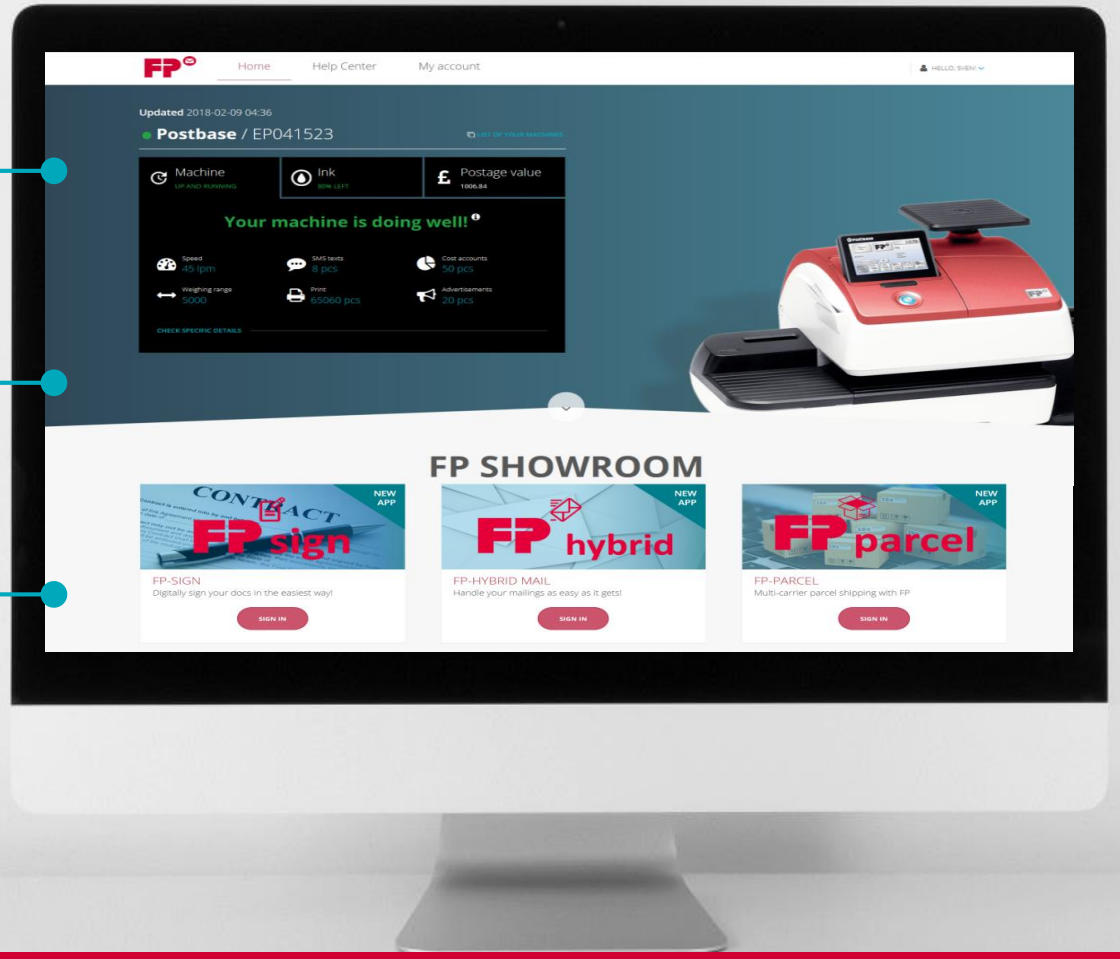
**FP SOLUTIONS MAKING OFFICE LIVES MORE EFFICIENT AND CONVENIENT**

# THE PORTAL TO THE DIGITAL WORLD

## LEVERAGE CUSTOMERS

- Meter monitoring and management
- Value-added services (Parcel Shipping/FP Sign)
- App-platform for own and 3rd party products

**discoverFP.com**



# FP PARCEL SHIPPING

## PROVIDE NEW SERVICES TO OUR CUSTOMERS

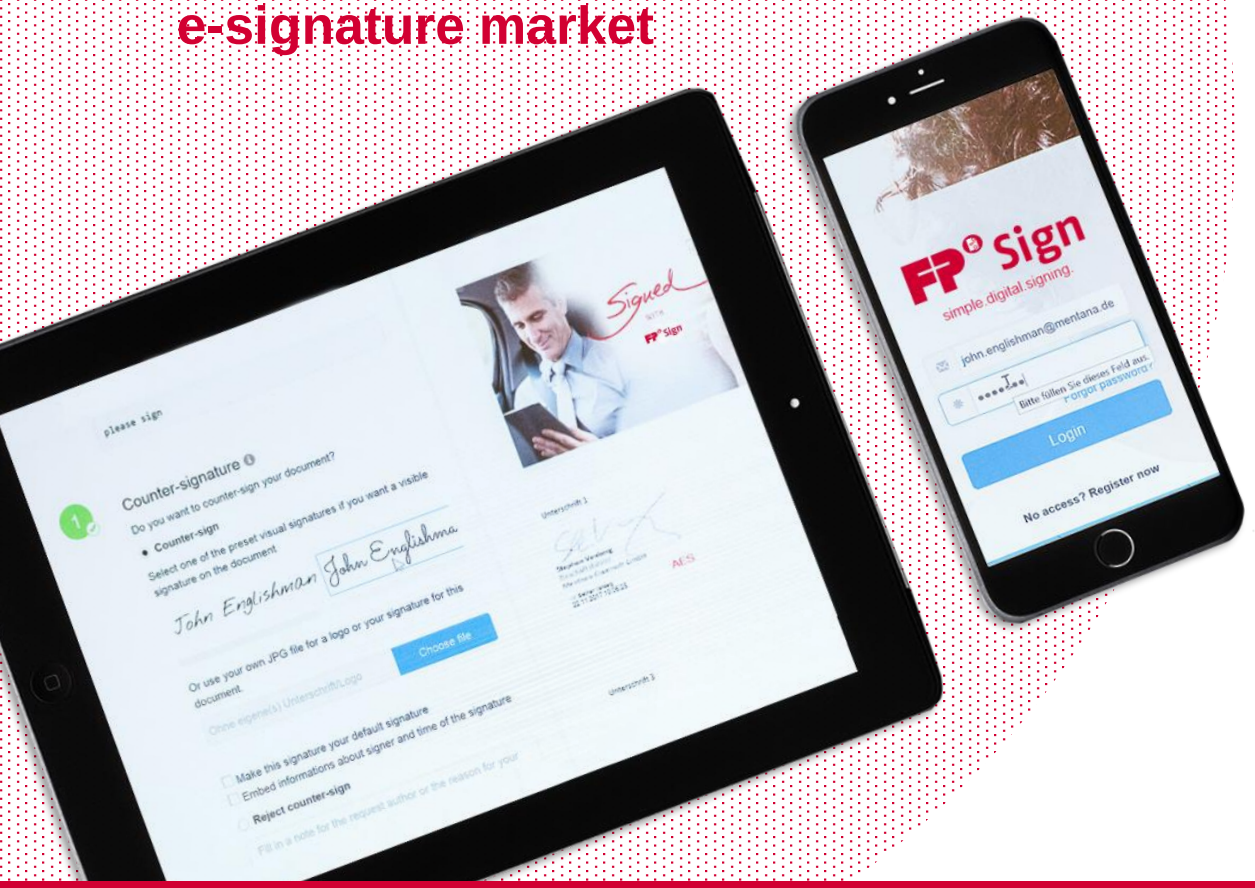
## USA

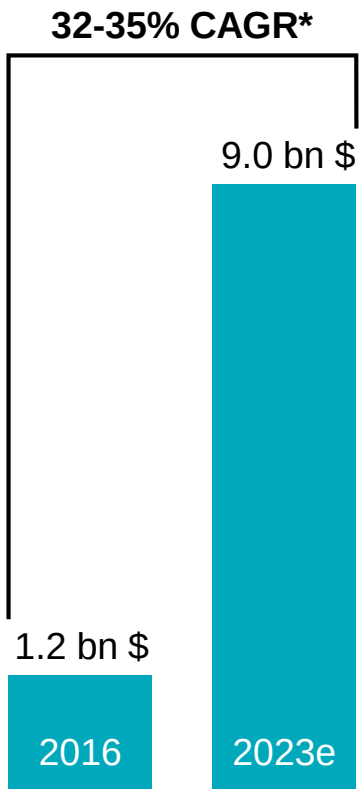
- Cross and upselling
- Monthly recurring fee
- Single- and Multicarrier version available

# FP SIGN: EFFICIENT AND SECURE WORKFLOWS

## BUSINESS OPPORTUNITIES BASED ON OUR DNA

### High demand in fast growing e-signature market




* E-signature software market
Source: PS Market Research 6/2017

### FP Sign Benefits

- Easy implementation and customization
- Tailored to SMB
- Data security made in Germany
- EIDAS compliant

### Three sales channels

- Existing customer base
- Cooperation with ERP vendors
- Direct sales

# TRANSFORMING THROUGH TECHNOLOGY

PENETRATE IOT MEGA MARKETS

# WE LIVE IN A CONNECTED WORLD…

GERMAN MAILGENEERING

**28,000,000,000**

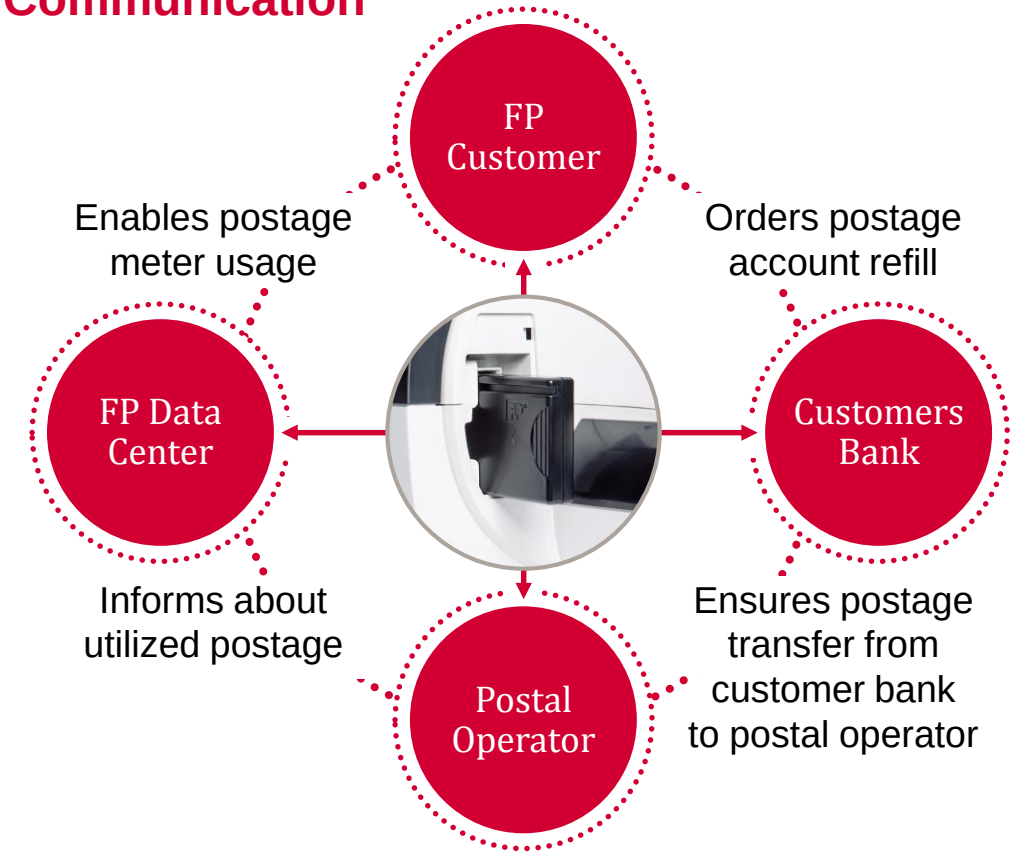
IoT Devices until 2020

**+16%**

CAGR

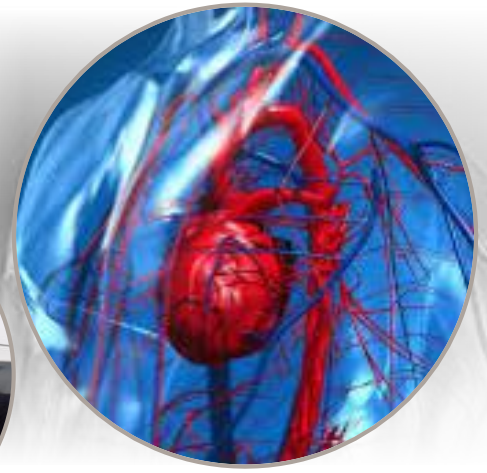
# FP'S POSTAGE METER CYCLE

## The Hardware Security Module (HSM) provides Secure Digital Communication



# SECURE IOT IS AT THE HEART OF THE FP POSTAGE METER

## The digital heart of FP Postage Meters: the Hardware Security Module (HSM)



The HSM ensures that the data process is kept alive and secure:

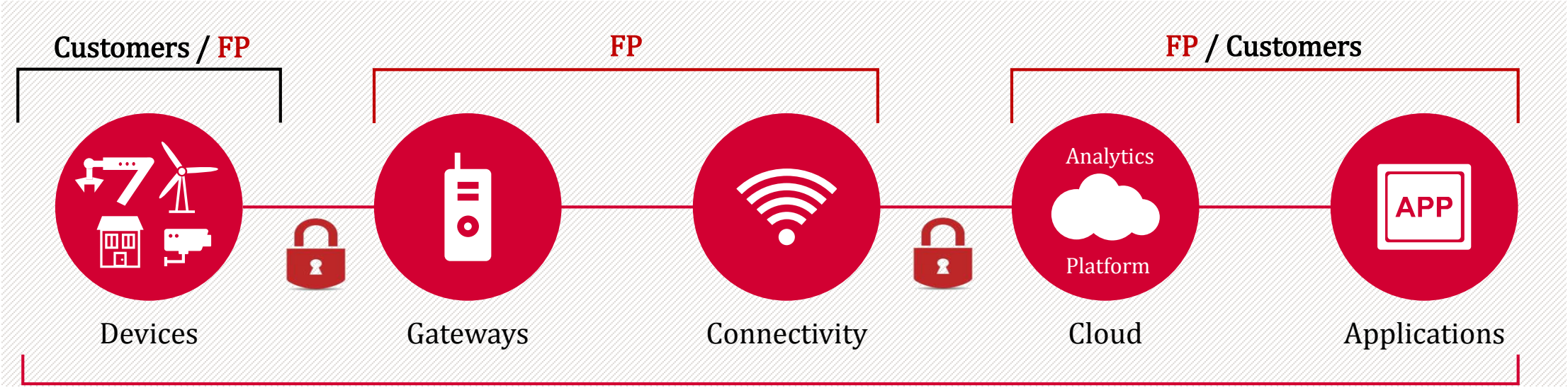
- Collection, management, encryption and secure transfer of data (e.g. letter volume, ink usage, postage value)
- Data transferred between the postage meter customer, the customer's bank, the postal operator and the FP data center

**FP stands for secure digital communication**

# FP IOT BUSINESS

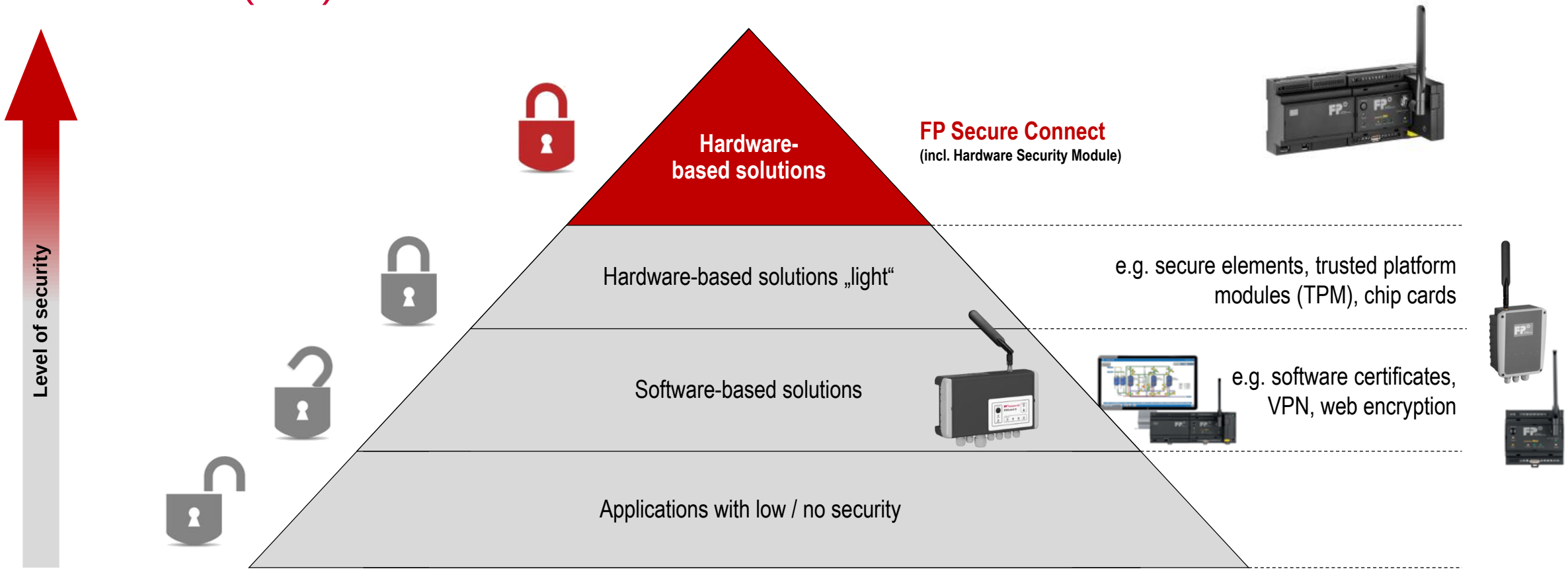
## END-TO-END SOLUTIONS FOR CUSTOMERS

### FP end-to-end solutions



# IOT BUSINESS

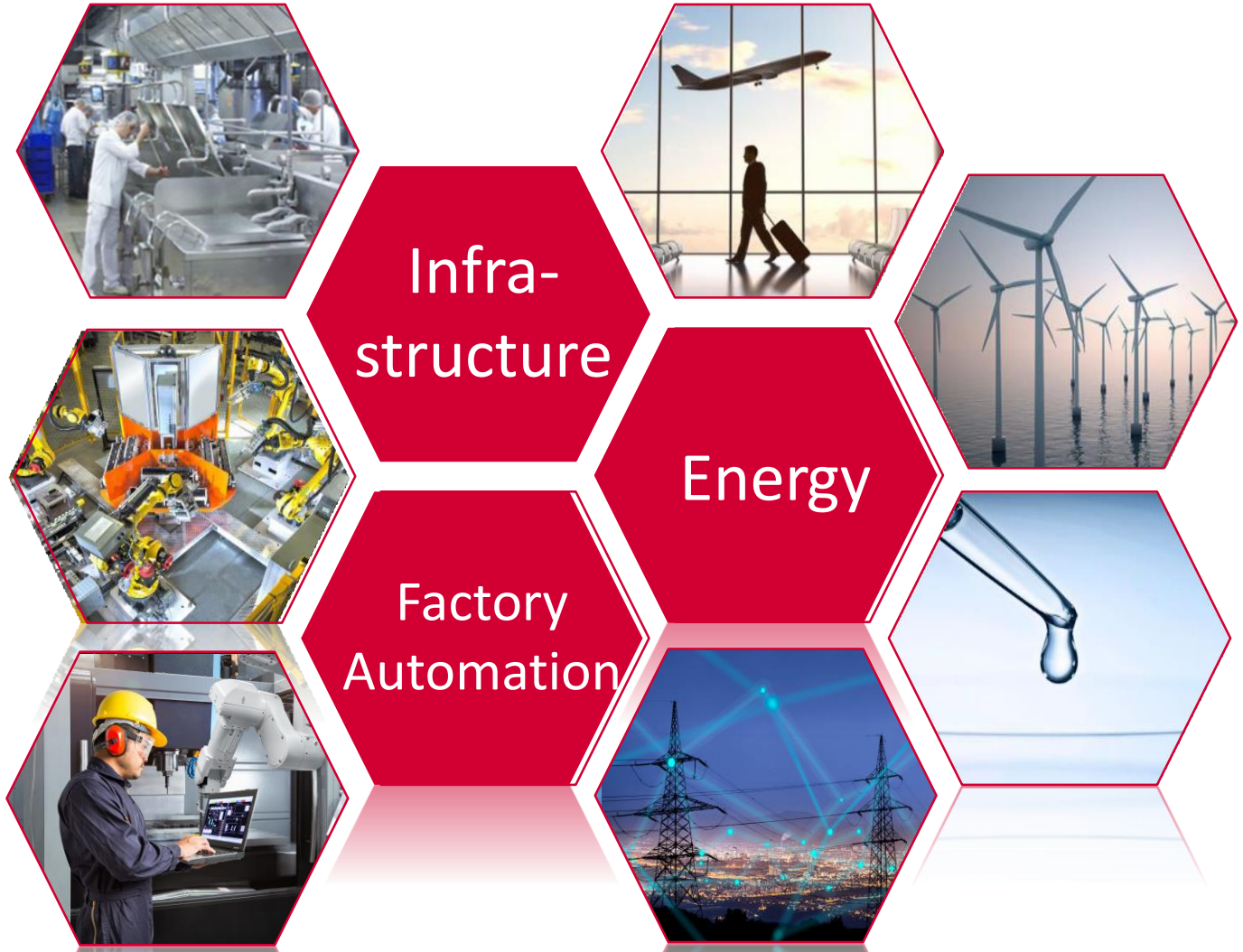
## TECHNICAL PRODUCT PORTFOLIO: SCALABLE HARDWARE SECURITY (IOT)




FP high-security Gateways with proven track-record

# FP IOT BUSINESS

## FOCUS ON TARGET MARKETS



# ...WITH CONNECTED RISKS

**28,000,000,000**

Devices exposed to risks

Security is more vital and more in demand than ever

IoT-Security market is growing much faster than the number of IoT devices

up to **35%** CAGR*

* Referring to IoT-security market growth until 2023, Markets & Markets 6/2017

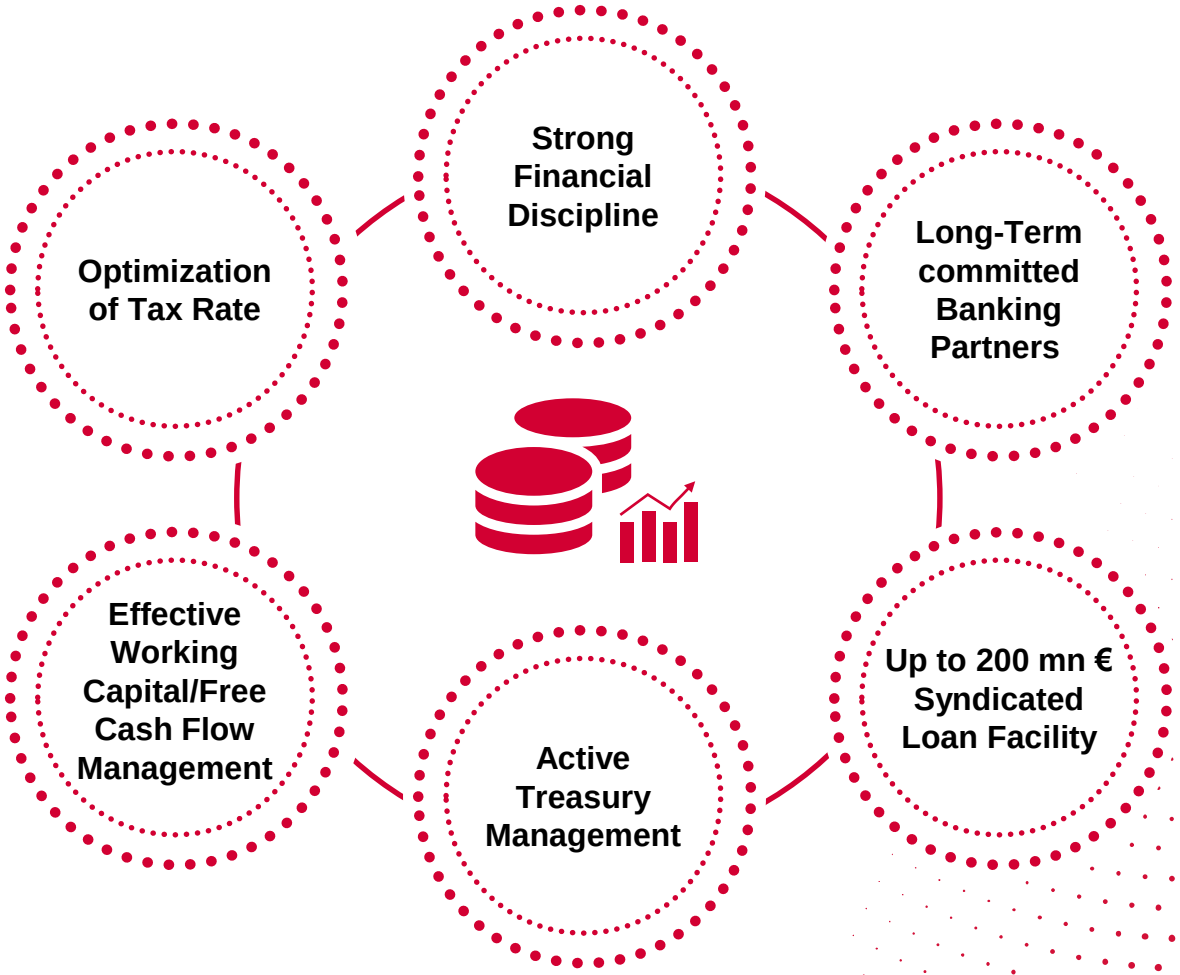
# JUMP: TRANSFORMING THE GROUP

EFFICIENCY, QUALITY, SPEED THROUGH JUMP

GERMAN MAILGENEERING

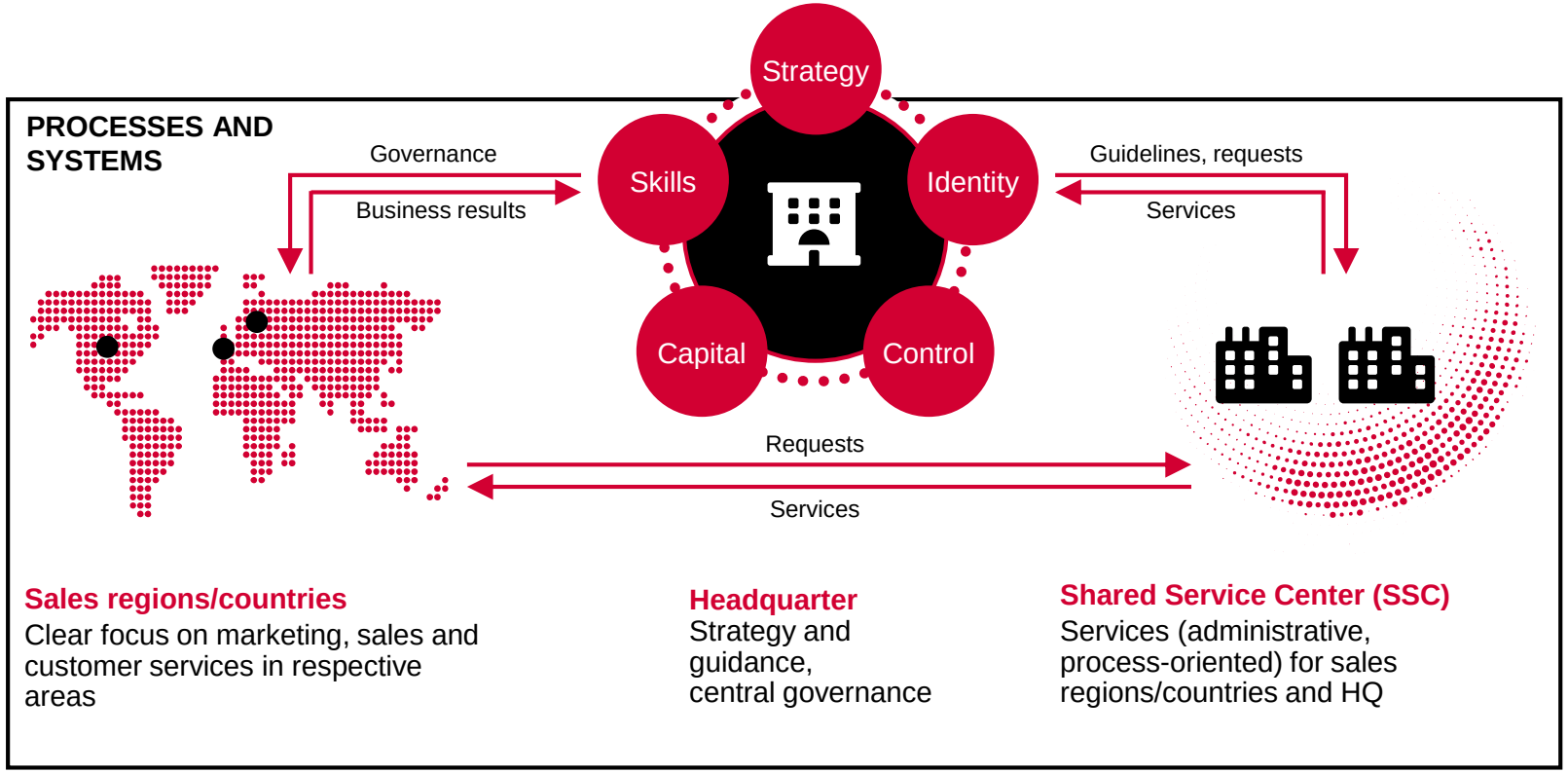
# STRONG BASIS FOR GROWTH

## PROVIDING MAXIMUM LEEWAY FOR GROWTH



# JUMP PROJECT
## IMPORTANT MILESTONES

### Our Target Operating Model



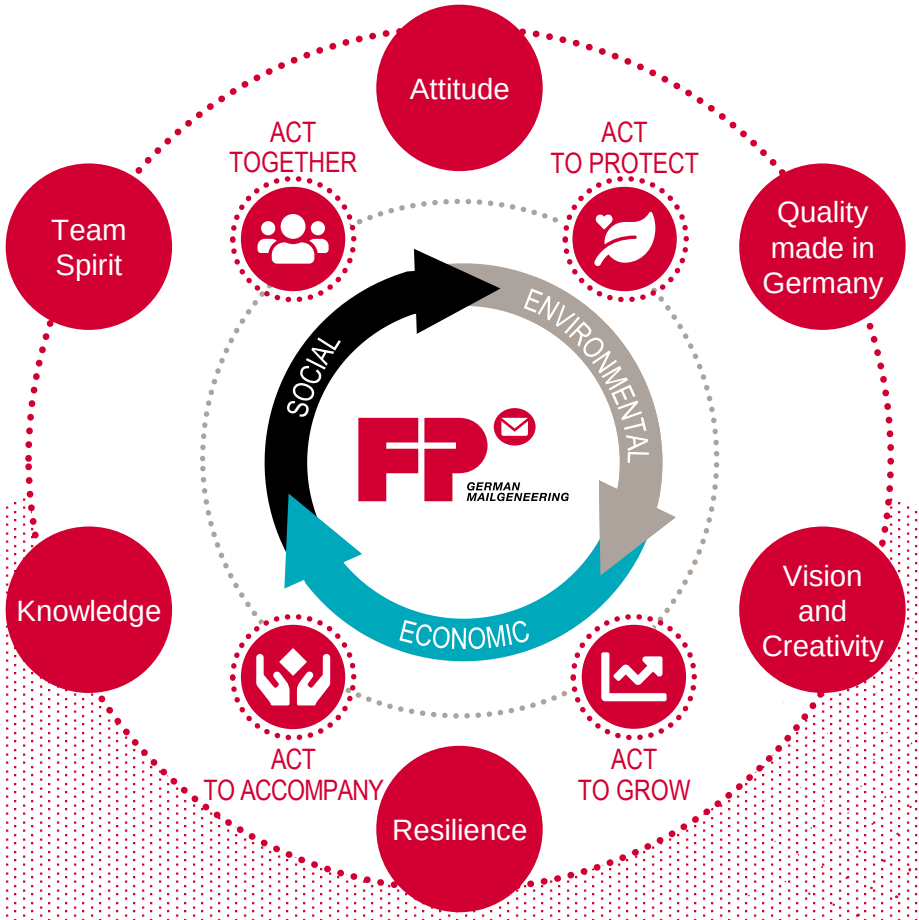

### Status update: JUMP

- SSC successfully opened and transfer of first administrative/process-oriented functions ongoing as scheduled
- Build up of Central Logistics (Central Warehouse & Repairshop) on schedule
- 2019 recurring savings of € 2m expected to be realized
- ERP/CRM to be fully implemented at the end of 2021
- As of 2022 full realization of EUR 6m recurring savings

# FP GROUP

## RESPONSIBLE ACTIONS – SUSTAINABLE GROWTH

# OUR BASE: THE THREE PILLARS OF SUSTAINABILITY, OUR FOUR KEY OBJECTIVES AND OUR SIX VALUES



# FP FOCUSES ON SUSTAINABILITY

## FP SUSTAINABILTY REPORT 2018 IS AWARD WINNING

The **FP Sustainability Report 2018** entitled **“ACT SUSTAINABLY – Vision and values in accordance”** is award-winning!

FP Sustainability Report 2018 has won the **Inspire Award Platinum for Excellence** in Global Communications as well as the **Spotlight Award Platinum** for Corporate Publishing by ‘The League of American Communications Professionals’ (LACP).

The FP Sustainability Report thus ranks **number ten worldwide** of all reports that were submitted to the contest this year. Submissions were rated on their key messages, overall impression, design, creativity and understandability.

LACP 2018 SPOTLIGHT AWARDS BEST IN-HOUSE

LACP 2018 SPOTLIGHT AWARDS PLATINUM WINNER

LACP 2018 SPOTLIGHT AWARDS TOP 100 WORLDWIDE

LACP 2018 2016 INSPIRE AWARDS BEST IN-HOUSE

LACP 2018 INSPIRE AWARDS PLATINUM WINNER

LACP 2018 INSPIRE AWARDS TOP 100 WORLDWIDE

GERMAN MAILGENEERING

# FP GROUP

## FINANCIAL RESULTS – 9M 2019

# FP 9M 2019 YEAR-END RALLY

## STRONG THIRD QUARTER 2019

### 9M 2019 - ACT Strategy remains on course

- **Attack** in core business successful in 2016, 2017, 2018 and in the first 9M 2019
- Range of services for **Customers** expanded:
  New digital products launched in the first 9M 2019
- **Transformation** of existing and well-proven technology into new growth markets. FP covers the full IoT value chain and offers end-to-end-solutions to customers

### Year-end rally supported by:

- Availability of **new products and services** as announced in conference call to H1 2019
- Ongoing **positives effect** from **postal tariff increase**
- **Revenue** traditionally **stronger in Q4**

**Although challenging, FP is optimistic to meet Guidance FY2019**

# FP 9M 2019 YEAR-END RALLY

## REVENUE STILL SLIGHTLY BELOW PREVIOUS YEAR'S LEVEL; STRONG INCREASE IN EBITDA

**Revenue[1]**

**150.2**
**m €**

-2.7 %

**EBITDA[2]**

**22.0**
**m €**

+ 19.9 %

**ADJ. FCF[3]**

**7.0**
**m €**

+64.9 %

- Excluding adjustments: Revenues of € 152.4m, EBITDA of € 20.7m
- JUMP expenses of € 2.4m, implementation ongoing
- Non-adjusted Free cash flow of € 0.6m

[1] Currency adjusted | [2] Adjusted for currency effects and JUMP expenses | [3] Excluding additions to finance lease assets, M&A and JUMP payments
EUR/USD exchange rate in 9M 2018: 1 € = 1,1943 USD, in 9M 2019 = 1.1237 USD

# FP 9M 2019 P&L

## EBITDA INCREASED BY ~20%

| m € | 9M 2018 | 9M 2019 |
|---|---|---|
| Revenue | 154.3 | 150.2[1]<br>152.4 |
| **EBITDA adjusted** | **18.4[2]** | **22.0[2]** |
| **EBITDA as reported** | **17.0** | **20.7** |
| EBITDA Margin | 11.9%[2]<br>11.0% | 14.7%[2]<br>13.6% |
| Amortisation/ depreciation | 12.8 | 16.3 |
| ~ to revenue | 8.3% | 10.7% |
| EBIT | 4.2 | 4.4 |
| Net Income | 3.2 | 2.6 |
| EPS (basic, Euro) | 0.20 | 0.16 |

[1] Currency adjusted | [2] Adjusted for currency effects and JUMP expenses

**Currency and special items**

- Positive currency effects of € 2.2m on revenue and € 1.0m on EBITDA
- Non-recurring expenses of € 2.4m for JUMP (prev. year € 1.4m)
- Impact on EBITDA from first time adoption of IFRS 16 of € 2.8m almost offset by the depreciation of right-of-use assets
- Adjusted EBITDA 19.9% above previous year level / EBITDA as reported 21.7% above previous year level

**Amortization/depreciation**

- Increase due to IFRS 16 and higher amortization of capitalized R&D (FP Sign, PostBase Vision)

**Consolidated net income**

- Impairment on JUCONN (€ 0.9m )

# FP 9M 2019 FREE CASHFLOW

## STRONG INCREASE IN ADJUSTED FREE CASHFLOW

| m € | 9M 2018 | 9M 2019 |
|---|---|---|
| Cash flow from operating activities | 13.9 | 18.0 |
| Cash flow from investing activities | -16.6 | -17.3 |
| Free cash flow | -2.7 | 0.6 |
| **Adjusted free cash flow*** | **4.3** | **7.0** |
| Cash flow from financing activities | -2.8 | -4.0 |
| Cash and cash equivalents | 18.8 | 18.3 |

**Cash flow from operating activities**

- Net working capital increased during the year
- Positive effects from service revenue in Q3 2019
- JUMP payments of € - 4.2m
- IFRS Lease payments of € - 2.8m now recognized as cash flow from financing activities

**Cash flow from investing activities**

- Increase in investments internally generated intangible assets of € 4.1m (mainly ERP/CRM)
- Participation in Juconn with € -1.0m

**Cash flow from financing activities**

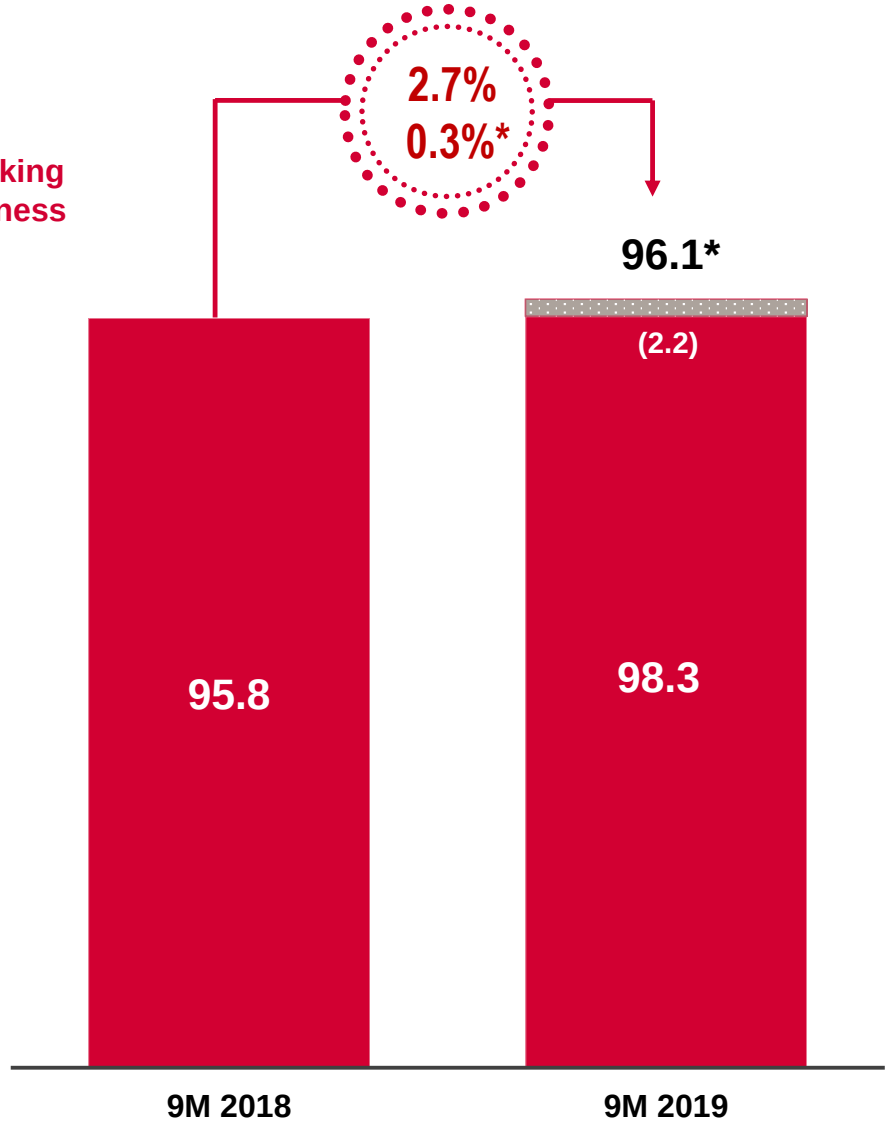
- IFRS 16 effect of lease payments of € -2.8m EUR that had previously been recognized as cash flow from operating activities
- Dividend payment of € - 0.5m (2018: € -1.9m)

* Excluding investments in finance lease assets, M&A and payments for JUMP.

# FP 9M 2019 CORE BUSINESS

## LAUNCH OF POSTBASE VISION AS SCHEDULED

**Revenue Franking Machine Business in m €**

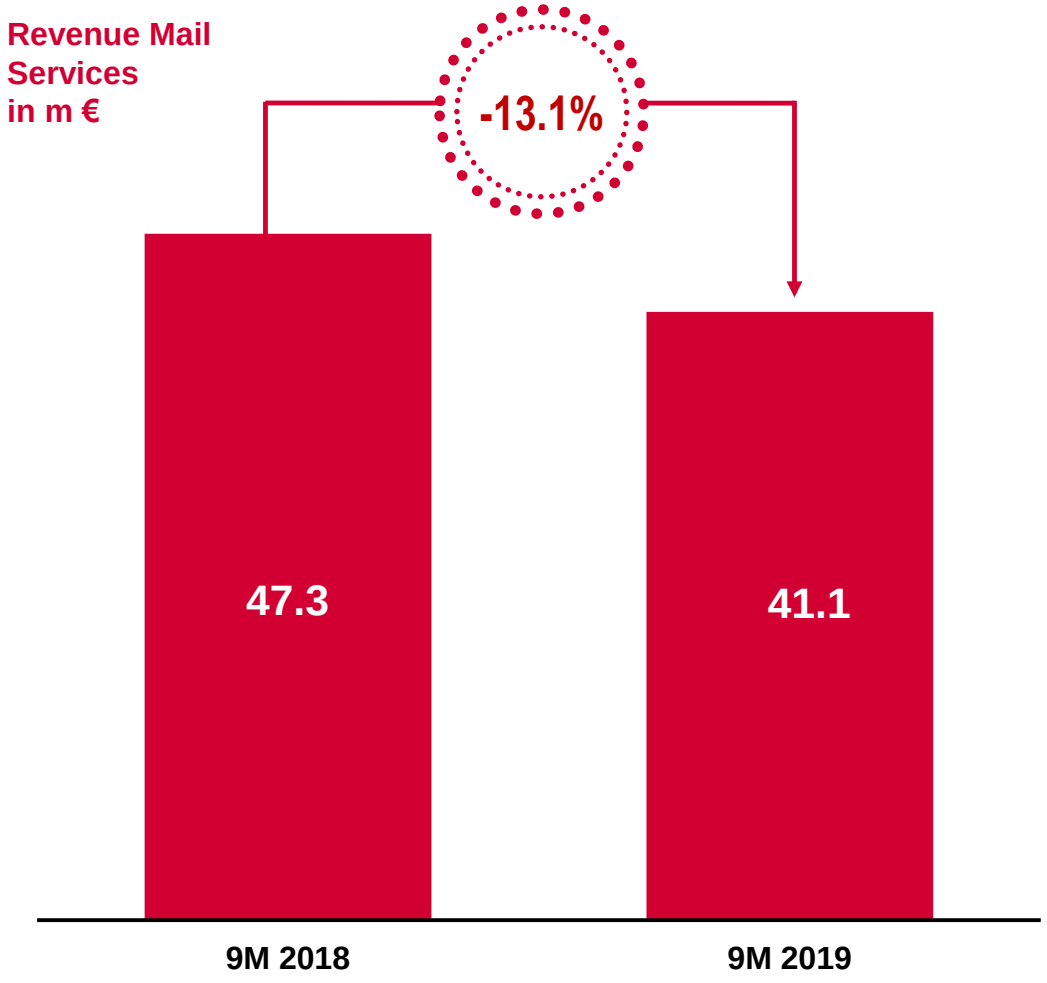



* Currency adjusted

**Revenues up by 2.7 % as reported and 0.3 % adjusted for FX effects.**

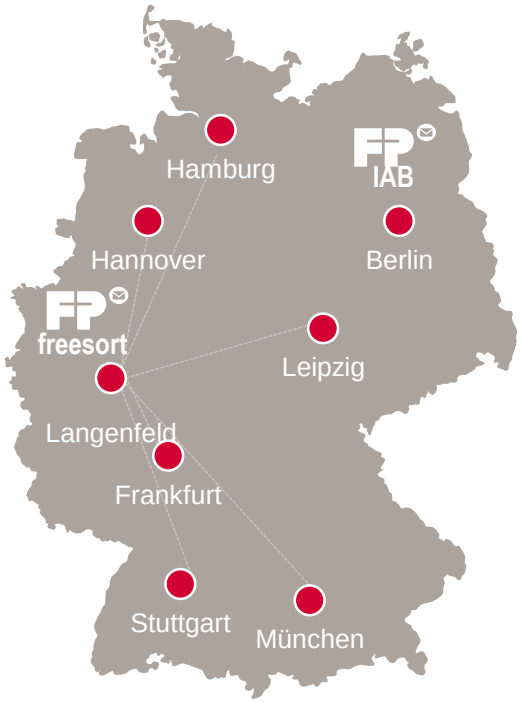
- Revenues in 9M 2019 positively influenced by currency effects of € 2.2m
- Positive impact from launch of new postage meter in US market and increase in service fees for postal rate change in Germany
- PostBase Vision launched in Germany in Q4/2019, other core markets (e.g. France, UK) to follow
- Registration for discoverFP to increase with PostBase Vision roll-out

# FP 9M 2019 MAIL SERVICES
## DECLINE IN REVENUE SLOWED IN Q3/19

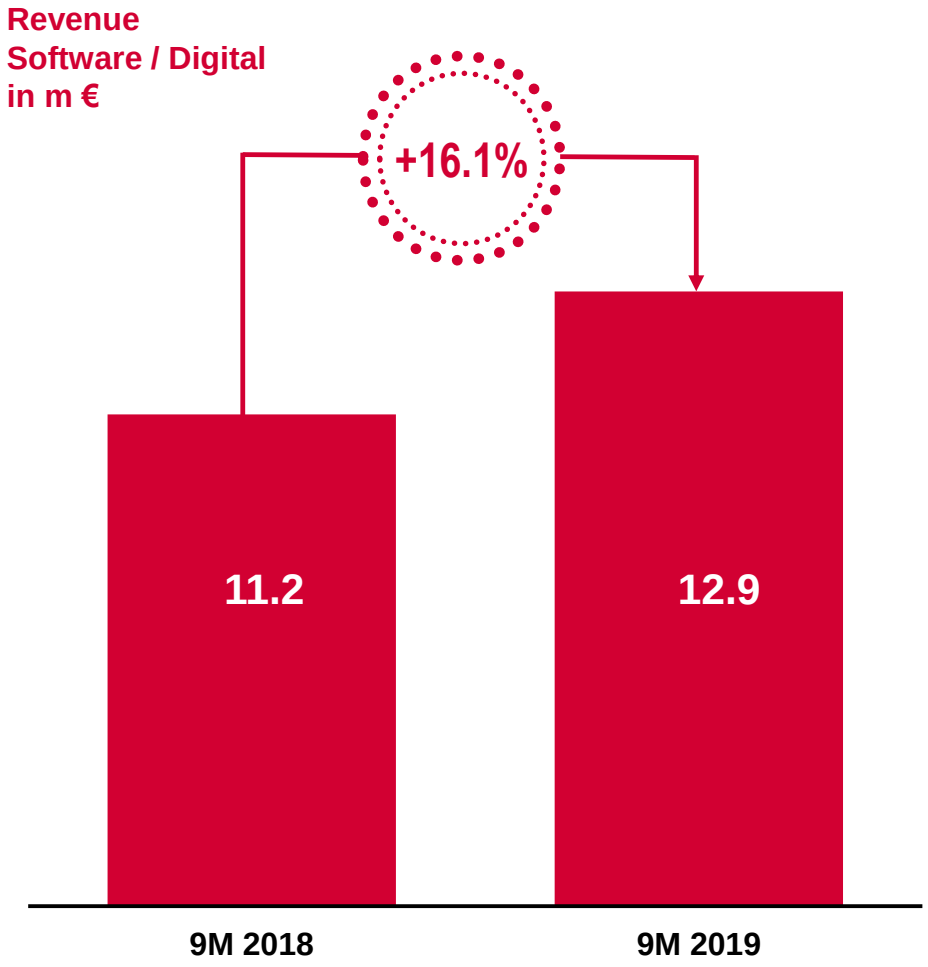



**Decline in revenues slowed down in Q3 from -18.3 % in H1 2019 to -13.1 % in the first 9M of 2019**

- Factors continuing to stall remain:
  - Volume decrease in existing customer base continued
  - Focus on profitable revenue, no compensation of forgone revenue yet
- Positive upside:
  - Postage tariff increase by DPAG
  - Improvement in margins due to an increase in relevant discounts (Teilleistungsrabatt/Infrastruktur-rabatt)
  - Improved customer acquisition



# FP 9M 2019 SOFTWARE/DIGITAL
## DOUBLE DIGIT GROWTH RATE




### FP Sign

- Full and active sales start as of H1 2019
- Number of quality leads increased
- Renown customers on board with potential of ‘snowball’ effect

### IoT

- Integration of Tixi completetd
- Further marketing and sales efforts initiated to further strengthen market awareness and brand recognition in the relevant markets
- New and redesigned product portfolio
- Well-filled project pipeline for Q4/19 and FY2020 with some renown customers based

# FY 2019 GUIDANCE*

## MANAGEMENT CONFIRMS GUIDANCE FY2019

| | 2018 | 2019 |
|---|---|---|
| REVENUE | 204.2 m € | **Slight increase**[2] |
| EBITDA | 25.1 m €[1] | Adjusted for JUMP expenses – **strong increase**[2] |
| ADJ. FCF | 10.9 m € | Positive adj. FCF at a **considerably lower level** than last year[3] |

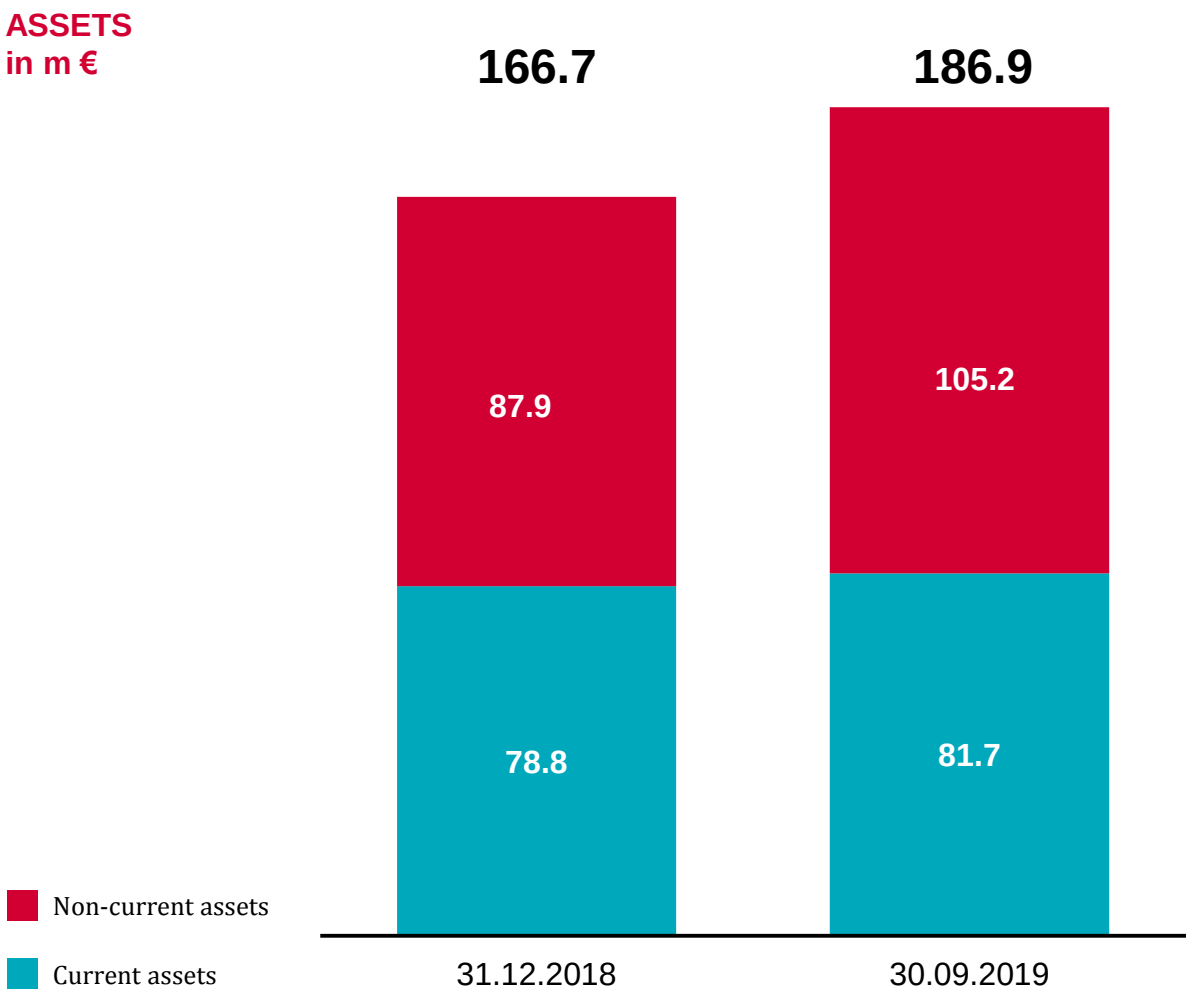
1 EBITDA 2018 as reported – adjusted for JUMP expenses (8.0 m €).
2 Based on constant currency level;
3 Based on constant currency level, excluding payments for JUMP, additions to finance lease assets and M&A.
* Adjusted on August 22, 2019

# APPENDIX

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 9M 2019

| m € | 9M 2018 | 9M 2019 | % |
|---|---|---|---|
| **Revenue** | **154.3** | **152.4** | **-1.2** |
| Change in inventories | 0.2 | 2.0 | 927.8 |
| Other own work capitalised | 10.2 | 13.3 | 31.1 |
| **Total output** | **164.6** | **167.7** | **1.8** |
| Cost of materials | 77.3 | 74.7 | -3.3 |
| Staff costs | 45.9 | 45.8 | -0.3 |
| Other income/expenses | -24.4 | -26.5 | 8.5 |
| **EBITDA** | **17.0** | **20.7** | **21.7** |
| as % of revenue | 11.0% | 13.6% | |
| Amortisation/depreciations | 12.8 | 16.3 | 27.3 |
| **EBIT** | **4.2** | **4.4** | **4.9** |
| Interest result | 0.4 | 0.5 | 30.4 |
| Other financial result | 0.3 | -0.1 | n/a |
| Result from at-Equity investments | -- | -1.0 | n/a |
| Income taxes | -1.7 | -1.3 | -23.8 |
| **Consolidated net income** | **3.2** | **2.6** | **-19.9** |
| **EPS (€ basic)** | **0.20** | **0.16** | **-19.9** |
| **EPS (€ diluted)** | **0.20** | **0.16** | **-19.8** |

# FINANCIAL SITUATION – BALANCE SHEET ASSETS (30.09.2019)



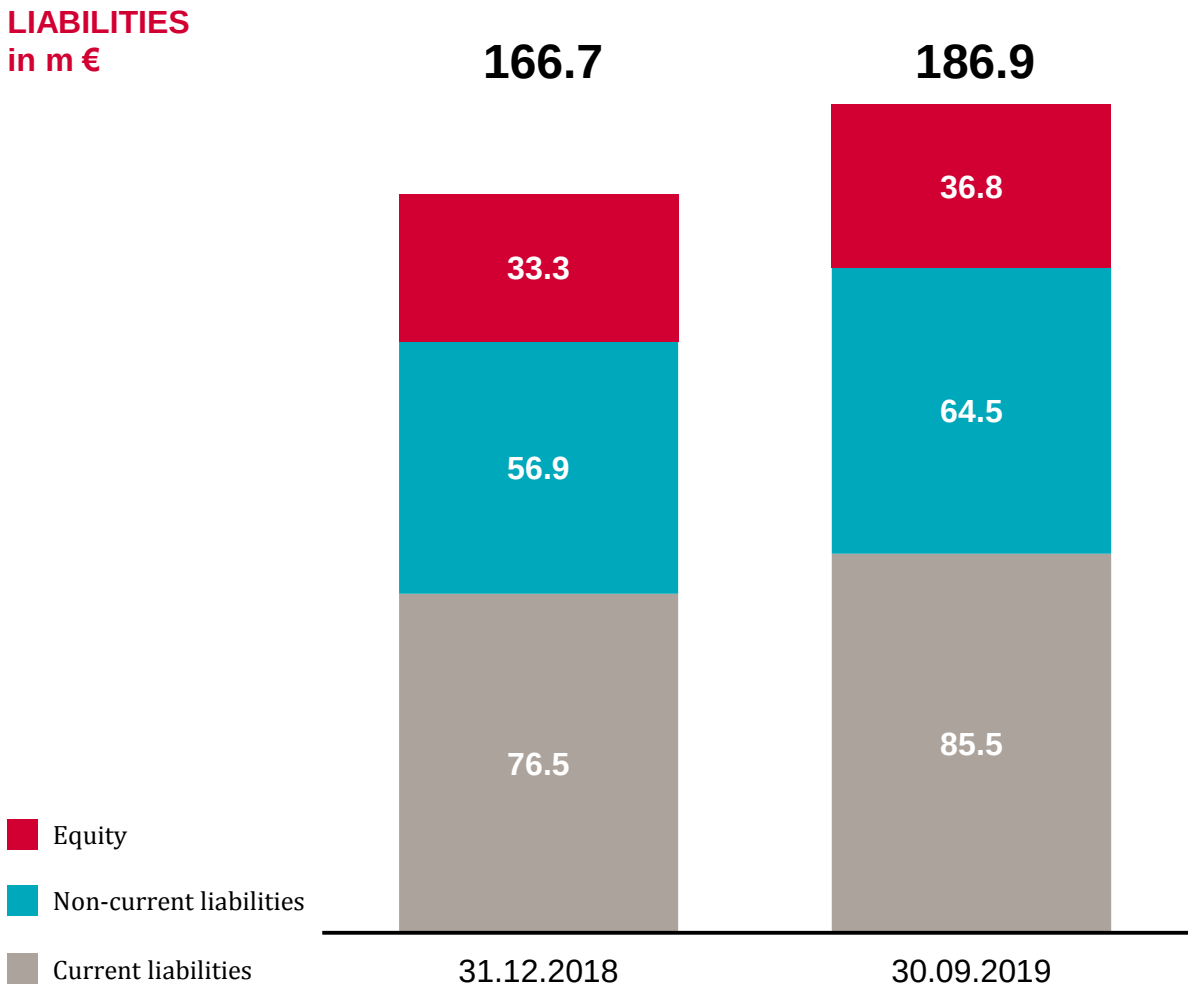

**Non-Current Assets**

- First-time adoption IFRS 16: accounting for right-of-use assets (11.3 m €)
- Increase of intangible assets, mainly development projects in progress and advance payments (3.9 m €)
- Increase of other assets (1.1 m €)

**Current Assets**

- Increase of inventories (2.9 m €)
- Increase of other assets (1.7 m €)
- Decrease in cash and cash equivalent (-1.3 m €)

# FINANCIAL SITUATION – BALANCE SHEET LIABILITIES (30.09.2019)




**Equity ratio of 19.7%**
(31.12.2018: 20.0%)

- Dividend payment 2018: -0.5 m €
- Total comprehensive income 9M 2019 (+3.9 m €)

**Non-current liabilities**

- Increase of financial liabilities, mainly following first-time adoption IFRS 16 (+7.5 m €)

**Current liabilities**

- Increase of financial liabilities, mainly following first-time adoption IFRS 16 (+3.4 m €)
- Increase of other liabilities (+6.4 m €)

# BASIC INFORMATION

# FP MANAGEMENT

## Rüdiger Andreas Günther

**CEO, CFO**
since January 2016

**Bank Apprenticeship and Business Administration studies in Göttingen, North Carolina, USA**

- 1985 Beginning of career at today's Bank of America in Chicago, USA
- Afterwards responsible for finance department at Metro AG
- 1993 Change to Claas KGaA: 13 years CFO and CEO
- Afterwards Board positions within Infineon and Arcandor
- 2012 Change to Jenoptik AG as CFO

## Patricius de Gruyter

**CSO**
since June 2018

**Degree in Business Administration, WHU – Otto Beisheim School of Management, Vallendar, Germany**

- Many years of experience in the IT, cable network operator and dialogue marketing sectors,
- Director of B2B Sales at Kabel Deutschland AG
- Managing Director of the Tectum Group, a specialist in customer service and telesales
- Managing Director of Computacenter AG, a leading IT service provider

## Sven Meise

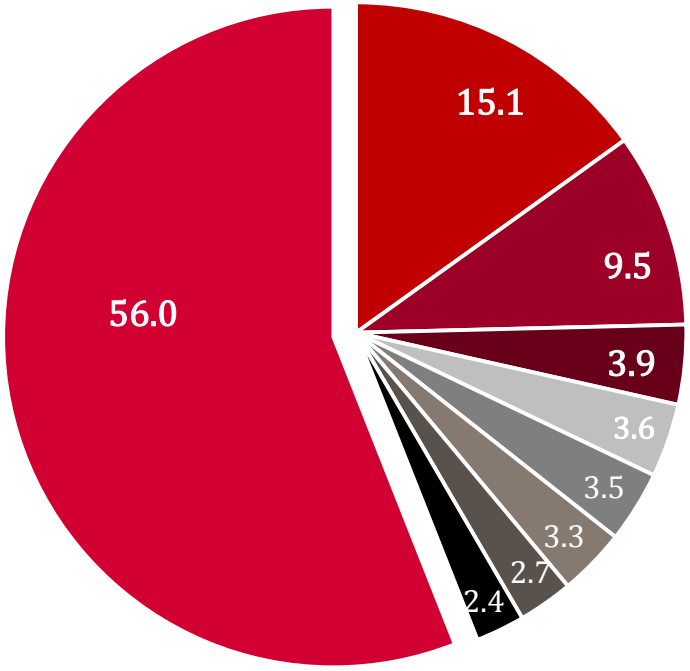
**CDO, COO**
since February 2015

**Degree in Business Administration specializing in Business Computer Science**

- Many years of experience in Output Management, IT and Software Solutions
- National and international positions at IBM Germany GmbH
- Responsible for Professional Services, Information Technology and Group Program Management at TA Triumph-Adler GmbH

# THE FP SHARE

## STRONG & INTERNATIONAL SHAREHOLDER BASE (IN %)




Nov 2019

- Obotritia Capital KgaA (GER)
- Active Ownership Fund (LUX)
- Baring Fund Managers Limited (UK)
- SALTARAX GMBH (GER)
- Ludic GmbH (GER)
- Magallanes Value Investors (ESP)
- Quaero Capital (CH)
- Own shares
- Freefloat*

**# shares 16,301,456**

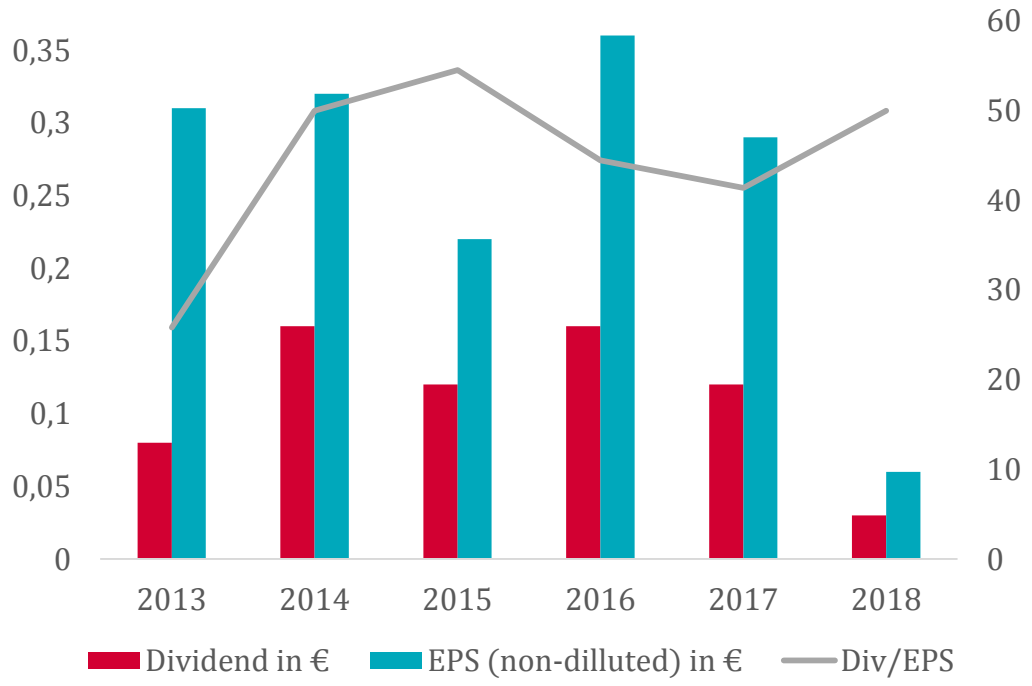
**Market cap > 57m €**

**Prime Standard**

* 2.1% directly held by Management & Supervisory Board members

# FP Dividend

## TRANSPARENT PAYOUT STRATEGY

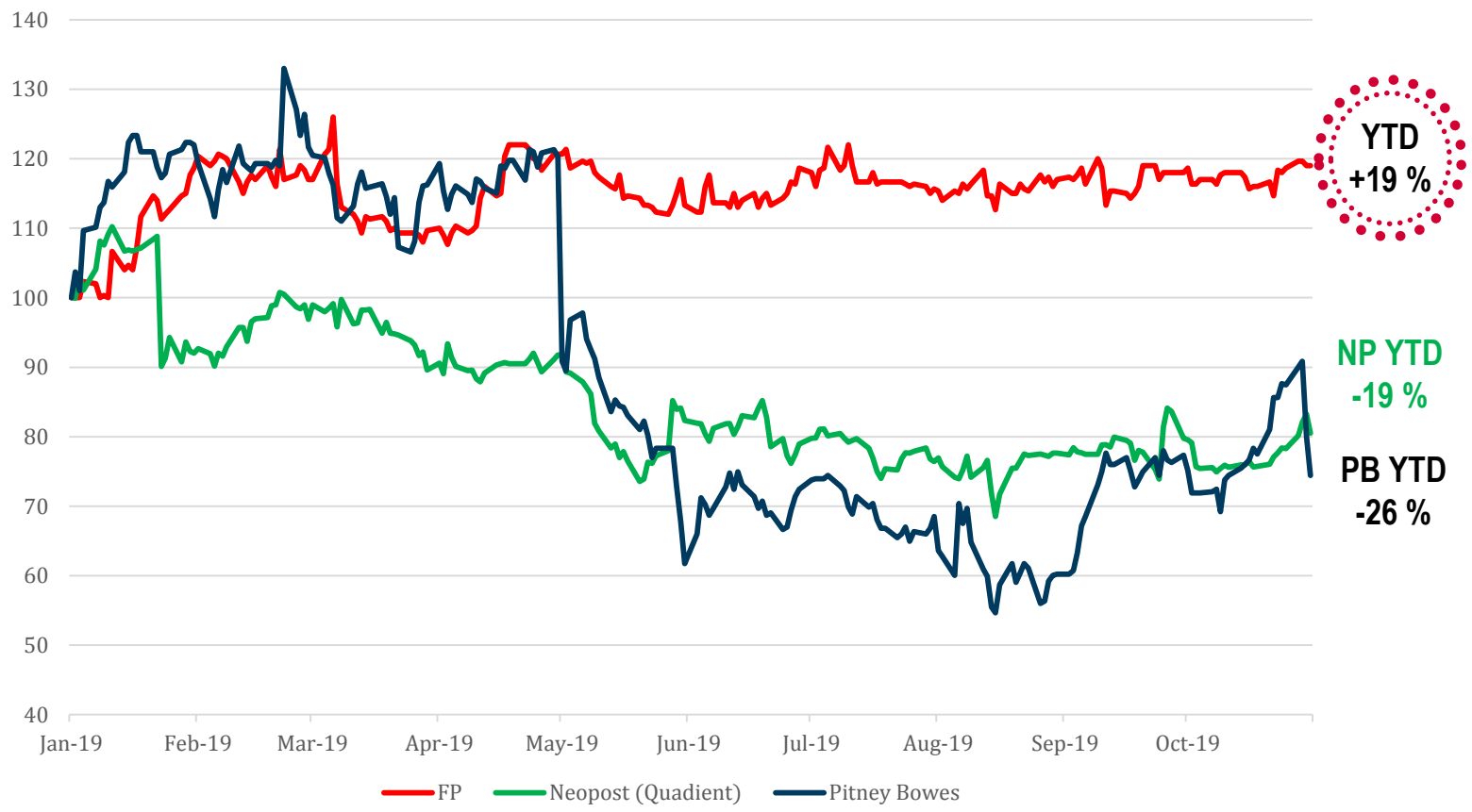



**Dividend policy reflects FP's commitment to the shareholder**

- Payout of 35 – 50% of adjusted net profit
- Dividend payout in each consecutive year

# FP Share in 2019

## FP OUTPERFORMED COMPETITORS




**FP share:**

- ISIN DE000FHP9000
- Prime Standard
- Reuters: FPHG.DE
- Designated Sponsor:
  ODDO Seydler / Baader Bank

# FP ANALYST COVERAGE

## CONSENS WITH >30%-UPSIDE POTENTIAL

| | Institute | Recommendation | Date | Targe price (in €) | Upside potential (in %) |
|---|---|---|---|---|---|
| | Baader Helvea Equity Research | Buy | August 23, 2019 | 5.0 | +44% |
| | Warburg Research | Hold | November 22, 2019 | 4.3 | +17.2% |
| | LBBW Equity Research | Buy | May 16, 2019 | 4.5 | +27% |
| | GSC Research | Hold | September 10, 2019 | 3.8 | +9% |
| | Dr. Kalliwoda Research | Buy | June 29, 2019 | 6.5 | +82% |
| | **CONSENSUS (MEDIAN)** | | | **4.5** | **26%** |

# FP INVESTOR RELATIONS

## CONTACT AND FINANCIAL CALENDAR

**Till Gießmann**
Head of Investor Relations

**Francotyp-Postalia Holding AG**
Prenzlauer Promenade 28
13089 Berlin

**Telephone**
Fon + 49 (0) 30 220 660 410
Fax + 49 (0) 30 220 660 425
ir@francotyp.com

### Financial Calendar

| | |
|---|---|
| **27 November 2019** | German Eigenkapitalforum Frankfurt |

# DISCLAIMER

**This report contains forward-looking statements** on the business development of the Francotyp-Postalia Group. These statements are based on assumptions relating to the development of the economic and legal environment in individual countries and economic regions, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press.

**The estimates given entail a degree of risk**, and the actual developments may differ from those forecast. Consequently, any unexpected fall in demand or economic stagnation in our key sales markets, such as Western Europe (and especially Germany) or in the USA, UK, or Canada, and Singapore will have a corresponding impact on the development of our business.

**The same applies in the event of a significant** shift in current exchange rates relative to the US dollar, sterling, Canadian dollars, Singapore dollars. In addition, expected business development may vary if the assessments of value-enhancing factors and risks presented in the 2016 Annual Report develop in a way other than we are currently expecting.

# We ACT to win your trust

Last update: November 21, 2019