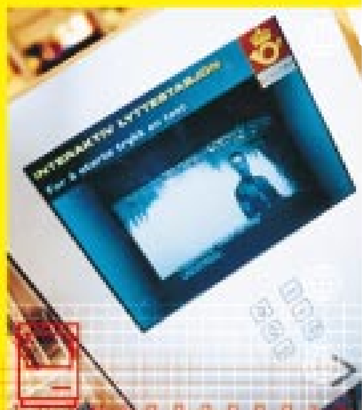

# NORWAY POST

## >>ANNUAL REPORT 2000

## >>Norway Post's mission statement

***Norway Post develops and supplies comprehensive, value-adding communications and logistics solutions through physical and electronic networks for national and international customers.***



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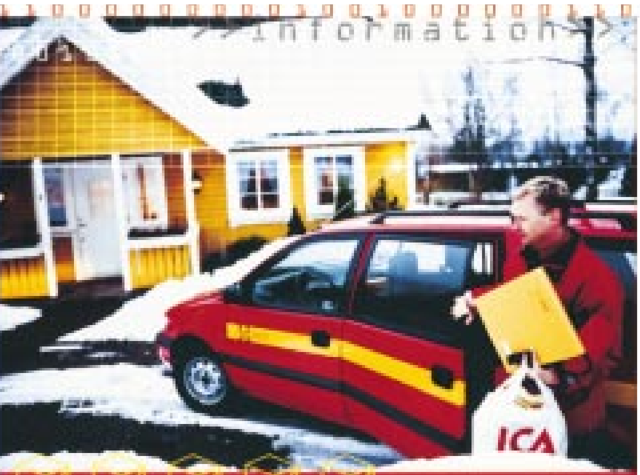


# MAIN EVENTS IN 2000

## >>JANUARY

**No Y2K problems for Norway Post.**
The rollover to the new millennium passed without problems for Norway Post

**"Norgespakke" on the Internet**
"Norgespakke", Norway Post's All-in-One domestic parcel service, is now available on the Internet

**Transport sector blockade closes sorting centres**
Transport sector actions against diesel duty delay postal deliveries

**Bluegarden is formed**
Posten SDS establishes Bluegarden Group Systems AS for payroll and personnel services

## >>FEBRUARY

**Internet sales of "Bedriftspakke postkontor"**
Pre-paid are now available on the Internet

**New international letter product**
IDM – International Direct Mail – is launched

**Celebration of St. Valentine's Day**
Norway Post targets young people on St. Valentine's Day, offering, among other things, a new stamp

## >>MARCH

**Home delivery of mail and goods**
Pilot project involving evening distribution of mail and goods in the municipality of Asker and Bærum

**New prices adopted**
Priority mail (A-post) increases in price to NOK 4.20 from 1 June

**Total supplier of logistics**
Norway Post acquires Oslo Container Stevedor AS and Wajens AS

**Former postman becomes minister**
Terje Moe Gustavsen is appointed Minister of Transport and Communications in the Stoltenberg government

**New customs clearance routines**
Dutiable mail from abroad may be cleared on the Internet. The administration fee is reduced to NOK 50

**Programme for organizational changes**
Agreement is reached on a new programme of organizational change and restructuring

**New sorting centre construction starts in Vestfold**
Work begins on the construction of a new main sorting centre for the counties of Vestfold and Telemark

## >>APRIL

**New Chief Executive Officer**
Kaare Frydenberg takes over as Chief Executive Officer of Norway Post after Anders Renolen

**NSB at Norway Post's warehousing service**
NSB In House Byrå is very satisfied to make use of Norway Post

**New sales and customer service network**
The Board of Norway Post decides the structure of a new sales and customer service network

**Collision of goods trains delays mail**
A railway accident at Lillestrøm leads to some delays in postal deliveries

**Construction starts in Molde**
Construction start up of a new mail sorting centre in Molde

**"Sinnataggen" reaches millions**
Norway Post issues stamps for Oslo's Millennium

**Vol. 2000 is organized for the first time**
Overwhelming interest for Norway Post's logistics seminar

**Norway Post at school**
Norway Post introduces "Post" as a new topic for school classes

**New group management**
The new group structure and group management are put in place

**New solution for e-commerce companies**
Norway Post launches Merkur, a total e-commerce solution

## >>MAY

**New stamps are launched**
Aerosol box new theme on stamps

**Postal Museum opens specialist library**
A special library for the history of the postal service and philately opens in Oslo

**Ramnes without a post office**
The Ministry of Transport and Communications approves that the municipality of Ramnes can be without a post office of its own

**Better and cheaper urban postal services**
Report by SNF on the effect of governmental regulations on the postal service

**Reconstruction plans for the Postgirobygget building**
The new Post Office building "Posthuset" shall be rebuilt in accordance with plans drawn up by architects HRTB A/S

**Cutbacks in central government procurement**
The government proposes to cut NOK 190 million in appropriations to Norway Post in the revised national budget

**Distance Work Prize 2000**
Posten SDS efforts on flexible forms of work were awarded the Distance Work Prize 2000

**Restructuring of the sales and customer sevice network**
A Government White Paper is issued concerning Norway Post's sales and customer service network

**"Forwarding of mail "-service over the Internet**
Private individuals test a new service for forwarding mail via the Internet

**The EU proposes the deregulation of the postal service**
The EU proposes to reduce the exclusivity limit for addressed mail from 350 grams to 50 grams

## >>JUNE

**New priority mail (A-post) prices**
The price of sending priority mail (A-post) under 20 grams rises to NOK 4.20

**Norway Post's call centre service is no.1 in Norway**
Customer service in Sarpsborg is voted Norway's best call centre

**Cutbacks in central government allocations**
Central government cuts NOK 390 million of allocations to Norway Post in the revised National Budget

**New electronic prepayment system**
Norway Post launches CreditLock

**Extended postal services**
The Board of Norway Post decides detailed plans for a new sales and customer service network

## >>JULY

**New discount schemes for unaddressed, bulk mail**
Norway Post offers open and standardised price and discount schemes

**Valuation of Norway Post**
Norway Post is valued at NOK 4.8 billion according to DnB Markets

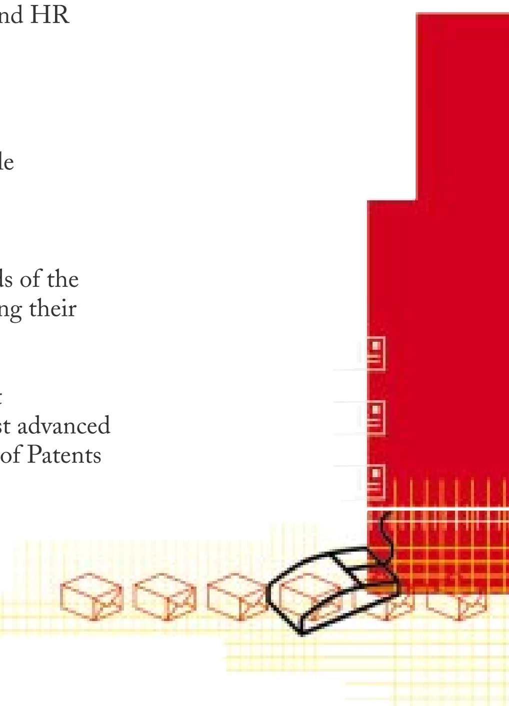
**Posten SDS takes over Formula**
Posten SDN buys Formula payroll and HR system from Merkantildata

**Norway Post present at the Quart Music Festival**
Norway Post takes part at fashionable "trade fair"

**Young people send most postcards**
A study shows that almost two-thirds of the population send cards or letters during their Summer holidays

**Patent applications on the Internet**
Posten SDS delivers the world's most advanced administrative system for the Board of Patents

**Postal regatta in Risør**
Norway Post sponsors the wooden boat festival



## >>AUGUST

**Norsteam Festival 2000**
Norway Post takes part in the Nordic Festival of Veteran Ships and Transportation in Bergen

**Agreement with Gresvig**
Norway Post takes over responsibility for the transportation of all sporting goods to Norway's G-sport and Intersport outlets

**Launch of Express Mail ("Posten Express")**
Norway Post's same-day products are redesigned

**Posten applies for a UMTS licence**
Norway Post is part of the Orkla consortium applying for a UMTS licence in Norway

**Teaching children to write letters**
Norway Post uses the Internet to teach and encourage children to write letters

**Bank agreement extended**
An agreement is signed with DnB to continue Norway Post Bank's services in the postal network

**Posten SDS signs agreement with Aetat**
Aetat, the Labour Directorate's net-based job market provider signs an operations and maintenance agreement for its IT systems

**Compulsory fine for low quality**
The Norwegian Postal and Telecommunications Authority imposed a fine on Norway Post for failure to meet the reliability rate for priority mail (A-post)

## >>SEPTEMBER

**New postage stamps**
Lars Levi Læstadius, a church minister and founder of Læstadianist movement, features on a new postage stamp

**Operating agreement with Norske Skog**
Posten SDS signs an agreement to operate Norske Skog's computer environment

**Improved administrative efficiency**
The board of Norway Post decides on plan to improve efficiency of staff and support functions at Norway Post

**Delays at Gardermoen**
Industrial action by SAS Cargo delays postal deliveries

**Cross-certification of e-signatures**
Agreement is reached between Norway Post and Telenor concerning the cross-certification of electronic IDs

**Post in Shop agreements**
Norway Post signs an agreement with NorgesGruppen and Norske Shell concerning the creation of Post in Shop outlets

**IT Assembly opens in Bergen**
Norway Post launches "ePosten" – an electronic postal service solution will be launched before Christmas

**Mailboxes stay put**
Norway Post ceases the enforced relocation of household mailboxes to shared mailbox racks

## >>OCTOBER

**Pan Nordic cooperation on parcels**
Pan Nordic Logistics (PNL) takes over the responsibility for Norway Post's international parcels customer

**New post codes**
15,000 households and 2,500 companies are assigned new post codes

**Property sales evaluated**
Norway Post considers selling property as space is freed up by the restructuring process

**New post centre opens in Haugesund**
The forerunner of the future "PostShop" ("Posthandel") opens in renovated premises

**Launch of ErgoGroup**
Posten SDS will change its name to ErgoGroup from year-end

**E-commerce joint venture**
Norway Post, Telenor, DnB and Andersen Consulting have decided to form a new company for e-commerce

**Launch of Netaxept**
Norway Post, DnB and Andersen Consulting wish to facilitate e-commerce through Netaxept

**Home delivery of parcels**
Norway Post establishes home delivery of parcels during the evenings — with a mobile payment solution, to forty-eight towns.

**Norway Post to NAVO**
Norway Post wishes to establish an affiliation for the whole group with the employers' association NAVO

**European Champion in DM**
The recruitment campaign of Norway Post's subsidiary Posten Forbrukerkontakt is voted "Best in Europe"

## >>NOVEMBER

**Discrepancy between distribution and invoicing**
Norway Post reviews the invoicing of unaddressed advertising to remedy errors

**Lower postal rates for major customers**
Norway Post unveils new prices and a new pricing system effective from 1 January 2001

**Steinkjer awarded switchboard services**
Norway Post's switchboard functions will be centralised in Steinkjer

**Bergen Police win Golden Letter Award 2000**
The best business letter in 2000 was written by Trygve Hillestad at Bergen Police District

**Data communications for the Directorate of Taxes**
Posten SDS is awarded a contract to take over responsibility for data communication for the Directorate of Taxes

**Traditional cartoon figure "Stomperud" features on stamps**
The Norwegian cartoon character "Nr 91 Stomperud" features on new postage stamps together with "Nils og Blåmann"

**Telenor shares are sold through Norway Post**
Norway Post is awarded a distribution agreement, and is one of the points of sale for Telenor shares prior to Telenor's listing on the Oslo Stock Exchange

**"Norgespakken" parcel service is extended**
Four sizes of the domestic parcel product "Norgespakken" are launched, with simpler posting routines and prepaid postage

**Acquisition of NSB's road haulage operations**
Norway Post enters the market for heavy goods transportation by acquiring the companies Nettlast AS, Nettlast Hadeland AS and Nettlast Helgeland AS

## >>DECEMBER

**PostHuset up for sale**
Norway Post considers selling its PostHuset building (formerly Postgiro building)

**Norway Post declared racism-free zone**
Norway Post declares a racism-free zone

**"ePosten" launches a user-pilot**
Norway Post launches an internal user-pilot for electronic services: "ePosten"

**e-ID for tax returns**
Posten SDS signs an agreement on e-ID for tax returns with the Directorate of Taxes

**VAT on postal charges**
The Norwegian Parliament decides to levy VAT on postage from 1 July 2001

**Full-stop for national letters posted abroad**
From 1 February 2001, Norway Post will stop the distribution of national letters sent from abroad (remailing)

**Easier complaints procedure**
A new customer complaints system is introduced from 1 January designed to simplify the complaints procedure

**Acquisition of payroll and HR system**
Bluegarden acquires IBM's payroll and HR-system. Full acquisition of operations from 1 July 2001

**Ephorma wins major contract**
Posten SDS subsidiary Ephorma is awarded a contract with the municipality of Oslo to supply a new financial management system

# >>CEO REPORT 2000

Norway Post's main challenge in the years ahead is to succeed in a highly competitive market. The competition will come mainly from major international logistics and communications companies, driven by the ever-increasing demands of industry for more effective communications solutions and by consumers' demands for increased service and availability.

Norway Post should be well positioned to succeed in this type of competition.

> *Norway Post has Norway's most finely meshed distribution network.*
> *Norway Post commands a high degree of public trust.*
> *Norway Post recognises that in modern societies, logistics consist of three closely integrated flows: goods, information and payments.*
> *Norway Post maintains a presence in both physical and electronic networks.*

Competing successfully will require major changes in our way of working, our way of handling customers and our way of thinking. Norway Post is in transition: once a public bureaucracy, it is now becoming a competitive business, one that will supply the services the market demands and perform the postal tasks entrusted to us by the owners and by society at large – and do all this as efficiently and resourcefully as possible.

The transition from a government to a market-oriented company means that change took centre stage in 2000; it will continue to do so in the years ahead. This year Norway Post adopted a new business concept, a new strategic platform and a new organisational model. At the same time, the groundwork has been laid for the most comprehensive reorganisation of a retail network in the history of Norway: the change-over to Post in Shop (Post i Butikk) and the development of a brand new postal commerce concept. Within two years, Norway Post will have in-creased its sales network from 1,300 postal outlets to one of over 1,500, of which 1,100 will be new Post in Shops where Norway Post meets its customers at the very places and times they do their daily shopping.

Electronic communication, and commerce in which this type of communication is an essential element, is a development that has accelerated in recent years and in which the growth rate is destined to rise. For this reason, it has been important for Norway Post to commit itself to this area too. This has been accomplished in part through the subsidiary ErgoGroup AS and in part through collaboration with other players in the Norwegian society, i.e. in the banking and telecommunications sectors. Norway Post must also be prepared to offer its customers satisfactory solutions in areas in which electronic communication is an important element and to help provide the best possible conditions for electronic communication and commerce.

Norway Post, a company wholly owned by the Norwegian state, has had an important social function throughout its 350-year history. Norway Post will also endeavour to carry out tasks imposed by society in the future to the best of its ability. At the same time, Norway Post will continue to meet increasing competition across its entire operating spectrum. For this reason there must be clearly defined terms and rules of the game with respect to the tasks that society at large would impose, and there must also be a willingness to pay for these services. In addition, Norway Post must have the commercial freedom to enable it to develop financially sound operations. Norway is an open society with many players, some of them internationally based. It is not a closed society, where domestic bureaucracy is a suitable tool for promoting solutions that best serve customers and users of postal services.

For Norway Post, the year 2000 was a year of intense activity and major restructuring. This restructuring work is an ongoing process, which will leave its mark on Norway Post for many years to come.

Norway Post has defined its main goals in the following four categories:

> *Customer satisfaction*
> *Market position*
> *Employee satisfaction*
> *Value enhancement for owners*

This means that meeting customers' needs with the best possible service and quality, and doing so as cost-effectively as possible, is the very essence of all the Post Group's work. At Norway Post we readily acknowledge that there is room for improvement in all these areas. That is the motivation for developing our product range and reducing operating costs. Improved lost efficiency costs is vital to ensure sustained competitiveness and a sound financial development of the company.

In terms of quality, Norway Post broke new ground in 2000 when, for the first time in its history, the quality goal for priority post exceeded the 85% overnight concession requirement. On the other hand, in terms of finances, the results were more disappointing. In this respect, 2000 was a transitional year, characterised by excessive costs and significant provisions earmarked for restructuring. The short-term challenge, then, is to sustain a positive trend in terms of quality, while giving top priority to reversing the negative financial development. A favourable financial development for Norway Post will basically depend on lowering costs which, in a personnel-intensive business such as ours, spells fewer employees. Implementation of the defined restructuring strategies and change projects will be the driving forces of a healthy financial development.

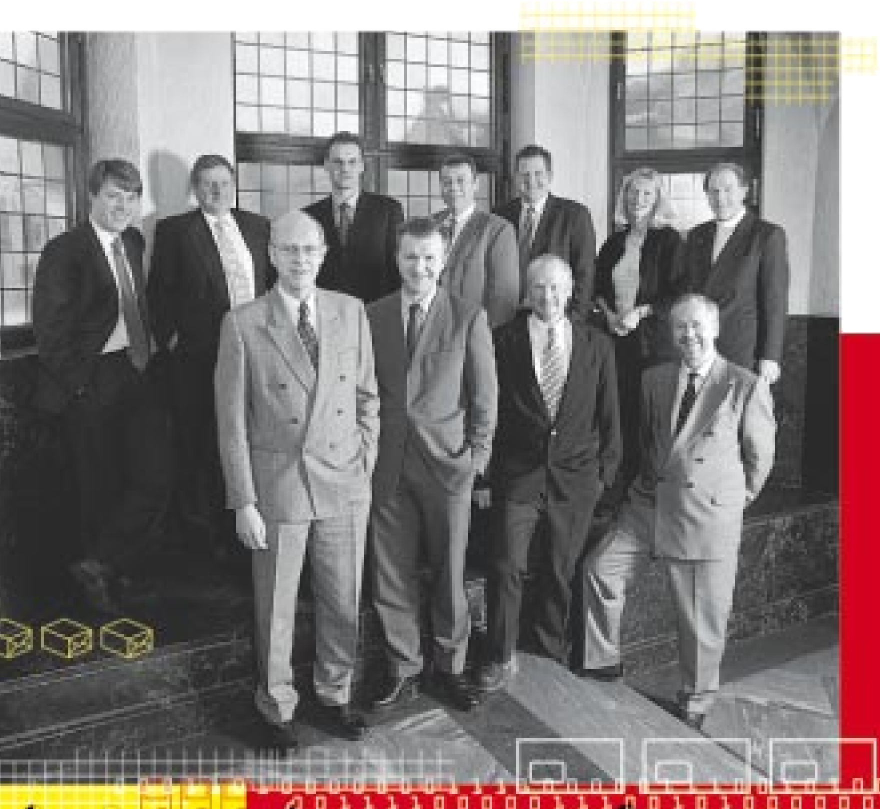
A continued prioritising of quality and service, along with the implementation of its major restructuring plans, are the two cornerstones that will help Norway Post become a modern service company, enabling it to succeed in a highly competitive market and, in the long-term, come as close as possible to realising its ambitious vision:

*The world's most future-oriented postal enterprise.*

*Chief Executive Officer*
Kaare Frydenberg

# >>GROUP STRUCTURE AND GROUP MANAGEMENT

**April 2000 saw the establishment of a new group management as well as a new group structure. The aim of these changes was to develop market- and goal-oriented operations through an operative group management structure. Through these changes, the organisational structure has been simplified, and focus been given to more clearly-defined business units, and development oriented corporate staffs.**



The new group structure reflects the demands and expectations of the market and of the customers, and is the foundation for a stronger market orientation. The group management will focus on market needs and intergrated solutions. Where appropriate, improved efficiency and economies of scale will be emphasized. The respective staffs have been downsized and are now more developmentoriented.

Norway Post wishes to develop an organisation that applies most of its resources towards the external environment, in order to develop and satisfy the demands of the market.

## >>Operative group management

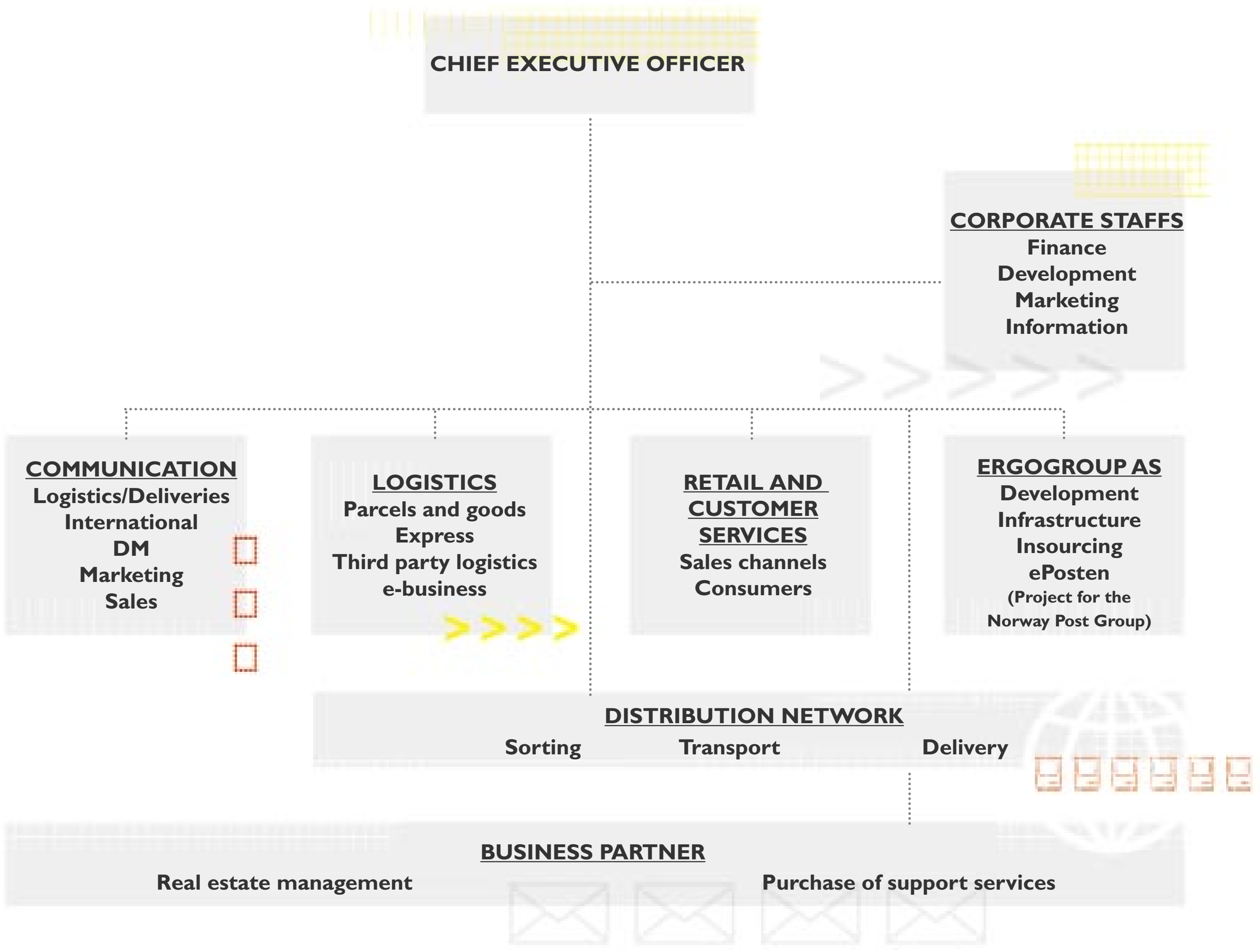
As at February 2001, the group management consisted of the following managers:

Back row (left to right):

- *Per Henning Grimsrud, Business Unit Manager of the Distribution Network Division*
- *Per Andersen, Managing Director of ErgoGroup AS*
- *Klaus-Anders Nysteen, Chief Financial Officer*
- *Lars B. Kalfoss, Business Unit Manager Customer and Retail*
- *Bernt Reitan Jenssen, Business Unit Manager Logistics*
- *Elisabeth Hegg Gjølme, Corporate Staff Manager, Information*
- *Erik Johannessen, Corporate Staff Manager, Development*

Front row (left to right):

- *Thore Eriksen, Corporate Staff Manager, Marketing*
- *Lars Harald Tendal, Business Unit Manager Business Unit Communication*
- *Hans Edvardsen, Business Unit ManagerBusiness Partner*
- *Kaare Frydenberg, Chief Executive Officer*




## ORGANISATION CHART

**>>Clearly-defined business areas**

The group's main structure is established around clearly-defined business areas:

> Communication
> Logistics
> Customer and Retail services
> ErgoGroup AS
> Distribution Network
> Business Partner

The corporate staffs are development-oriented and concentrated in a few units:

> *Finance*
> *Development*
> *Marketing*
> *Information*

Read more about these business units on pages 42–57.

# >>REPORT OF THE BOARD OF DIRECTORS

**Norway Post has a vision to become the world's most future-oriented postal company, and has established four targets to realise this ambition: high degree of customer satisfaction, strong market position, attractive workplaces, and competitive value creation for its owner.**

Norway Post reviewed its strategies thoroughly in 2000. Markets undergoing rapid and substantial change are a particular challenge for Norway Post. At the same time, deregulation has seen the monopoly situation previously enjoyed by Norway Post dismantled. The company is currently undergoing its largest structural changes ever. These changes are taking place in every operation and throughout the country. The main challenge for the group is to safeguard Norway Post's position as a leading communications and logistics company through product development, market-based pricing, greater efficiency, and a general increase in the level of service in all business areas.

A number of strategic initiatives were taken in 2000 to strengthen the group – and to promote a consistent, positive, financial development.

> to develop a new sales and distribution network, combining better service with cost reductions. The estimated effect on annual results following the changes is an increase in profit of NOK 1,000 million in relation to 1999;
> to acquire companies to strengthen Norway Post's position as a total supplier of logistics services;
> to develop a new, more market-oriented pricing system for letters and parcels;
> to create e-initiatives in order to exploit and promote the development of electronic commerce and electronic communication by, for example, establishing the project ePosten and Netaxept;
> to implement a new group structure with a flatter and more action-oriented management (one level of group directors has been removed, and the managers of the business units and staff units now make up the group management);
> to increase the efficiency of administrative processes by consolidating resources relating to payroll, HR, finance and accounts into shared service centres;
> to restructure Posten SDS AS to increase growth and improve value. The company changed name to ErgoGroup AS on 1 January 2001.

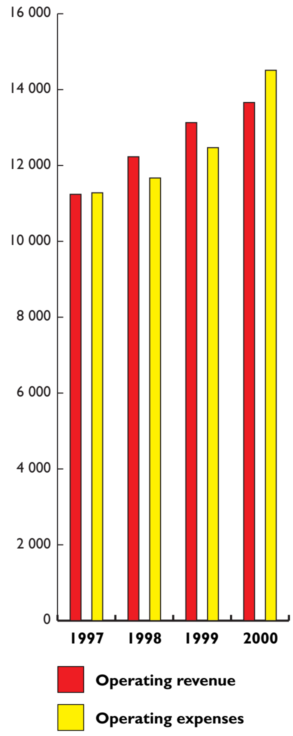
In addition to drawing up a new group strategy, Norway Post has undertaken to further enhance the company by striving to increase quality and improve service. One of its first important goals was to satisfy the licence requirements for delivery times for priority mail ("A-post"). In the fourth quarter of 2000, Norway Post succeeded for the first time in delivering over 85% of all priority mail in just one day.

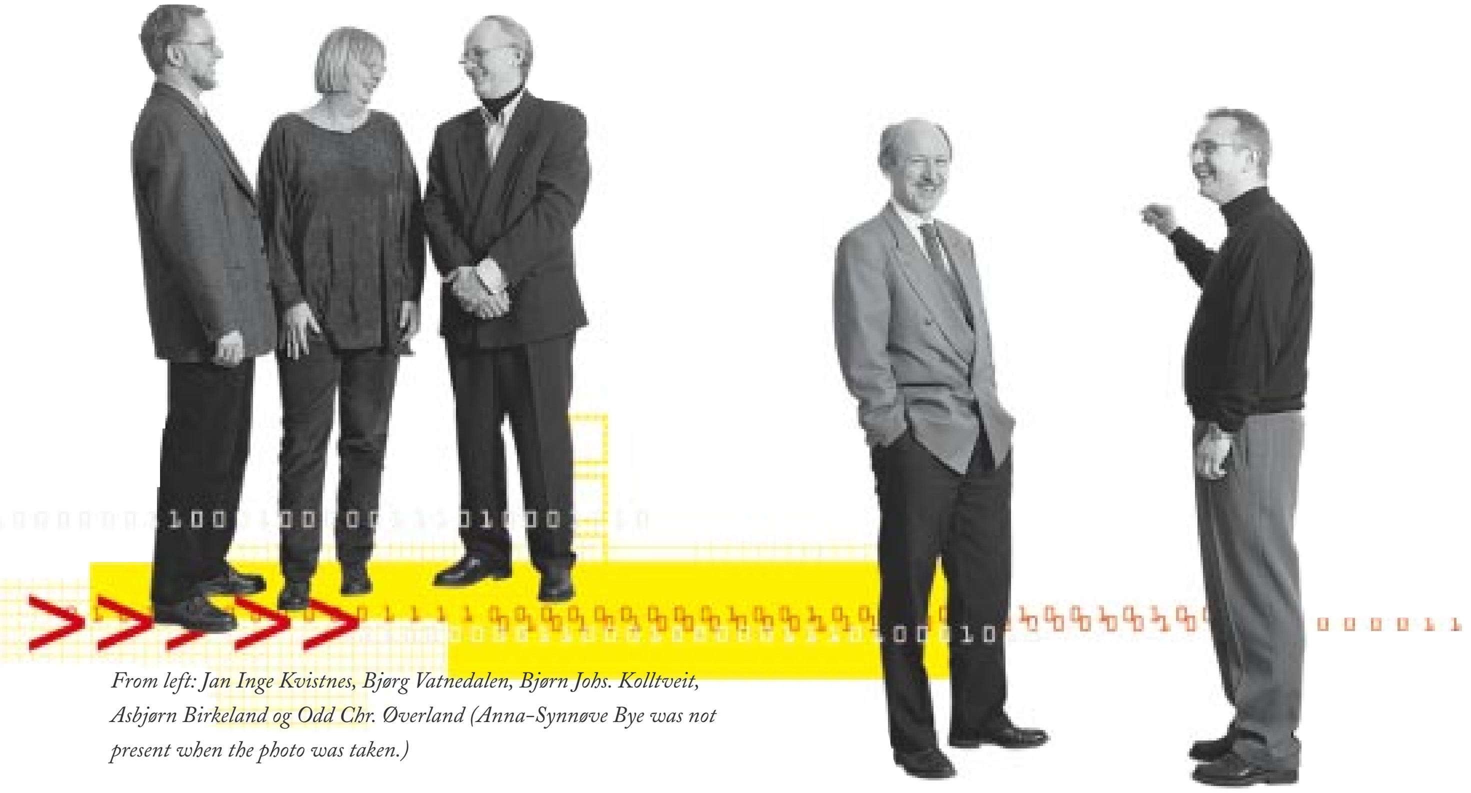
The company's progress will depend on increasing productivity. Norway Post BA reduced the number of man-years in 2000 by 1,283. The current changes in structure will help Norway Post to reduce the work force with another 5,000 man-years over the coming years.

## >>Finance and profit growth

The group's annual accounts show a negative operating income for 2000 of NOK 848 million. This compares to an operating income in 1999 of NOK 656 million. The 2000 accounts were charged with a provision of NOK 1,200 million for structural changes and invalidity pensions at Norway Post. Of the NOK 1200 million, NOK 1000 million can be attributed to the cost of several restructuring projects. Contributions from the sale of Norway Post's Posthuskvartalet building and the Majorstua premises are included with NOK 142 million. The net income for the year was NOK –655 million, compared to NOK 437 million in 1999.

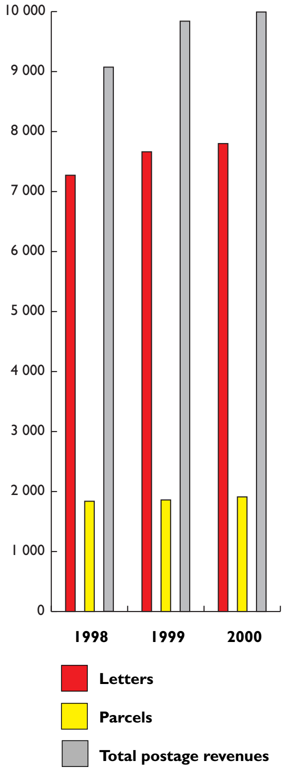
**>>OPERATING REVENUE AND OPERATING EXPENSES**
(NOK million)




*From left: Jan Inge Kvistnes, Bjørg Vatnedalen, Bjørn Johs. Kolltveit, Asbjørn Birkeland og Odd Chr. Øverland (Anna-Synnøve Bye was not present when the photo was taken.)*

>>**OPERATING REVENUES**
(NOK million)




Norway Post acquired a number of companies in 2000. The largest of these were Oslo Container Stevedor AS, Wajens AS, Nettlast AS and Netaxept AS. Norway Post had operating revenues of NOK 13,659 million in 2000. This is an increase of NOK 529 million compared to 1999. Acquisitions and new operations in the field of logistics contributed NOK 489 million to the increase in operating revenues. The volume of letters is levelling out and showed an increase of just 0.3 %, while the volume of parcels increased by 1.9 % between 1999 and 2000. Postage revenues were 1.6 % higher than in 1999. Operating revenues or ErgoGroup AS in 2000 was NOK 1,678 million, representing an increase of NOK 224 million on 1999.

The licence granted to Norway Post by the Norwegian government requires the performance of some services that are not profitable. The Government pays for such services following a calculation method agreed upon by the two parties. In 2000, the agreed payment to be made by the authorities was set to NOK 730 million. This amount was then reduced by NOK 190 million during the Storting's (Norwegian parliament) review of the national budget and was not allocated to Norway Post. Norway Post consequently had to bear considerable extra costs to fulfil the terms of the licence.

Norway Post's operational costs are unsatisfactory. Excluding the provision made for for restructuring and invalidity pension, costs increased by NOK 833 million in relation to 1999. NOK 434 million is explaned by new operations, while NOK 268 million is related to the 2000 pay settlement. On top of this, the price of petrol increased by an average of 14.1 % between 1999 and 2000.

## >>Capital

Total assets increased from NOK 7,409 million, as at 31 December 1999, to NOK 8,108 million, 31 December 2000. Interest-bearing long-term debt for the same period dropped by NOK 187 million from NOK 1,306 million to NOK 1,119 million. Most of this reduction is due to the payment of debts.

The group's investments in 2000 amounted to NOK 1,359 million. This includes the acquisitions of the companies Oslo Container Stevedor AS, Wajens AS, Nettlast AS, and the establishment of Netaxept AS. It also includes the investments in Norway Post's restructuring project "Logistics 2000". This project will increase efficiency and quality through a new sorting centre structure and more modern sorting machines.

Cash flow from operations amounted to NOK 843 million in 2000. This represents an increase of NOK 295 million over 1999. The difference between the cash flow from operations and the operating income is explained primarily by the provision made for restructuring, which totalled NOK 1,200 million. Norway Post's liquidity reserve, including short-term placements and unused drawing rights, amounted to NOK 2,622 million at year-end 2000. Of this, approx. NOK 550 million is related to Norway Post Bank's tied-down cash and bank deposits. The group's liquidity is satisfactory.

The equity ratio as at 31 December 2000 was 24.8 %, compared to 35.9 % in 1999.

The activities of Norway Post are such that its financial risks are relatively small. Financial instruments are used to hedge interest rate changes, exchange rates, and price of energy.

The board confirms that the annual accounts are based on continued operations and that the conditions for such operations are present.

## >>Business units

### COMMUNICATION

The business unit Communication encompasses the processing and distribution of written information, total solutions in the fields of customer relations, one-to-one marketing, Customer Relationship Management (CRM), and the distribution of newspapers and magazines. The business unit's turnover in 2000 was NOK 8,184 million.

We expect the volume of letters to drop substantially with the increase in the use of electronic mail. It is therefore essential that Norway Post succeed in becoming a leading supplier of electronic information processing. The project "ePosten" was established to coordinate the group's investment in electronic services targeted at Norway Post's customers.

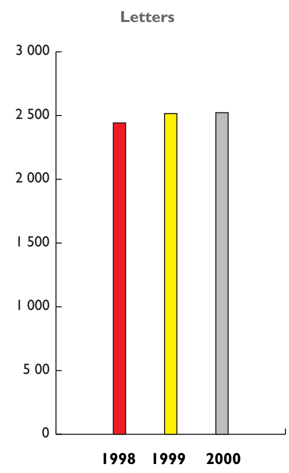
One of the main challenges in the field of communications is to provide good quality and reliable supply. This is something that we have been improving throughout the year and that we will continue to develop in 2001.

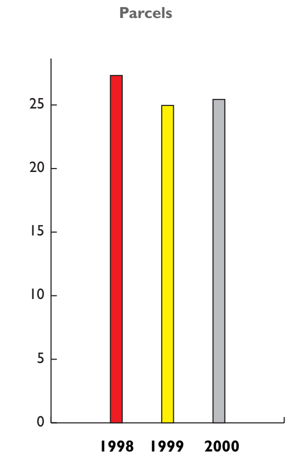
A new pricing system, introduced on 1 January 2001, will strengthen Norway Post's position in the market and will help counteract the ever-increasing competition. The main principle of the system is to be more market-oriented in respect of Priority and Economy mail (A-post and B-post), and for addressed bulk mail (C-post).

The communications area is becoming more international. The Posts of the Nordic countries are collaborating to an increasing extent. To reduce costs, Sweden, Denmark and Norway are now coordinating the despatch of mail to more remote countries.

Norway Post is seeking to acquire a stronger position in the fast developing CRM market through the development of holistic, customised solutions.

>>**OPERATING REVENUES**
(volume in milion)




*From left: Magnus Stangeland, Liv Stette og Svein Roald Hansen*

## LOGISTICS

The business unit "Logistics" provides solutions for the distribution of parcels and goods, electronic information regarding individual parcels, and settlements to suppliers.

The unit's turnover in 2000 was NOK 2,821 million. Most of the increase in the volume of parcels handled can be attributed to the products Business Parcel ("Bedriftspakke") and Service Parcel ("Servicepakke").

The business unit is also in the process of implementing major changes. In 2000, these changes came in the form of new, cost-effective and customised transport services, and new types of logistics services with integrated electronic solutions. The aim of these changes is to establish Norway Post as a future-oriented logistics supplier for electronic trade between companies and between companies and the private sector.

## RETAIL AND CUSTOMER SERVICES

The business unit "Retail and Customer Services" represents Norway Post's nationwide sales and customer service network.
The business unit turned over NOK 3,224 million in 2000.

To provide customers with a broader range of services, Norway Post established in 2000 a comprehensive plan to restructure the sales and customer service network. This plan involve increasing the number of locations offering postal and banking services by 200 to over 1,500, and reducing the number of autonomous post offices, called "Post Shops", to 330. The number of shops offering postal services, called "Post in Shop", will increase to more than 1,100. Each shop will provide at least the minimum basic postal and banking services.

In its new business structure, Post Shops will offer a greater range of goods and financial services. Thirty-two new Business Centres will be created to serve the corporate market.

Norway Post's Customer service will be restructured and renamed "Contact Centres". These centres will handle telephone- and IT-based sales for private and corporate customers. They will be established in Haugesund, Larvik, Kristiansand and Steinkjer. There is already such a centre in Sarpsborg.

This restructuring will strengthen Norway Post in various segments of the market. It will also reduce the total operating costs of the business unit. Restructuring will start in the first quarter of 2001 and will be finished some time in 2002.

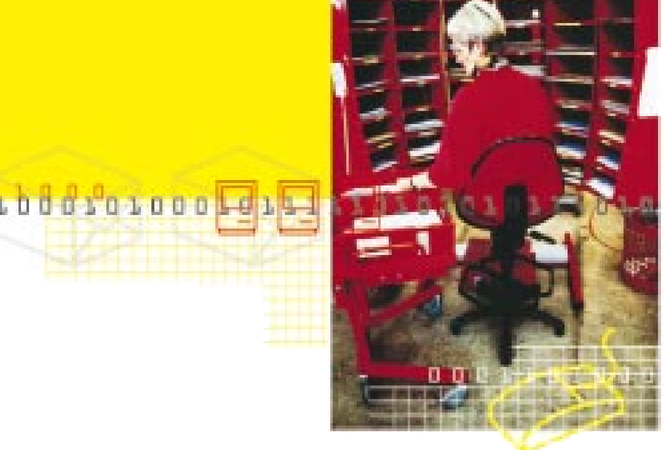
## ERGOGROUP

Posten SDS has been restructured and changed its name to ErgoGroup on 1 January 2001. A number of subsidiaries have been established under the holding company, ErgoGroup AS, and each of these is a centre of expertise in its specific field and has a specific corporate identity.

The business unit provides integrated IT services in the fields of infrastructure, electronic services and administrative support. Operating revenues in 2000 was NOK 1,678 million. This compares to NOK 1,454 million in 1999 and represents an increase of 15 %.

Following solid organic growth and the acquisition of companies, ErgoGroup strengthened its position in 2000. One of the company's most important achievements during the year was its development of a web-based solution for submitting tax returns via the Internet.

## >>NORWAY POST'S CHANNELS



This service was used by 300,000 people – a 400 % increase on the year before. ErgoGroup has come a long way with its concepts and services relating to Smart Cards, digital signatures and electronic IDs. In March 2001, Norway Post entered into an agreement (through ErgoGroup) with Telenor to establish a joint company called "ZebSign", to provide secure electronic ID and digital signatures. This will further enhance Norway Post's reputation as a trusted third party.

ErgoGroup's expertise in electronic services for logistics functions, payments and the exchange of information will increase the value of Norway Post's basic activities. It is therefore important for the group that these services are successful.

## DISTRIBUTION NETWORK

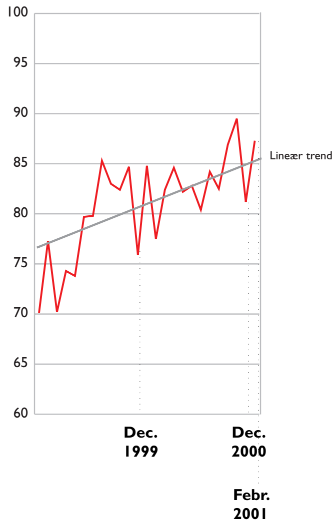
The business unit Distribution Network provides sorting, transport and delivery of mail for all Norway Post's other business areas.

To ensure that the distribution service is efficient and of high quality throughout the country, Norway Post is now developing a new sorting centre structure. Distribution costs will be reduced by greater standardisation and automation.

Norway Post implemented a number of measures in 2000 to improve distribution quality. These measures have so far proved successful and will be further developed in 2001. In the last quarter of 2000, the licence requirement that 85 % of priority mail ("A-post") had to reach the recipient within 24 hours was met.

In 2000, Norway Post bought NSB's road transport company, "Nettlast", in order to strengthen its position as the leading distributor of heavy goods.

>>EXPRESS MAIL (A-POST),TOTAL DELIVERED OVERNIGHT/NEXT DAY



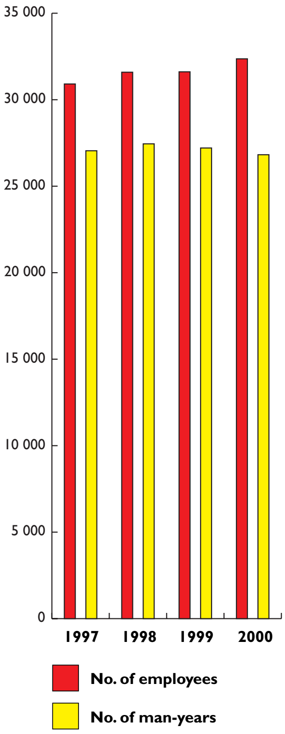

## >>Regulations

One of Norway Post's most important tasks is to develop the level of those services it is licensed to provide. The restructuring of the customer service network and the sorting centre structure will benefit the level of service as well as reduce costs.

Norway Post strives continuously to ensure that the conditions laid down by the authorities are met – especially those relating to collection, delivery, and post office services, as well as distribution reliability.

It is expected that the Norwegian government will deregulate the postal services further in the coming years. The European Commission submitted a proposal in 2000 to open to competition letters weighing over 50 g as from the beginning of 2003. The current limit is 350 g. The proposal also announced a further round of deregulation to be implemented in 2007. The EU Commission's first proposal and the speed of the proposed implementation raised considerable debate within the EU. The proposal is now being discussed by the EU Council of Ministers. It is not yet known when the hearings will be completed.

>>STAFF NUMBERS




## >>Organisation and the environment

The group had 32,365 employees at year-end 2000. The number of man-years dropped from 27,208 in 1999 to 26,822 in 2000.

The beginning of 2000 suffered from an exceptionally high incidence of sick leave, and a number of actions were taken through the year to reduce this trend. The actions proved successful, and by year-end the group was able to post an actual reduction in sick leave from 9.5 % in 1999 to 9.4 % in 2000.

There were 20 post office robberies in 2000, down from 32 the year before. The Board is pleased with this significant fall of 40 % and especially with the fact that no one suffered physical injury as a result of the robberies. Considering the ever-increasing crime rate, however, the group needs to continue making every effort to optimise security and to be sure to provide support for any staff subjected to a hold-up.

Occupational injuries leading to sick leave totalled 362 in 2000. This is a reduction from 398 in 1999.

Norway Post practises environmentally-friendly policies through, for example, its transport activities and management of buildings. The company follows an environmental plan of continuous improvement of its processes in the main areas of: transport, management of buildings, refuse and recycling, procurement and training/communication. Norway Post signed a letter of intent in 2000 to buy electric vehicles. So far, 20–30 vehicles have been bought. The company is also considering other innovative solutions such as hybrid vehicles.

At the end of the year, Norway Post entered into a collaboration agreement with Norwegian People's Aid and the Federation of Norwegian Post and Communications to undertake to remain a racism-free work place. The agreement means that Norway Post must maintain a conspicuously racism-free corporate profile, and must make it clear that all employees, guests and customers are welcome, regardless of skin colour, religious belief and cultural background.

The board wishes to thank the employees for their hard work and conscientiousness in this demanding period of restructuring.

## >>The board and management

Norway Post appointed Mr Kaare Frydenberg as new Chief Executive Officer on 1 April 2000. Mr Frydenberg took over from Mr Anders Renolen, who retired on the same date.

On 1 September, Mr. Odd Christian Øverland took over the role of employee representative on the board, succeeding Ms Randi Løvland who asked to be released from her position on the board as she had resigned from Norway Post.

## >>Allocations

Norway Post posted a net income of NOK -680 million after tax for the year 2000. The board thus proposes that the general assembly make the following allocations:

*Transferred from other equity: NOK –680 million*
*Total transfers and allocations: NOK –680 million*

The company had no distributable reserve at year-end 2000.

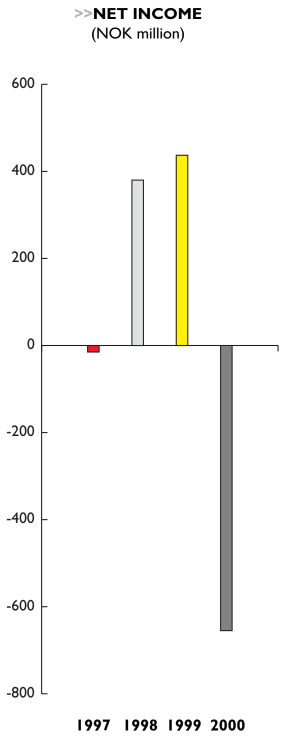
## >>Prospects

Competition will increase over the coming years in all Norway Post's business areas. This is due to the growth of alternative electronic services, to the deregulation of the letter market, and to the globalisation of goods transport and communications services.

To meet this new market situation, Norway Post will be carrying out a number of major restructuring and development programmes. These will strengthen the group's overall competitiveness through new services, more efficient production and control processes, and the use of new technology. The board expects these programmes to contribute to a gradual improvement in results over the coming years.

To achieve its goals, however, Norway Post must be given the same kind of operating terms and commercial freedom that its competitors have. It must also be given access to adequate capital to make the necessary investments and strategic acquisitions if it is to grow financially and commercially.

The benefits of restructuring will not really be seen until after 2001. However, the group does expect the result before provisions and allocations for 2001 to be better than the result achieved in 2000.




Oslo, 22 March 2001

Magnus Stangeland
( Chairman)

Liv Stette
(Vice Chairman )

Anna-Synnøve Bye

Bjørn Johs. Kolltveit

Asbjørn Birkeland

Svein Roald Hansen

Odd Chr. Øverland

Jan Inge Kvistnes

Bjørg Vatnedalen

Kaare Frydenberg
( Chief Executive Officer)

# KEY FIGURES Norway Post Group

(Amounts in NOK million)

| | | 2000 | 1999 | 1998 |
|---|---|---|---|---|
| PROFIT/LOSS | | | | |
| Operating revenues | NOK million | 13 659 | 13 130 | 12 234 |
| Operating income | NOK million | -848 | 656 | 565 |
| Operating income before tax | NOK million | -886 | 622 | 538 |
| PROFITABILITY AND RETURNS | | | | |
| Net operating margin 2) | % | 1) | 5.0 | 4.6 |
| Net operating margin before tax 3) | % | 1) | 4.7 | 4.4 |
| Return on capital employed 4) | % | 1) | 18.5 | 15.5 |
| Return on equity 5) | % | 1) | 17.4 | 17.2 |
| CAPITAL AND EQUITY | | | | |
| Cash flow from operations | NOK million | 843 | 548 | 716 |
| Investments | NOK million | 1 359 | 1000 | 720 |
| Equity ratio 6) | % | 24.8 | 35.9 | 28.6 |
| PERSONNEL | | | | |
| No. of employees at 31 December | | 32 365 | 31 614 | 31 586 |
| No. of man-years in 2000 | | 26 822 | 27 208 | 27 446 |

**Adjustments made to the base figures for calculation of key figures:**

1) The figures are not calculated on account of provisions for restructuring and disability pensions of NOK 1.2 billion.

**Definitions**

2) Operating income/operating revenues.
3) Operating income before tax/operating revenues.
4) Operating income before tax + financial costs/average of (total capital minus non interest-bearing liabilities).
5) Net income for the year/average equity.
6) Equity/total capital.

## Distribution of operating revenues by business unit

| | | |
|---|---|---|
| Communication | NOK million | 8 184 |
| Logistics | NOK million | 2 821 |
| Retail and Customer Services | NOK million | 3 224 |
| Business Partner | NOK million | 1 295 |
| Distribution Network | NOK million | 6 326 |
| Ergo Group | NOK million | 1 678 |
| Other activities | NOK million | 492 |
| Eliminations | NOK million | -10 361 |
| | | 13 659 |

# INCOME STATEMENT

(Amounts in NOK million)

| NORWAY POST | | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **Note** | **2 000** | **1999** | **1998** |
| **11 319** | **11 949** | **12 024** | **Operating revenues** | **1** | **13 659** | **13 130** | **12 234** |
| 919 | 987 | 992 | Cost of goods and services | | 2 029 | 1 668 | 1 377 |
| 7 275 | 7 276 | 7 416 | Wages | 2 | 8 331 | 7 992 | 7 817 |
| 353 | 399 | 499 | Depreciation | 7, 8 | 625 | 500 | 447 |
| - | - | 25 | Write-downs | 7, 8 | 26 | - | - |
| 2 210 | 2 628 | 2 936 | Other operating costs | 3 | 2 434 | 2 279 | 2 074 |
| 29 | 35 | 1 062 | Other revenues and expenses | 4 | 1 062 | 35 | (46) |
| **533** | **624** | **(906)** | **Operating income** | | **(848)** | **656** | **565** |
| 179 | 144 | 97 | Financial income | 5 | 104 | 135 | 183 |
| 204 | 161 | 128 | Financial expenses | 5 | 142 | 169 | 210 |
| **508** | **607** | **(937)** | **Operating income before taxes** | | **(886)** | **622** | **538** |
| 145 | 169 | (257) | Taxes | 6 | (231) | 185 | 158 |
| **363** | **438** | **(680)** | **Net income for the year** | | **(655)** | **437** | **380** |
| | | | Minority interests' share of net income | | 7 | 2 | 2 |
| | | | **Transfers and allocations** | | | | |
| (86) | (131) | | Allocated for dividend | | | | |
| (277) | (307) | 680 | Transferred (to)/from other equity | | | | |
| **(363)** | **(438)** | **680** | **Total transfers and allocations** | 14 | | | |

# BALANCE SHEET

(Amounts in NOK million)

| NORWAY POST | | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | Note | 2 000 | 1999 | 1998 |
| | | | **Assets** | | | | |
| 70 | 99 | 536 | Intangible assets | 7 | 944 | 227 | 150 |
| 3 426 | 3 777 | 3 823 | Tangible fixed assets | 8 | 4 148 | 3 987 | 3 605 |
| 331 | 434 | 674 | Share investments | 9 | 83 | 7 | 4 |
| 109 | 35 | 37 | Interest-free long-term receivables | | 45 | 44 | 109 |
| 34 | 36 | 118 | Interest-bearing long-term receivables | 10 | 13 | 11 | 13 |
| **3 970** | **4 381** | **5 188** | **Fixed assets** | | **5 233** | **4 276** | **3 881** |
| 30 | 43 | 47 | Stocks in hand | 11 | 50 | 44 | 30 |
| 1 438 | 1 450 | 1 610 | Interest-free short-term receivables | 12 | 2 002 | 1 756 | 1 648 |
| 2 554 | 1 139 | 647 | Cash and cash equivalents | 13 | 823 | 1 333 | 2 661 |
| **4 022** | **2 632** | **2 304** | **Current assets** | | **2 875** | **3 133** | **4 339** |
| **7 992** | **7 013** | **7 492** | **Total assets** | | **8 108** | **7 409** | **8 220** |
| | | | **Equity and liabilities** | | | | |
| 1515 | 1515 | 1 515 | Nominal share capital | | 1 515 | 1515 | 1515 |
| 594 | 638 | 505 | Share premium reserve/(Legal reserve) | | 505 | 638 | 594 |
| 252 | 515 | (32) | Other equity | | (33) | 502 | 240 |
| | | | Minority interests | | 25 | 4 | 4 |
| **2 361** | **2 668** | **1 988** | **Equity** | 14 | **2 012** | **2 659** | **2 353** |
| **613** | **292** | **1 242** | **Provision for commitments** | 15, 16 | **1 279** | **293** | **591** |
| **2 137** | **1 205** | **979** | **Interest-bearing long-term liabilities** | 17 | **1 119** | **1 306** | **2 216** |
| **-** | **-** | **400** | **Interest-bearing short-term liabilities** | 17 | **416** | **-** | **-** |
| **2 881** | **2 848** | **2 883** | **Interest-free short-term liabilities** | 18 | **3 282** | **3 151** | **3 060** |
| **7 992** | **7 013** | **7 492** | **Total equity and liabilities** | | **8 108** | **7 409** | **8 220** |
| | | | Guarantee liability/mortgages | 19 | | | |

Oslo, 22 March 2001

Magnus Stangeland
(Chairman)

Liv Stette
(Vice Chairman )

Anna-Synnøve Bye

Bjørn Johs. Kolltveit

Asbjørn Birkeland

Svein Roald Hansen

Odd Chr. Øverland

Jan Inge Kvistnes

Bjørg Vatnedalen

Kaare Frydenberg
( Chief Executive Officer)

# CASH FLOW STATEMENT

(Amounts in NOK million)

| NORWAY POST | | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | Note | 2000 | 1999 | 1998 |
| | | | **Cash flow from operational activities** | | | | |
| 713 | 822 | (294) | Generated by the year's operations *) | | (142) | 922 | 796 |
| 4 | (13) | (4) | Change in stocks in hand | | (6) | (14) | 5 |
| (298) | (12) | (160) | Change in interest-free short-term receivables, ex. group contribution | 12 | (157) | (108) | (314) |
| 489 | (78) | 168 | Change in interest-free short-term liabilities, ex. dividends | 18 | 177 | 46 | 489 |
| (254) | (321) | 964 | Change in provisions for commitments | 15 | 971 | (298) | (260) |
| **654** | **398** | **674** | **Net cash flow from operational activities** | | **843** | **548** | **716** |
| | | | **Cash flow from investment activities** | | | | |
| (628) | (800) | (904) | Investments in tangible fixed assets /IT development etc. | 7,8 | (1 359) | (1 000) | (720) |
| 21 | 36 | 333 | Sales of tangible fixed assets | | 342 | 53 | 67 |
| (13) | (31) | (638) | Changes in other fixed assets | | (419) | 67 | (7) |
| **(620)** | **(795)** | **(1 209)** | **Net cash flow from investment activities** | | **(1 436)** | **(880)** | **(660)** |
| | | | **Cash flow from financing activities** | | | | |
| 1 500 | 400 | - | Payments, new long-term loans | 17 | 4 | 416 | 1 500 |
| - | - | 400 | Payments, new short-term loans | 17 | 416 | | |
| 68 | - | - | Payment of group contribution/dividends | | - | - | - |
| (2 278) | (1 332) | (226) | Repayments on long-term loans | 17 | (236) | (1 326) | (2 279) |
| - | (86) | (131) | Dividends paid | | (131) | (86) | - |
| **(710)** | **(1 018)** | **43** | **Net cash flow from financing activities** | | **53** | **(996)** | **(779)** |
| **(676)** | **(1 415)** | **(492)** | **Total change in liquid assets** | | **(540)** | **(1 328)** | **(723)** |
| 3 230 | 2 554 | 1 139 | Cash and cash equivalents at start of period | | 1 333 | 2 661 | 3 384 |
| | | | Cash and cash equivalents at acquisition of subsidiaries | | 30 | | |
| **2 554** | **1 139** | **647** | **Cash and cash equivalents at end of period** | | **823** | **1 333** | **2 661** |
| | | | *) This figure breaks down as follows: | | | | |
| 363 | 438 | (680) | Net income for the year | | (655) | 437 | 380 |
| 353 | 399 | 499 | + Depreciation | | 625 | 500 | 447 |
| - | - | 25 | + Write-downs | | 26 | - | - |
| (3) | (15) | (138) | - Gain from sale of fixed assets | 4 | (138) | (15) | (31) |
| **713** | **822** | **(294)** | **= Generated by the year's operations** | | **(142)** | **922** | **796** |

# Notes

## >>General

Norway Post was formed as a public corporation with limited liability by a special Act dated 1 December 1996, and took over the business of the former government enterprise Norway Post from the same date. The accounts have been prepared pursuant to the Norwegian Accounting Act and the Act on the Public Post Corporation.

Norway Post has undergone considerable restructuring in 2000, including a restructuring of business units. Effective 1 January 2001, Posten SDS AS, the largest subsidiary, was restructured when the individual business areas were grouped into separate companies with one holding company as owner. At the same time, those companies forming part of the Posten SDS group changed name to ErgoGroup AS.

## >>Historical development

Since it was established in 1996, the Norway Post Group has carried out the following important transactions:

**1996**

Norway Post was established at the end of 1996 with the subsidiary Posten SDS AS (100%) and Billettservice AS (50%) as an associated company. Subsidiaries of Posten SDS AS include Computas AS, DeltaPro AS, and Enet AS. The book value of shares at 31 December was NOK 286 million, of which NOK 280 million related to the subsidiary Posten SDS AS.

**1997**

The remaining shares in Billettservice AS and Forbruker-Kontakt AS were acquired, while a 25% share was acquired in NordPack AB, with the other Nordic Posts holding a corresponding share. Posten SDS AS hived off the school administrative systems division to form a separate wholly-owned company, IPOS AS. The book value of shares at 31 December was NOK 334 million, of which NOK 323 million related to subsidiaries.

**1998**

At the end of 1998, Norway Post's cleaning services were transferred to Posten's renhold AS (85%). Norway Post's ownership share in Billettservice AS was reduced to 77%. NordPack AB changed its name to Pan Nordic Logistics AB (PNL). Posten SDS AS divested several smaller subsidiaries, including Computas AS. The book value of shares at 31 December was NOK 331 million, of which NOK 322 million related to subsidiaries.

**1999**

Norway Post established Posten Escape AS (100 %) and acquired 40 % of Transport Systems International AS, the latter company being treated as a joint venture company together with PNL. Towards the end of 1999, the financial services division was hived off from Norway Post and transferred to Postens Økonomitjenester AS, a wholly-owned subsidiary of Posten SDS AS. At the beginning of 1999, part of the professional services division in Posten SDS AS was hived off to form the company Ephorma AS and merged with Telenor Allianse AS. Posten SDS AS holds 50 % of Ephorma. In the autumn of 1999, Posten SDS AS established the companies Mondex Norge AS and Mondex Norge Originator AS. The book value of shares at 31 December was NOK 434 million, of which NOK 365 million related to subsidiaries.

**2000**

As from 1 January 2000, canteen services in Norway Post were transferred to Posten renhold AS, which changed its name to Postens Servicepartner AS. Norway Post retained an 85 % ownership share. Norway Post acquired Oslo Container Stevedor AS (100 %), Wajens AS (100 %), Kort Prosess AS (51 %), Nettlast AS (100 %), Nettlast Hadeland AS (100 %), Nettlast Helgeland AS (100 %) and Netaxept AS (48 %). The book value of shares at 31 December was NOK 674 million, of which NOK 631 million related to subsidiaries. Posten SDS AS hived off its payroll systems and personnel administration services to form a separate company, ErgoBluegarden AS. Similar operations in Merkantildata and IBM were acquired and placed under Bluegarden. Posten SDS AS acquired 40% of the transport solutions provider TransWare AB in Gothenburg, Sweden, securing a majority of seats on the board of directors and an option to acquire additional shares.

**2001**

With effect from 1 January 2001, Posten SDS AS changed name to ErgoGroup AS. Norway Post has signed a letter of intent concerning the acquisition of 95 % of shares in 1to1 Factory AS, a subsidiary of the listed company E-Line Group ASA. At the same time, E-Line Group ASA will acquire 100 % of the shares in Posten Escape AS. Together with Telenor, ErgoGroup established a separate company, ZebSign AS, to offer the market electronic ID solutions. ZebSign AS is a joint venture and each party has an equal share. Together with Telenor, DnB and Accenture, ErgoGroup has established a company to offer electronic procurement services to parent companies in particular and to the market in general. ErgoGroup has taken over responsibility for operation of IT services in the insurance companies Gjensidige NOR Forsikring and Gjensidige NOR Spareforsikring.

## >>Accounting principles

**Consolidation**

All company accounts consolidated in the group accounts have been closed in accordance with the same defined principles for accounting and appraisal, and the classification of items in the income statement and balance sheet has been carried out in accordance with uniform principles. The consolidated accounts comprise the parent company and companies in which Norway Post has a controlling interest. These companies are listed in note 9. The consolidated accounts show the group's financial position and profit/ loss when these companies are appraised as a single unit.

All major transactions and intercompany accounts have been eliminated. Shares in the subsidiaries have been eliminated in accordance with the purchase method of accounting. The difference between cost price of the shares and book value of net assets at the time of purchase is analysed and allocated to the individual balance sheet items according to the actual value. Any further excess value due to market expectations of future earnings is recorded as goodwill in the balance sheet and depreciated using the straight-line method over the estimated economic life of the assets.

Foreign subsidiaries are translated in the balance sheet at the exchange rate on the year-end date, while average exchange rates for the year have been applied in the income statement. Translation differences are adjusted directly against equity.

Companies acquired during the year are incorporated in the accounts from the date of purchase, while companies sold are included in the accounts up to the date of sale.

Jointly-controlled companies are defined as companies for which Norway Post, either directly or through its subsidiaries, has agreements with the other owners regarding joint control of the enterprise. Owner interests in jointly-controlled enterprises are valued using the proportionate consolidation method, i.e. the share of income, expenses, assets and liabilities is incorporated in the accounts.

Associated companies are defined as companies in which Norway Post has significant influence, either directly or through its subsidiaries. Owner interests in associated companies are valued using the equity method and the company's share of the year's profit/ loss in the associated company is offset against the cost price of the owner interest and included under financial income or financial expenses.

**Classification of balance sheet items**
In the accounts, all assets relating to the product cycle, receivables due within a year and assets not intended for permanent ownership or use by the company are classified as current assets. Other assets are fixed assets.

All liabilities directly relating to the product cycle are treated as current liabilities even if part of the debts falls due for payment more than a year later.

**Revenues**
Revenues are entered as and when services are performed. The sale of postage stamps is classified as advance payment for the sale of postal services. Revenues are entered continuously as and when services are performed. Revenues from long-term projects are entered on the basis of continuous settlement based on completion.

**Pensions**
Net pension costs comprise pension contributions for the period including future wage growth and interest on commitments, with deductions for employee contributions and pension-fund yield. Variations from estimates and changes in assumptions are spread over the remaining expected pension-earning period if they exceed 10 % of the pension liabilities and the pension funds, whichever is greater. Net pension costs are classified in their entirety as a wage cost in the income statement. In the balance sheet net uncovered pension liabilities are classified as a provision for commitments.

**Restructuring costs**
Restructuring is defined as a planned programme that will lead to significant changes in the scope of an undertaking or in the way an undertaking is run.

Provisions for restructuring are entered when the programme has been determined and costs are identifiable, quantifiable and are not covered by comparable revenues (the matching principle).

Restructuring commitments that are covered by the government are classified as commitments in the balance sheet until the costs are incurred, cf. note 4.

**Shares and owner interests**
Owner interests in other companies are valued using the cost method, at whichever is lower of the market value and the acquisition cost. In Norway Post's accounts the cost method is used for all owner interests in limited liability companies, including subsidiaries.

**Taxes**
Norway Post is taxable in the same way as limited liability companies. Tax costs comprise payable tax for the period and changes in deferred tax/ tax asset. Net deferred tax/ tax asset is calculated at 28 % of the temporary differences between the financial reporting basis and the tax basis as well as any tax carryforwards at the end of the financial year.

**Tangible fixed assets and depreciation**
Buildings, machinery, FF&E etc. are entered at acquisition cost after deductions for straight-line depreciation. Fixed assets are valued at whichever is the lower of acquisition cost and actual value. The assets are written down to actual value if the actual value is assumed to be the lower of the two values and the fall in value is not of a temporary nature. If the basis

for the write down is no longer applicable, it shall be reversed. Fixed assets are depreciated using the straight-line method over the expected useful life of the assets. Normal maintenance and repair costs are expensed immediately. Costs of replacements and renewals that appreciably increase the standard of the assets are capitalised.

**Development costs**
External costs relating to the development of IT systems are capitalised and depreciated using the straight-line method over the expected useful life of the systems. Costs relating to modifications and development of existing systems are expensed as maintenance.

Other development costs are costs incurred by the group for the development or further development of existing and new products, production processes etc. in order to secure future earnings. Such costs are expensed immediately, but in such a way that from the point in time when a product has been developed and there is a customer base sufficient to ensure future earnings, they shall be capitalised.

**Leasing**
Leasing agreements are registered either as ordinary leases or as a form of financing based on a review of the actual substance of the individual agreements. In financial leasing the asset is entered at acquisition cost at the time the asset was taken over. The asset is depreciated according to rules governing corresponding fixed assets. The interest part of financial expenses is treated as an ordinary financial expense.

**Stocks in hand**
Stocks in hand consist mainly of postage stamps and other goods sold through the post office network. Stocks in hand are entered in the balance sheet at whichever is the lower of acquisition cost and expected net sales value.

**Accounts receivable**
Accounts receivable are entered in the balance sheet at their nominal value after deduction for anticipated bad debt.

**Bonds**
The bonds portfolio is classified under current assets and valued according to the portfolio principle. The portfolio is deliberately managed as a homogenous group and is only value-adjusted if the market value of the whole portfolio is less than the acquisition cost. Value-adjustments are entered as a financial item in the income statement.

**Foreign exchange**
Current receivables and liabilities in foreign currency are valued at the exchange rate on the balance sheet date. The impact of exchange rate changes on the income statement is included under operating revenues and operating expenses.

**Cash flow statement**
The cash flow statement has been prepared according to the indirect model. Holdings of cash and cash equivalents consist of liquid assets. A substantial part of the cash and cash equivalents is connected to the post office network's liquidity requirements.

**Changes due to the new Norwegian Accounting Act**
A new Accounting Act was adopted with effect from 1 January 1999. The accounts for 1998 have been classified in accordance with the new Act.

## Note 1 Operating revenues

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2 000** | **1999** | **1998** |
| 7 273 | 7 663 | 7 795 | Letter products | 7 795 | 7 663 | 7 273 |
| 1 838 | 1 856 | 1 814 | Parcel products | 1 973 | 1 856 | 1 838 |
| 938 | 941 | 841 | DnB/Post Bank services | 841 | 941 | 938 |
| | | | Infrastructure and e-services | 565 | 712 | 597 |
| | | | Development and software services | 403 | 317 | 254 |
| 580 | 623 | 540 | Government purchases | 540 | 623 | 580 |
| 690 | 866 | 1 034 | Other revenues | 1 542 | 1 018 | 754 |
| **11 319** | **11 949** | **12 024** | **Operating revenues** | **13 659** | **13 130** | **12 234** |

The majority of the Norway Post group's operating revenues is generated by business in Norway.

## Note 2 Wages, salaries, remuneration and pension costs

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2 000** | **1999** | **1998** |
| 5 900 | 5 831 | 5 882 | Wages and salaries | 6 643 | 6 412 | 6 352 |
| 810 | 804 | 820 | National insurance contributions | 933 | 882 | 871 |
| 264 | 288 | 328 | Pension costs | 377 | 326 | 284 |
| 301 | 353 | 386 | Other benefits | 378 | 372 | 310 |
| **7 275** | **7 276** | **7 416** | **Wage and salary costs** | **8 331** | **7 992** | **7 817** |
| | | | | | | |
| 739 168 | 806 252 | 801 252 | Board of Directors | | | |
| | | 351 444 | Corporate assembly | | | |
| 1 000 000 | 1 050 000 | 1 250 000 | Auditor's fee | 3 111 000 | 1 974 650 | 1 568 450 |
| 2 245 668 | 1 441 638 | 5 012 390 | Auditor consultancy fees | 6 484 000 | 2 017 763 | 2 735 076 |
| 26 380 | 25 408 | 24 125 | No. of man-years | 26 822 | 27 208 | 27 446 |
| 30 514 | 29 240 | 27 178 | No. of employees at 31.12. | 32 365 | 31 614 | 31 586 |
| 26 642 | 24 446 | 23 281 | No. in pension scheme at 31.12. | 25 630 | 26 255 | 27 583 |

**Remuneration**
The board of directors has no pension scheme entitlement or any other arrangements except for remuneration.

Kaare Frydenberg was appointed Chief Executive Officer on 1 April 2000. His retirement agreement stipulates a retirement age of 65 years, but he is entitled to resign at 60 years and receive a supplementary pension amounting to 66 % of his salary at the time of his retirement. His salary and other remuneration for 2000 amounted to NOK 1 210 655, while his pension premium was NOK 99 929. The previous chief executive officer resigned his position as of 1 April 2000 pursuant to an early retirement agreement. His salary and other remuneration until the time he retired totalled NOK 481 190, while NOK 198 000 was expensed in pension costs.

Remuneration of the board of directors and the corporate assembly refers to amounts recorded in the accounts. The corporate assembly was established towards the end of 1999, but received no remuneration in the year 2000.

**Pension commitments**
Norway Post and its subsidiaries have pension schemes under which most of its employees are entitled to specific future pension benefits (benefits plan). The pension benefits are normally based on the number of pension-earning years and wage level on reaching retirement age. Norway Post has a group pension scheme for its employees in the Norwegian Public Service Pension Fund (SPK), a scheme that comprises benefits pursuant to the Act governing the Public Service Pension Fund. Premiums and the calculation of the value of the pension commitment are based on actuarial principles. The public service pension fund scheme is, however, not funds-based, but management of such a fund is simulated (a "fictive fund") as if the funds were placed in long-term government bonds. Yield on the starting fund was 6.46 % from 1 December 1996, while the yield on the change in pension funds follows the yield on government bonds. Payment of pension benefits is guaranteed by the Government. The rules concerning the limited pension base between 8G and 12G (National Insurance Multiplier) have been repealed and in this connection a supplementary provision of NOK 13 million has been made.

The pension commitments include pension schemes for executive personnel. In addition, the group has collective pension schemes in life assurance companies.

Calculation of future pension costs and commitments is based on the following assumptions for the group:

| | |
|---|---|
| Discount rate | 6.0 % |
| Wage adjustment | 3.3 % |
| Adjustment of "G" (NI Multiplier) | 2.9 % |
| Pension adjustments | 2.9 % |
| Yield | 6.1 – 6.5 % |
| Voluntary redundancy (below 45 years) | 0.0 – 2.5 % |

The calculations and risk assumptions deviate somewhat from private schemes. Changes in the long-term assumptions may have a significant impact on Norway Post's pension commitment.

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2 000** | **1999** | **1998** |
| 417 | 437 | 461 | Present value of pension contributions | 504 | 474 | 441 |
| 402 | 463 | 514 | Interest cost of pension commitment | 533 | 477 | 407 |
| (391) | (453) | (485) | Return on pension funds | (504) | (469) | (400) |
| (112) | (116) | (116) | Employees' 2 % contribution | (117) | (116) | (113) |
| **316** | **331** | **374** | **Net pension costs** | **416** | **366** | **335** |
| (7 212) | (8 240) | (9 070) | Estimated accrued commitment | (9 463) | (8 555) | (7 328) |
| 7 137 | 7 900 | 8 559 | Estimated value of pension funds | 8 917 | 8 190 | 7 272 |
| (75) | (340) | (511) | Net estimated pension commitment | (546) | (365) | (56) |
| (42) | 221 | 186 | Unrecorded estimate change (corridor) | 204 | 237 | (39) |
| **(117)** | **(119)** | **(325)** | **Book pension commitment** | **(342)** | **(128)** | **(95)** |

The employer's share of National Insurance contributions is included in the individual figures above.

The above specification of recorded pension commitments includes a provision of NOK 200 million for disability pensions. The provision is classified in the income statement as other incomes and expenses, cf. note 4.

Net pension commitments are included in provision for commitments in note 15.

## Note 3 Other operating costs

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2 000** | **1999** | **1998** |
| 712 | 862 | 909 | Rent of premises | 835 | 723 | 768 |
| 408 | 533 | 825 | Misc. external services | 340 | 239 | 186 |
| 270 | 290 | 299 | Travelling expenses | 354 | 318 | 292 |
| 128 | 164 | 137 | Marketing | 162 | 170 | 136 |
| 692 | 779 | 766 | Other costs | 743 | 829 | 692 |
| **2 210** | **2 628** | **2 936** | **Total other operating costs** | **2 434** | **2 279** | **2 074** |

## Note 4 Other revenues and expenses

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2 000** | **1999** | **1998** |
| 32 | 50 | 1 000 | Restructuring | 1 000 | 50 | 32 |
| | | 200 | Provision for disability payments | 200 | | |
| (3) | (15) | (138) | Net (loss)/gain on fixed assets | (138) | (15) | (31) |
| | | | (Loss)/gain on disposal of subsidiaries | | | (47) |
| **29** | **35** | **1 062** | **Other income and expenses** | **1 062** | **35** | **(46)** |

**Restructuring/provision for disability payments**
A total provision of NOK 1 200 million has been made, NOK 1 000 of which is intended to cover restructuring processes. During the period 1997–2000, disability pension payments have increased and are considerably higher than assumed when estimating pension commitments and determining the current premium to the Norwegian Public Service Pension Fund (SPK). There is thus an underabsorption in the pension funds relating to disability pensions, calculated at NOK 200 million as at 31 December 2000. This amount is included in the pension commitments in the last part of note 2.

Norway Post will implement major restructuring processes in the period 2001–2003, primarily the restructuring of the postal network, changes to the sorting centre structure and the reduction of administrative functions. These restructuring processes are described in greater detail in the report of the board of directors. Provisions totalling NOK 1 000 million have been made in this connection for the year 2000.

**The largest costs are expected to be:**

| | |
|---|---|
| Redundancy payments | 500 NOK mill |
| Measures concerning the relocation of employees | 175 NOK mill |
| Lease rental for vacated premises | 200 NOK mill |

At the establishement of the Norway Post corporation in 1996, total costs were calculated in connection with the restructuring of the sorting centres and post office network. It was assumed that the Government would cover these costs up to the amount of NOK 1 340 million. At 31 December 1998, NOK 1 140 million had been paid in. The balance of NOK 200 million was expected to be allocated in the national budget for 1998, but the allocation was removed during the budget process. Norway Post must therefore defray the cost of these processes itself from its own operating profits. The remaining costs form part of the provision of NOK 1 000 million.

See note 16 for information concerning the recording of provisions.

**Sale of fixed assets**
In January 2000, Norway Post entered into an agreement concerning the sale of the Posthuskvartalet building and its Majorstua premises in Oslo for a consideration of NOK 305 million, with an accounting gain of NOK 142 million.

## Note 5 Financial revenues and financial expenses

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2 000 | 1999 | 1998 |
| 2 | 2 | 5 | Interest income from within the group | | | |
| 152 | 122 | 80 | Other interest income | 98 | 131 | 160 |
| 25 | 20 | 12 | Exchange gains etc. from financial investments | 6 | 4 | 23 |
| **179** | **144** | **97** | **Total financial income** | **104** | **135** | **183** |
| | 1 | | Interest expenses from within the group | | | |
| 176 | 152 | 109 | Other interest expenses | 123 | 160 | 182 |
| 28 | 8 | 19 | Exchange losses financial investments | 19 | 9 | 28 |
| **204** | **161** | **128** | **Total financial expenses** | **142** | **169** | **210** |

## Note 6 Taxes

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2 000 | 1999 | 1998 |
| (81) | (16) | (42) | Diff. rel. to current balance sheet items | (50) | (21) | (89) |
| 135 | 138 | (805) | Diff. rel. to long-term balance sheet items | (799) | 69 | 74 |
| | | | Loss to be carried forward | (69) | (3) | (2) |
| (58) | (56) | (274) | Net pension commitment | (283) | (62) | (29) |
| (4) | 66 | (1 121) | Basis for deferred tax/(tax asset) | (1 201) | (17) | (46) |
| **(1)** | **19** | **(314)** | **Deferred tax/(tax asset)** | **(336)** | **(5)** | **(13)** |
| 508 | 607 | (937) | Profit/loss before tax | (886) | 622 | 538 |
| (30) | (74) | 1 206 | Differences in accounts/tax | 1 298 | 7 | (38) |
| 478 | 533 | 269 | Basis for tax payable | 412 | 629 | 500 |
| **134** | **149** | **75** | **Tax payable** | **115** | **176** | **140** |
| 134 | 149 | 75 | Tax payable | 115 | 176 | 140 |
| 11 | 20 | (332) | Change in deferred tax/tax asset | (346) | 9 | 18 |
| **145** | **169** | **(257)** | **Tax costs** | **(231)** | **185** | **158** |

Net deferred tax assets are included in the balance sheet as the asset can be utilised in connection with expected future earnings.

The deferred tax asset for the group has been reduced in respect of deferred tax in the amount of NOK 12 million owing to value added from the acquisition of companies this year. The classification of deferred tax and deferred tax assets in the accounts is presented in notes 15 and 7, while tax payable is presented in note 18.

# Note 7 Intangible assets

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2 000 | 1999 | 1998 |
| 69 | 99 | 222 | IT development, rights etc. | 279 | 133 | 90 |
| 1 | | 314 | Deferred tax asset | 336 | 5 | 13 |
| | | | Goodwill | 329 | 89 | 47 |
| **70** | **99** | **536** | **Intangible assets** | **944** | **227** | **150** |

The basis for deferred tax assets is presented in note 6.

| NORWAY POST | Accumulated cost price at 01.01. | Depreciation at 01.01. | Book value at 01.01. | Additions in 2000 | Depr./write downs in 2000 | Book value at 31.12. | Depreciation period |
|---|---|---|---|---|---|---|---|
| IT development, rights etc. | 119 | 20 | 99 | 109 | 73 | 135 | 4 years |
| Plant under construction | 0 | 0 | 0 | 87 | 0 | 87 | |
| Total IT development, rights etc. | 119 | 20 | 99 | 196 | 73 | 222 | |
| **NORWAY POST GROUP** | | | | | | | |
| IT development, rights etc. | 185 | 51 | 134 | 229 | 84 | 279 | 4 years |
| **Goodwill** | | | | | | | |
| Subsidiaries: | | | | | | | |
| ErgoGroup AS | 108 | 97 | 11 | | 11 | 0 | 4-5 years |
| TSI AS | 49 | 4 | 45 | 29 | 6 | 68 | 12 years |
| Wajens AS | | | | 27 | 2 | 25 | 10 years |
| Oslo Container Stevedor AS | | | | 92 | 7 | 85 | 10 years |
| KortProsess AS | | | | 1 | 0 | 1 | 4-5 years |
| Companies owned through subsidiaries/miscellaneous | | | | | | | |
| ErgoGroup AS | 4 | 1 | 3 | 52 | 3 | 52 | 10 years |
| TSI AS | 80 | 7 | 30 | 74 | 6 | 98 | 12 years |
| **Total goodwill group** | **241** | **109** | **89** | **275** | **35** | **329** | |

**Goodwill**

Goodwill acquired through the acquisition of 60 % of Transport Systems International AS (TSI) will be depreciated over an expected useful life of 12 years. The company's unique position as the leading motorised messenger service company in the Nordic countries makes it highly profitable, and Norway Post will be able to profit from its strong market position for a long time to come. TSI's operating concept forms the basis for a positive transfer of know-how and experience to other parts of Norway Post's business and, in the long term, for increased value creation for the group.

Acquired goodwill in ErgoGroup AS totalling NOK 52 million is due to the acquisition of operations in the companies ErgoBluegarden AS and ErgoIntegration AS. Anticipated earnings from the acquisition are expected to span ten years and depreciation will take place on a straight-line basis throughout this period.

Oslo Container Stevedor AS and Wajens AS are financially sound operations achieving earnings that are among the best in their business areas. Both companies are recognised as having strong brand names in their respective fields (third-party logistics and goods distribution, courier operations). Norway Post therefore expects to achieve a commercial return on these investments over a longer period of time. For this reason, it has chosen to depreciate goodwill in these companies over a 10-year period.

## Note 8 Fixed assets

| NORWAY POST | Machinery | Vehicles, FF&E | Buildings, real estate | Plants under construction | Total |
|---|---|---|---|---|---|
| Acquisition cost at 01.01. | 682 | 2 001 | 3 400 | 125 | 6 208 |
| Additions | 9 | 254 | 21 | 424 | 708 |
| Transfers | 23 | 54 | | (77) | |
| Disposals | (1) | (260) | (245) | | (506) |
| Acc. depr./wr.downs 31.12. | (418) | (1 194) | (974) | | (2 586) |
| Book value at 31.12.2000 | 295 | 855 | 2 202 | 472 | 3 823 |
| Write downs for the year | 78 | 275 | 96 | | 449 |
| Depreciation for the year | 1 | 1 | | | 2 |
| Useful life | 4 - 8 years | 4 - 8 years | 30 - 40 years | | |

| NORWAY POST GROUP | Machinery | Vehicles, FF&E | Buildings, real estate | Plants under construction | Total |
|---|---|---|---|---|---|
| Acquisition cost at 01.01. | 1 041 | 2 235 | 3 485 | 125 | 6 886 |
| Additions | 83 | 327 | 21 | 424 | 855 |
| Transfers | 23 | 54 | | (77) | |
| Disposals | (27) | (268) | (245) | | (540) |
| Acc. depr./wr.downs 31.12. | (687) | (1 373) | (993) | | (3 053) |
| **Book value 31.12.2000** | **433** | **975** | **2 268** | **472** | **4 148** |
| Write-downs for the year | 137 | 294 | 99 | | 530 |
| Depreciation for the year | | 1 | 1 | | 2 |
| Useful life | 4 - 8 years | 3 - 8 years | 25 - 40 years | | |

Of the book value of plants under construction, NOK 418 million relates to buildings and real estate.

Ordinary depreciation for the year in Norway Post including depreciation on IT development costs amounts to NOK 523 million, while depreciation in the group amounts to NOK 651 million. The IT development costs as entered in the balance sheet are presented in note 7.

## Note 9 Share investments

| Subsidiaries/Joint venture companies | Acquired | Address | Owner-/ voting interest | Book value |
|---|---|---|---|---|
| ErgoGroup AS | 1.12.96 | Oslo | 100 % | 331 |
| Oslo Container Stevedor AS | 12.4.00 | Oslo | 100 % | 107 |
| Transport Systems International AS (TSI) | 1.1.99 | Oslo | 60 % | 94 |
| Wajens AS | 12.4.00 | Oslo | 100 % | 36 |
| Nettlast AS | 15.11.00 | Oslo | 100 % | 30 |
| Netaxept AS | 30.6.00 | Oslo | 48 % | 19 |
| Pan Nordic Logistics AB (PNL) | 15.8.97 | Stockholm | 33 % | 19 |
| Posten Escape AS | 1.7.99 | Oslo | 100 % | 12 |
| Billettservice AS | 1.12.96 | Oslo | 77 % | 5 |
| Nettlast Hadeland AS | 15.11.00 | Jaren | 100 % | 5 |
| Nettlast Helgeland AS | 15.11.00 | Mosjøen | 100 % | 5 |
| Posten Forbruker-Kontakt AS | 1.10.97 | Oslo | 100 % | 3 |
| Kort Prosess AS | 26.6.00 | Oslo | 51 % | 3 |
| Postens Servicepartner AS | 15.12.98 | Oslo | 85 % | 1 |
| Other owner interests | | | | 4 |
| **Total book value** | | | | **674** |

Other owner interests are minor shareholdings owned directly by Norway Post.

| Subsidiaries with a share capital >NOK 1 million | Acquired | Address | Owner-/ voting interest | Book value |
|---|---|---|---|---|
| Subsidiaries owned by ErgoGroup AS: | | | | |
| ErgoBluegarden AS | 2000 | Oslo | 100 % | 75 |
| Ephorma AS | 1999 | Kristiansand S | 50 % | 30 |
| ObjectWare AB | 2000 | Gøteborg | 40/50 % | 24 |
| Mondex Norge AS | 1999 | Oslo | 99 % | 21 |
| Enet AS | 1997 | Oslo | 100 % | 7 |
| Mondex Norge Originator AS | 1999 | Oslo | 100 % | 5 |
| IntraDoc AS | 1997 | Sandnes | 60/70 % | 3 |
| Communication Partner AS | 1995 | Oslo | 100 % | 3 |
| Subsidiaries owned by Transport Systems International AS: | | | | |
| Box Delivery Norge AS | 1999 | Oslo | 100 % | 5 |
| Other shareholdings: | | | | |
| Transportinvest AS | 2000 | Oslo | 9% | 41 |
| Telegate ASA | 2000 | Oslo | 5 % | 20 |
| | | | | |
| Other shareholdings | | | | 8 |

**Joint venture companies**

Norway Post owned 33 % of Pan Nordic Logistics AB (PNL) and 48% of Netaxept AS at 31 December 2000. ErgoGroup owned 50% of Ephorma AS at 31 December 2000. These are joint venture companies incorporated in group accounts using the gross method. The share of profit/loss and the balance sheet, including goodwill, are incorporated for each item in the tables. The key figures are presented below.

| | PNL | Netaxept | Ephorma |
|---|---|---|---|
| Share of operating revenues | 186 | 0 | 124 |
| Share of operating costs | 186 | 14 | 137 |
| Share of net financial items | 0 | 0 | 1 |
| Share of taxes | 0 | (4) | 3 |
| Share of profit/loss for the year | 0 | (10) | (9) |
| Share of fixed assets | 13 | | 16 |
| Share of current assets | 103 | 11 | 48 |
| Total assets | 116 | 11 | 64 |
| Share of long-term liabilities | 4 | 0 | 15 |
| Share of short-term liabilities | 88 | 2 | 26 |
| Total liabilities | 92 | 2 | 41 |

With accounting effect from 1 January 2000, Norway Post increased its ownership share in PNL from 25% to 33%.

An agreement has been signed for an option to purchase 100 % of the shares in TSI over three years. At 1 March 2000 the owner interest was extended from 40 % to 60 %.

## Note 10 Interest-bearing long-term receivables

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2000** | **1999** | **1998** |
| 10 | 11 | 12 | Receivables, employees | 13 | 11 | 13 |
| 24 | 25 | 106 | Loans to subsidiaries | | | |
| **34** | **36** | **118** | **Interest-bearing long-term receivables** | **13** | **11** | **13** |

## Note 11 Stocks in hand

Stocks in hand have been written down in the accounts by NOK 9 million for the parent company and NOK 10 million for the group (NOK 7 million in 1999 and NOK 9 million in 1998 for both the parent company and the group).

## Note 12 Interest-free short-term receivables

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2000** | **1999** | **1998** |
| 1 289 | 1 328 | 1 493 | Trade receivables | 1 831 | 1 591 | 1 455 |
| 7 | 6 | 4 | Receivables from employees | 10 | 9 | 7 |
| 11 | 12 | 20 | Receivables from subsidiaries | | | |
| 46 | 46 | 47 | Prepaid expenses | 83 | 63 | 65 |
| 85 | 58 | 46 | Other receivables | 78 | 93 | 121 |
| **1 438** | **1 450** | **1 610** | **Interest-free short-term receivables** | **2 002** | **1 756** | **1 648** |

Deductions have been made in trade receivables for bad debt in the amount of NOK 9 million for the parent company (NOK 4 million in 1999 and NOK 6 million in 1998), and NOK 19 million for the group (NOK 9 million in 1999 and NOK 9 million in 1998). Actual losses on receivables in 2000 were NOK 15 million for the parent company and NOK 17 million for the group (NOK 12 million in 1999 and NOK 5 million in 1998 for the parent company and for the group).

## Note 13 Liquid assets

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2000** | **1999** | **1998** |
| 1 570 | 986 | 637 | Bank/cash deposits | 780 | 1 151 | 1 647 |
| 824 | 153 | 10 | Bonds | 10 | 153 | 824 |
| 160 | | | Tied assets | 33 | 29 | 190 |
| **2 554** | **1 139** | **647** | **Liquid assets** | **823** | **1 333** | **2 661** |

The cash holding for Norway Post Bank of approx. NOK 550 million is included under cash in hand. Remuneration for these services is included in operating revenues, while interest on the cash holding is recorded as financial income. See note 21 for more details.

At 31 December 2000, Norway Post held government bonds totalling NOK 10 million.

Norway Post has furnished a bank guarantee of NOK 300 million as security for employees' withholding tax. The group has established a group accounts system whereby Norway Post by agreement is the account holder. The banks may set off withdrawals and deposits against each other so that the net position represents the amount outstanding between the bank and the account holder.

## Note 14 Equity

| | Paid-in capital | Legal reserve | Distributable reserve | Share premium reserve | Other equity | Equity parent company | Group reserve | Group equity |
|---|---|---|---|---|---|---|---|---|
| Equity at 31.12.1998 | 1 515 | 594 | 252 | | | 2 361 | (8) | 2 353 |
| Profit/loss for year parent company after dividend | | 44 | 263 | | | 307 | (307) | |
| Profit/loss consolidated after dividend | | | | | | | 306 | 306 |
| Equity at 31.12.1999 | 1 515 | 638 | 515 | | | 2 668 | (9) | 2 659 |
| Transferred from distributable reserve | | | (515) | | 515 | | | |
| Transferred from legal reserve | | (638) | | 505 | 133 | | | |
| Equity at 01.01.2000 | 1 515 | | | 505 | 648 | 2 668 | (9) | 2 659 |
| Profit/loss for year parent company after dividend | | | | | (680) | (680) | 680 | |
| Profit/loss consolidated after dividend | | | | | | | (655) | (655) |
| Direct transfers against equity | | | | | | | 8 | 8 |
| Equity at 31.12.2000 | 1 515 | | | 505 | (32) | 1 988 | 24 | 2 012 |

Pursuant to the Act on the Public Post Corporation (special legislation), the regulations governing the legal reserve, dividend and similar were repealed with effect from 1 January 2000. As at 1 January 2000, the share premium account received the share of the legal reserve relating to premiums in connection with the payment of paid-in capital

## Note 15 Provision for commitments

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2000 | 1999 | 1998 |
| 117 | 119 | 325 | Net pension commitment | 342 | 128 | 95 |
| | 19 | | Deferred tax | | | |
| 496 | 154 | 914 | Restructuring commitment | 915 | 158 | 496 |
| | | 3 | Other commitments | 22 | 7 | |
| **613** | **292** | **1 242** | **Provision for commitments** | **1 279** | **293** | **591** |

See also notes 2, 6 and 16.

## Note 16 Restructuring commitments

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2000 | 1999 | 1998 |
| 777 | 496 | 154 | Restructuring 1.1. | 158 | 496 | 777 |
| 140 | | | Grant | | | 140 |
| 32 | 60 | 1 000 | Provision | 1 000 | 60 | 32 |
| | (10) | | Reversals | | (10) | |
| (453) | (392) | (240) | Incurred expenses | (243) | (388) | (453) |
| **496** | **154** | **914** | **Restructuring 31.12.** | **915** | **158** | **496** |

See also note 4.

## Note 17 Interest-bearing long-term and short-term liabilities

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2000 | 1999 | 1998 |
| 1 500 | 600 | 400 | Debt to credit institutions | 443 | 617 | 1 500 |
| 237 | 205 | 179 | Other long-term liabilities | 260 | 289 | 316 |
| 400 | 400 | 400 | Subordinated loans | 416 | 400 | 400 |
| **2 137** | **1 205** | **979** | **Interest-bearing long-term liabilities** | **1 119** | **1 306** | **2 216** |
| | 600 | 400 | Debt to credit institutions | 401 | 617 | |
| 230 | 118 | 120 | Other long-term liabilities | 177 | 185 | 292 |
| 400 | 400 | 400 | Subordinated loans | 400 | 400 | 400 |
| **630** | **1 118** | **920** | **Loans maturing after 5 years** | **978** | **1 202** | **692** |
| | | 400 | Loan certificates | 400 | | |
| | | | Debt to credit institutions | 16 | | |
| | | **400** | **Interest-bearing short-term liabilities** | **416** | | |

The total unused drawing rights amounted to NOK 1 800 million at 31 December 2000, and are valid until 31 December 2005.

In addition to equity the government has invested NOK 400 million in subordinated loan capital at an interest rate of 7.5 % p.a. The loan, which is interest-only, shall be repaid by 2 December 2006. Norway Post is entitled to repay the loan in whole or in part before the agreed date. Other long-term liabilities comprise financial leasing commitments and will be reduced as instalments are paid. See note 20.
The weighted average rate of interest for the total liabilities was 7.0 % in 2000. There were no fixed interest agreements at 31 December 2000.

## Note 18 Interest-free short-term liabilities

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| **1998** | **1999** | **2000** | | **2000** | **1999** | **1998** |
| 1 550 | 1 448 | 1 479 | Provision for wages/public charges | 1 652 | 1 528 | 1 634 |
| 129 | 232 | 194 | Provision for incurred costs | 222 | 250 | 145 |
| 86 | 131 | | Provision for dividend | | 131 | 86 |
| 134 | 149 | 75 | Tax payable | 118 | 176 | 140 |
| 339 | 345 | 381 | Prepaid revenues | 400 | 357 | 382 |
| 477 | 460 | 569 | Trade accounts payable | 662 | 602 | 533 |
| 64 | 53 | 121 | Debt to subsidiaries | | | |
| 102 | 30 | 64 | Other liabilities | 228 | 107 | 140 |
| **2 881** | **2 848** | **2 883** | **Interest-free current liabilities** | **3 282** | **3 151** | **3 060** |

For further details regarding tax payable, see note 6.

## Note 19 Guarantee liability/mortgages and similar commitments

Norway Post has furnished a parent-company guarantee to Norway Post Bank of 37% of the annual contractual amount for the supply of IT services. This guarantee amounted to NOK 45 million in 2000. A parent-company guarantee has also been furnished for rental costs. Both guarantees have been furnished on behalf of ErgoGroup AS.

The company has furthermore furnished a guarantee to Norway Post Bank for loans to employees for the purchase of vehicles for use in service. At 31 December 2000 loans totalled NOK 67 million (NOK 85 million in 1999).

In addition, Norway Post is guarantor for Transport Systems International AS and Box Delivery Norge AS for loans totalling SEK 40 million from Den norske Bank ASA. The total amount of guarantees furnished in 2000 was NOK 220 million, as against Nok 185 million in 1999.

Some of Norway Post's loan agreements contain negative mortgage clauses and commit the group to maintaining defined levels for key financial ratios. The group lay well within these limits at year-end 2000.

## Note 20 Rental commitments

| NORWAY POST | | | | NORWAY POST GROUP | | |
|---|---|---|---|---|---|---|
| 1998 | 1999 | 2000 | | 2 000 | 1999 | 1998 |
| 8 | 7 | 5 | No. of leased buildings 31.12 | 6 | 8 | 9 |
| 1 350 | 1 298 | 1 228 | No. of rented buildings 31.12 | 1 244 | 1 312 | 1 366 |
| 395 | 426 | 495 | Rental costs | 580 | 475 | 434 |

**Financial leasing**
The book value of buildings at 31 December 2000 was NOK 167 million for the parent company (NOK 198 million in 1999 and NOK 243 million in 1998) and NOK 233 million for the group (NOK 265 million in 1999 and NOK 316 million in 1998). The commitments totalled NOK 174 million for the parent company at 31 December 2000 (NOK 201 million in 1999 and NOK 230 million in 1998) and NOK 246 million for the group (NOK 276 million in 1999 and NOK 308 million in 1998). The buildings are classified as buildings and other real estate, while the corresponding commitments are classified as interest bearing long-term liabilities and are included in note 17.

**Rental commitments**
Norway Post has signed rental agreements for most of its offices. The overview above shows how many buildings are rented and related rental costs.

For information on rental costs relating to the closing of post offices, see note 4.

## Note 21 Other matters

**Disputes**
ESA is currently considering a complaint regarding alleged illegal cross-subsidisation/discrimination related to transfers from Norway Post's licensed sole rights area to its parcels business. The complaint does not contain specified claims for compensation, and no provision has therefore been made in the accounts. Norway Post has made submissions to the complaint in which it denies that there are grounds for the complaint.

**Financial matters**
Financial instruments for managing exposure related to interest rate changes, exchange rate fluctuations and changes in power prices are employed by Norway Post to a limited degree. Various financial instruments are employed in connection with major purchases from foreign suppliers, mainly forward exchange contracts. Options and forward contracts are employed to manage the price risk for expected future consumption of electric energy.

Agreements on financial instruments are signed to reduce the risk of financial exposure and are treated with as hedge accounting in the accounts.

As regards the pension scheme in the Public Service Pension Fund, the yield from pension assets (fictive fund) depends on developments in the yield on government bonds cf. note 2.

Forward contracts and options have been employed to meet part of consumption of electric . At 31 December 2000, contracts have been entered into that cover 66 % of the expected consumption of power in 2001. No further contracts have been entered into in 2001. At 31 December 2000, unrealised losses in relation to market value amounted to NOK 1.5 million for these contracts.

Ten contracts have been signed in order to hedge the currency risk in connection with the purchase of sorting systems for Logistikk 2000. Eight of these contracts mature in 2001. At 31 December 2000, the outstanding hedged amount was EUR 13 million. As of 31 December 2000, there was no unrealised loss or gain.

**Significant transactions**
The largest individual transactions in 2000 were the provision for restructuring, the sale of Posthuskvartalet and Majorstua postgård in Oslo, and the acquisition of shares in Oslo Container Stevedor AS, Wajens AS, Nettlast AS and Netaxept AS. Further details of the provision for restructuring and the sale of property are given in note 4, while the acquisition of shares is described in note 9.

## Note 21 Other matters (cont.)

**The Government**
The Government is the sole owner of Norway Post. The Government, represented by the Ministry of Transport and Communications, has granted Norway Post a licence effective from 1 October 1997 up to and including 30 September 2001 for the "sole rights area" in which Norway Post shall provide efficient national distribution of mail (basic services), and secure all parts of the country good and equal access to the basic services and fundamental banking services.

Financing of the extra expense involved in maintaining the level of public service required over and above that which is commercially profitable, shall be made through allocations from Norway Post's monopoly profit and through Government funding of the purchase of postal services. Government funding of NOK 540 million was allocated in the National Budget for 2000.

The licence conditions also require Norway Post to document that the sole rights products do not cross-subsidise the products exposed to competition. This documentation is submitted to the Norwegian Post and Telecommunications Authority in the form of special product accounts. Pursuant to the licensing terms, the product accounts for 2000 shall be presented no later than three months after the financial accounts for 2000 have been submitted.

Norway Post has not received the remaining NOK 200 million of a government grant to cover expenses in connection with the restructuring of the post office network, as was anticipated in connection with its restructuring to a public corporation with limited liability by a special Act. This is commented in notes 4 and 16.

At 31 December 1999, the Government had furnished Norway Post with a subordinated loan. See note 17 for further information.

**Norway Post Bank**
Until the merger with Den norske Bank on 1 December 1999, Norway Post Bank was both obliged and had the sole right to supply its basic services through Norway Post's network. After the merger this legally-defined duty and exclusive right no longer apply.

The postal network is owned and run by Norway Post. A cooperation agreement has been signed with Den norske Bank ASA for the sale of products and services and development of the network. The present agreement, a continuation of that with Norway Post Bank, runs until 1 May 2005 and is based on commercial principles.

**Post in Shop outlets**
On 20 September 2000, Norway Post signed a five-year agreement with Norgesgruppen ASA and AS Norske Shell for the development of the Post in Shop concept. During the period 1 March 2001 to 1 March 2002, a minimum of 700 local Post in Shop outlets will be established, and Norgesgruppen ASA and AS Norske Shell have undertaken to open a minimum of 500 outlets with a satisfactory geographical distribution. By 30 September 2002, Norway Post will have established at least 1100 Post in Shop outlets, and Norgesgruppen ASA and AS Norske Shell will be responsible for at least 750 of these. It is the intention of the parties to cooperate strategically in the long term.

**PNL**
Norway Post has a joint venture with Sweden Post Ltd. and Post Denmark, in which the three Posts each have a 33 % shareholding in PNL AB.

During the course of 2000, PNL AB has taken over sales, production and development of international parcel products in the three Scandinavian countries.

ARTHUR ANDERSEN

**TRANSLATION FROM NORWEGIAN**

AUDITOR'S REPORT FOR 2000

Arthur Andersen & Co
Statsautoriserte revisorer

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Telefon 22 92 80 00
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Org. nr. NO - 910 167 707

Medlemmer av
Den Norske Revisorforening

To the Annual Shareholders' Meeting of
Posten Norge BA

We have audited the annual financial statements of Posten Norge BA as of 31 December 2000, showing a loss of NOK 680 millions for the parent company and a loss of NOK 655 millions for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Jan Wellum Svensen (sig)
State Authorised Public Accountant (Norway)

Oslo,
22 March 2001

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Andersens Revisjonsbyrå AS, Hamar
Bakke & Hjelmaas Larsen, Billingstad
Terje Bjerkan A.S, Stryn
Gulliksen & Holmen AS, Drammen
Jensen & Co. ans, Tromsø

Møller & Co as, Tønsberg
Dybwad Revisjon DA, Oslo
Revisjonsfirmaet Aage P. Danielsen, Kristiansand

## >>BETTER SERVICE, LONGER OPENING HOURS AND NEW SERVICES

**Norway Post has determined to establish a new customer and retail services network to boost its presence in the market. This move reflects Norway Post's desire to meet customer requirements for greater service and accessibility, and to make the company more efficient and profitable.**

*Business Unit Manager*
Lars B. Kalfoss

"We combine an increased level of service and accessibility for our customers with improved efficiency and profitability for Norway Post."

### >>New sales and customer service network

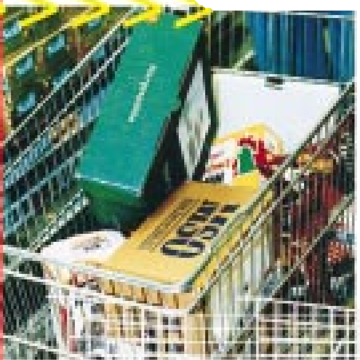
At the end of June, the board of Norway Post agreed on the structure of the new sales and customer service network. The network will have 330 Post Shops (Posthandel), more than 1,100 Post in Shop outlets (Post i Butikk), 32 Business Centres (Bedriftssenter), and five Contact Centres (Kontaktsenter). These will replace 547 of today's post offices and about 400 contract post offices. If the municipalities choose to establish so-called "Public Service Offices", postal services may be made available in these, too. As a result of the new structure, customers will have greater access to postal services and opening hours will be longer.

### >>Post Shops – post office, bank, telecommunications and entertainment

Post Shops are replacing the present post offices and are to be Norway Post's showcase product. Postal services will be simplified, standardised and made more efficient. Through collaboration with DnB/Postbanken, customers will have a broader range of financial services available. Furthermore, greater emphasis will be placed on the sale of goods in areas such as telecommunications, packaging, music, home entertainment, and office supplies. Post Shops will be operative from 1 June 2001.

### >>Post in Shop – allying environmental concerns, products and services

In September, Norway Post signed a collaboration agreement with NorgesGruppen/Shell, and subsequently with COOP and Hakon Gruppen, to set up postal points of sale in shops, kiosks and petrol stations. The roll out of the Post in Shops outlets is scheduled to finish by February 2002. This channel focuses on the consumer market, offering postal products and financial services. Norway Post will begin to introduce these outlets on 1 March 2001.



### >>Business Centres – basic and value adding services

Business Centres are to be established in those areas having a high density of businesses, and will provide basic postal services including pick-up and delivery. Norway Post's business centres will develop value-adding solutions complementing the basic services and consequently expanding Norway post's total offer to the customers. A centre for testing the concept was opened in Nydalen, Oslo, on 16 October. Full implementation starts on 2 May 2001.

### >>Contact Centres – differentiated and specialised tasks

Contact centres are to be set up in five locations in Norway and will fill different customer service functions.

- Sarpsborg: The current customer service department is to be continued in the areas of development, central handling of telephone calls and e-mail in the sales network, and support for Norway Post's sales network including Post in Shops.
- Haugesund: Central handling of re-addressing and temporary storing of mail, central handling of telephone calls and e-mail in the distribution network, and support for Norway Post's Distribution Network. Established on 1 February 2001.
- Larvik: Customer support and sales programmes for defined customer groups, and central handling of telephone calls and e-mail from business customers, plus support for own salespersons. To be established on 1 April 2001.
- Kristiansand: Central handling of telephone calls and e-mail in the sales network, and support for Norway Post's sales network including Post in Shops, plus central handling of customer complaints.
- Steinkjer: Shared switchboard for Norway Post.

Key figures:
No. of employees at 31 December 2000:8963

Turnover:
NOK 3.224 million

### >>Restructuring – benefits and costs

The restructuring of Norway Post's sales and customer service network is expected to yield an annual gain of over NOK 1,000 million following its completion, and involves reducing the number of staff by 2,200 man-years.

Every effort has been made to ensure that the restructuring process is carried out as smoothly as possible and to the least detriment of the employees. A programme including various initiatives has been worked out together with the employee organisations, and the company has put together an organisation to support employees and managers throughout the restructuring process.

### >>Turnover – aiming high

In 2000, Norway Post increased its sales of bank products by 60 % in relation to 1999. At the same time, the demand for over the counter payment services has gone down. The sale of retail goods, parcels and letters increased. The business unit intends to concentrate even more on the growth areas in 2001.

### >>The market – service and product positions

The financial market can be divided into four segments: payment services, loans, deposits and funds. Through the partnership with DnB/Postbanken, Norway Post has a total market share of 24 %, with payment services constituting the greatest share of turnover. Within retail goods, the most successful products are mobile phone and telecommunications products, music and office supplies. A number of products in the above groups were sold under a pilot scheme in 2000. The results from this pilot will help determine the future supplies to the Post Shops.

### >>Letterboxes – more flexible approach to location

Norway Post decided at the end of September to cease efforts to move customers' letterboxes to collective delivery points. The company is now working to find a solution that meets customers' requirements while maintaining efficient delivery.

### >>Philatelic service – millennium programme and philatelists' products

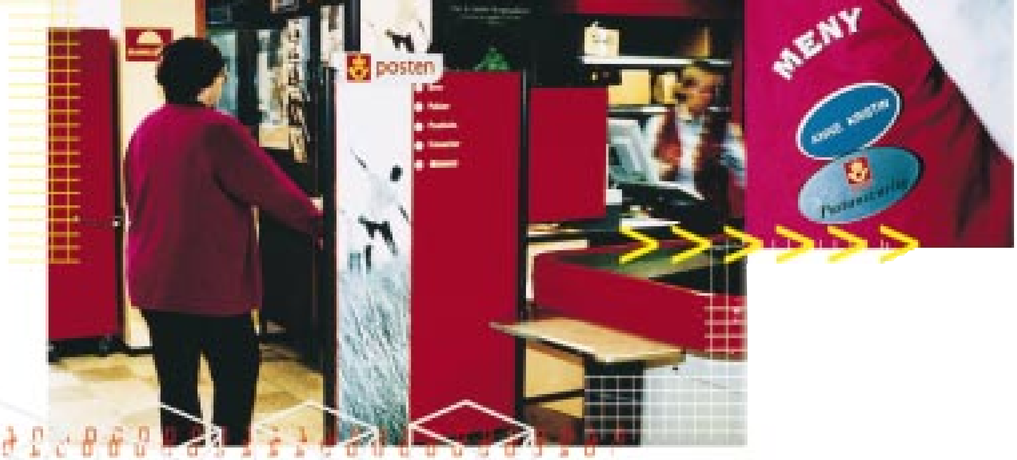
Norway Post issued 28 postage stamps in 2000. The company's millennium programme ended with the issue of two winning entries from the children's drawing competition called "A new millennium". Entries were received from 36,000 children and the jury was headed by HRH Princess Märtha Louise. Norway Post's philatelist products won the Norwegian Design Council's "Award for Good Design". Despite strong competition from a number of high-profile Norwegian companies, these products were also nominated for the Design Council's highest award, "Distinction for Good Design".

### >>Highlights

- New system for servicing customer complaints
- New agreement with DnB/Postbanken
- Shorter queues following improved staffing routines
- New system for tracing and monitoring parcels
- Successful share subscription for Telenor

### >>Billettservice AS

The tickets sales company Billetservice AS sold 3.8 million tickets for various cultural activities in 2000. Telephone reservations using the number 815 33133 accounted for 1.6 million tickets, and Internet reservations accounted for 250,000. The post offices sold 1.2 million tickets in 2000.





**The business unit "Customer and Retail Services" was established on 1 August 2000, and functions as a dealer and distribution channel for internal and external goods and service providers. It interfaces with customers on behalf of Norway Post's business units, DnB/ Postbanken, and other external providers of goods and services. Customer and Retail Services sells products and services in three markets: postal market, finance and commerce. The postal market encompasses both the consumer and the business markets.**

# >>CONCENTRATING ON THE DEVELOPMENT AND SALE OF COMMUNICATIONS SOLUTIONS

**The communications market is growing rapidly. The ability to offer a broad range of integrated solutions, including electronic, is essential in the growing CRM market (Customer Relationship Management). Internationalisation requires harmonisation and new forms of collaboration. While the number of items sent by post has increased up to now, we expect the volume to level out and to start falling.**





## >>The market and distortion of competition

The position of Norway Post in the market for physical communications is influenced by many factors. The deregulation of the letter market will allow new companies to start up in Norway and thus increase competition. Globalisation also demands optimum communications solutions — — inter as well as intra companies, as well as across borders. To meet these challenges, the business unit Communication is now providing customers with highly efficient total solutions.

One of the consequences of increased internationalisation is the huge increase in the volume of national mail being posted abroad to capitalise on the lower costs of the other country's postal services (ABA re-mailing). The import of such re-mailed letters – in particular, from the Czech Republic – increased by over 500 % in 2000. Norway Post has taken steps in compliance with the Postal Services Act with a view to seeking compensation for the actual costs of handling such mail.

## >>Stronger position in the e-market

The development of the IT industry is changing communications requirements significantly, and is consequently increasing market opportunities in a number of areas. The Communication business unit invested heavily in software in 2000 for operating customer databases in CRM solutions. The CRM solution is based on a multi-channel communications platform and supplements direct customer dialogue services and one-to-one-marketing. We believe it is necessary to strengthen our position in this market by developing solutions adapted to meet customers' specific requirments.

## >>Pricing

On 1 January 2001, Communication introduced a new pricing system, for both national and international "A", "B" and "C" class mail (priority, economy and bulk mail) to adapt prices to economic principles and customer requirements for flexible service.

A new pricing structure for newspaper and magazine distribution that provides a sliding scale according to quantity and geographical location was introduced on 1 June 2000.

A new discount structure for unaddressed mail was introduced on 1 July 2000, and the prices of sending unaddressed mail were adjusted on 1 October 2000.

## >>New market solutions

International Direct Mail (IDM) was launched on 1 February 2000, and is directed towards Norway Post's most important European partners in order to meet the market's growing requirement for a harmonised direct mail (DM) product.

- On 1 November 2000, Norway Post introduced the service of distributing advertisements at the weekend and separately from the distribution of ordinary mail.
- Simplified routines for notifying changes of address via the Internet, or by phone, were introduced on a test basis in Summer of 2000. Norway Post intends to develop these routines and to provide greater opportunities for the re-forwarding of address information.
- On 1 December 2000, Norway Post launched a new scheme called "Proof of delivery to the

addressee in person". This service is directed towards providers of purely Internet-based solutions (dealers in stocks and funds, Internet banks and telecommunications companies) and is intended to ensure that confidential information is given only to the party that has signed the agreement.

> In March 2001, the use of franking machines enters a new era, adapted to the electronic world. The machines will be connected to a loading centre and will download the expected cost of postage. This service is to be offered to all users in the course of three years and will give customers up to 5 % discount.

### >>The role of letters in the market

The unique characteristics of a physical letter – both for private and business matters – have been highlighted on many occasions throughout the year.

The "Golden Letter Competition" was run for the second time, and 240 companies took part, registering 600 entries. The purpose of the competition was to highlight the fact that letters play an important role in customer care. Assessments show that 29% of portfolio customers view letters as a positive contribution to customer relations.

Results of marketing campaigns to promote the sending of St. Valentine's Day cards show that as much as 27 % of the target group (15–24-year olds) sent cards on St. Valentine's Day 2000, as against 24 % the year before. Approximately 30 % sent a St. Valentine's Day card for the first time in 2000, as against 46 % in 1999.

The Communication business unit also participated in marketing activities during the Quart Festival and at events such as Max Marketing Mix, Expo Media, and the Golden Pencil ("Gullblyanten"). At the trade fair, "Expo Media 2000", Norway Post was voted best stand of the year out of 130 stands.

### >>Growth and investment areas

Norway Post intends to concentrate efforts on:

> further developing its distribution solutions to promote simplification of procedures, greater efficiency, competitive pricing, better accessibility and predictability;
> electronic solutions to combine and supplement physical solutions;
> help companies transfer their internal information flow to an electronic platform;
> communications solutions that extend beyond national borders;
> CRM and customer development programmes;
> total solutions that include database operations, sale of addresses, printing, packaging, enveloping, addressing, handling of responses, advice and analyses.

**The business unit Communication was established as a separate business unit on 25 April 2000, and is responsible for the development and sale of efficient physical and electronic communications solutions to business customers in the Nordic Area and to the public sector in Norway.**

**Key figures:**

**No. of employees at 31 December 2000:**
**429 employees**

**Turnover:**
**NOK 8.184 million**

**Physical postal items in 2000:**
**2,522 million, representing an increase of 0.3 % from 1999.**

*"Our strong market position will be maintained and will form the basis of the exploitation of new market opportunities."*

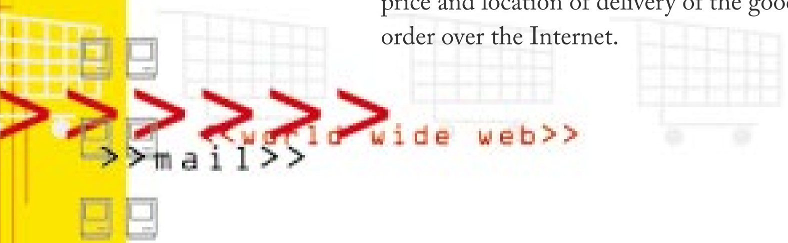
*Business Unit Manager Communication*
Lars Harald Tendal

# >>FROM GOODS DISTRIBUTION TO TOTAL SUPPLIER OF LOGISTICS AND PAYMENT SOLUTIONS

**Despite tough national and international competition, the Logistics business unit has made good progress in its efforts to offer solutions in the areas of physical transportation and handling as well as related information and payment flows using mobile and web-based technology..**

### >>Increased competitiveness – third-party logistics

Business unit Logistics has increased its competitiveness in the market for third-party logistics. Norway Post's central warehouse was taken over on 1 January 2000, and has been converted to a warehousing services unit. Norway Post acquired two of the biggest competitors in the Oslo harbour area, Oslo Container Stevdor AS, and Wajens AS – in the Spring of 2000 as part of an initiative to strengthen the role as a logistics integrator. To provide secure payment solutions over the Internet, Logistics signed a partnership agreement with Accenture and DnB in 2000 and set up the company Netaxept. This joint venture has already seen business unit Logistics pioneer the development of a new mobile payment solution allowing payment on delivery of the goods at the customer's door. This new payment solution may prove to be an important driver for facilitating distance and Internet commerce. A new transport module was developed and sold to Internet shops. This is a functionality fully intergrated with Internet shops to allow customers themselves to determine the date, price and location of delivery of the goods they order over the Internet.




### >>New customer-integrated e-commerce solutions

Business unit Logistics is focusing on developing electronic solutions for its customers with full integration of the customers' and Norway Post's IT systems. Already half the volume of parcels handled by Norway Post comes from customers with EDI (Electronic Data Interchange). With EDI, Norway Post can provide value-adding supplementary services based on information on the parcels sent. EDI also contributes to strengthening Norway Post's position in the area of electronic payments. The Logistics business unit is planning to use "ePosten" and new marketing opportunities in the "B2C" market ("Business to Consumer").

### >>Product development and contract customers

The products "Business Parcel" and "Service Parcel" enjoyed a considerable increase in volume in 2000. In total, Norway Post's parcel volume increased by 2.4 % in 2000. The increase in "Business Parcel" volume was partly due to efforts made to improve the company's market share of local transport and partly due to a considerable increase in the number of contracts with private companies.

The new payment scheme for "Service Parcel Door-to-Door" is expected to help boost the "Service Parcel" product concept in the e-commerce market and in the traditional mail-order market considerably. On 15 November, the product called "Norway Parcel" ("Norgespakke") was modified and relaunched as a customer-friendly product for private individuals. "Norway Parcel" consists of four standard boxes, a prepaid despatche note, an unlimited weight allowance, and is simple to hand in for despatch. The new solution is also suited to Norway Post's prospective sales policy in shops. Many small companies ceased using "Norway Parcel" in 2000 and decided to become contract customers instead. The number of contract customers increased from 8,000 to 15,000 during the year, mainly because of the "Business Parcel" product.

*"Today, Norway Post is future-oriented and a considerable supplier of logistics solutions, also within the area of electronic commerce."*

*Business Unit Manager Logistics*
Bernt Reitan Jenssen

**The business unit Logistics supplies solutions for the distribution of parcels and goods, electronic information about parcels sent, and payment to suppliers.**

## >>Trends in the market

Market trends show that Norway Post needs to strengthen its position in the handling of express parcels and to establish a much stronger position in the handling of heavy goods. Business unit Logistics has already increased its share in the express company "Transport Systems International" to 60 % and has launched a new, nation-wide express service. This new service requires the coordination of services provided by TSI's courier companies and Norway Post's own vehicles.

Future developments will involve new alliances, partnership agreements and the acquisition of companies. Norway Post's current range of products may be supplemented by the addition of heavy goods services, but this will require close links with international networks.

## >>Organisation – greater efficiency and expertise

The year 2000 saw the merging of the sales organisations of the Parcels, International and Remote Commerce units. International customers have been transferred from Norway Post to the subsidiary Pan Nordic Logistics. The nine biggest parcel sorting centres have been integrated into the business unit. Norway Post has had to reduce the number of staff significantly at the Oslo parcel sorting centre and at the company's headquarters. At the parcel sorting centres, Logistics has launched a "Balanced Scorecard-programme" to focus attention on quality. This programme introduced "Standard Sorting Office Reporting" and "Balanced Management Follow-up". The business unit is also carrying out a number of pilot schemes throughout the organisation in connection with development of expertise, new working methods, and award schemes. As part of the project "Logistics 2000" (restructuring of Norway Post's sorting centres), it is planned to make further reductions in the number of staff working at the parcel sorting centre in Oslo, but to increase production at various other locations in Norway.

## >>Higher quality = satisfied customers

The Logistics business unit has been successful with respect to customer satisfaction and quality. According to a customer satisfaction survey carried out by MMI, the Logistics business unit has moved from last to first place in a survey involving three competing transport companies. Customers are particularly pleased with the reliability of Norway Post's delivery service, its drivers and its sales force. The quality of delivery and data relating to all types of parcels is at record levels or has been greatly improved.

**Key figures:**
**Turnover:**
**NOK 2.8 million**

**Total number of parcels:**
**NOK 25,4 million**

**No. of employees at 31 December 2000:**
**1.595 employees**

# >>INTERPLAY, EXPERTISE AND EFFICIENCY

**In autumn 2000, Posten SDS began to plan a new corporate structure. The result of this planning is ErgoGroup, which today consists of fifteen limited companies. ErgoGroup has recorded considerable growth in the development and delivery of integrated IT solutions within the fields of infrastructure, electronic services and administrative support services.**

### >>Strategic restructuring

ErgoGroup has restructured all its operations, establishing fifteen smaller units in the form of leading-edge companies. Each company represents a clear market profile. The new organisation gives greater flexibility for building strong alliances and new joint structures, at the same time as it provides a greater potential for pursuing a more aggressive policy in the market.

### >>Turnover and results

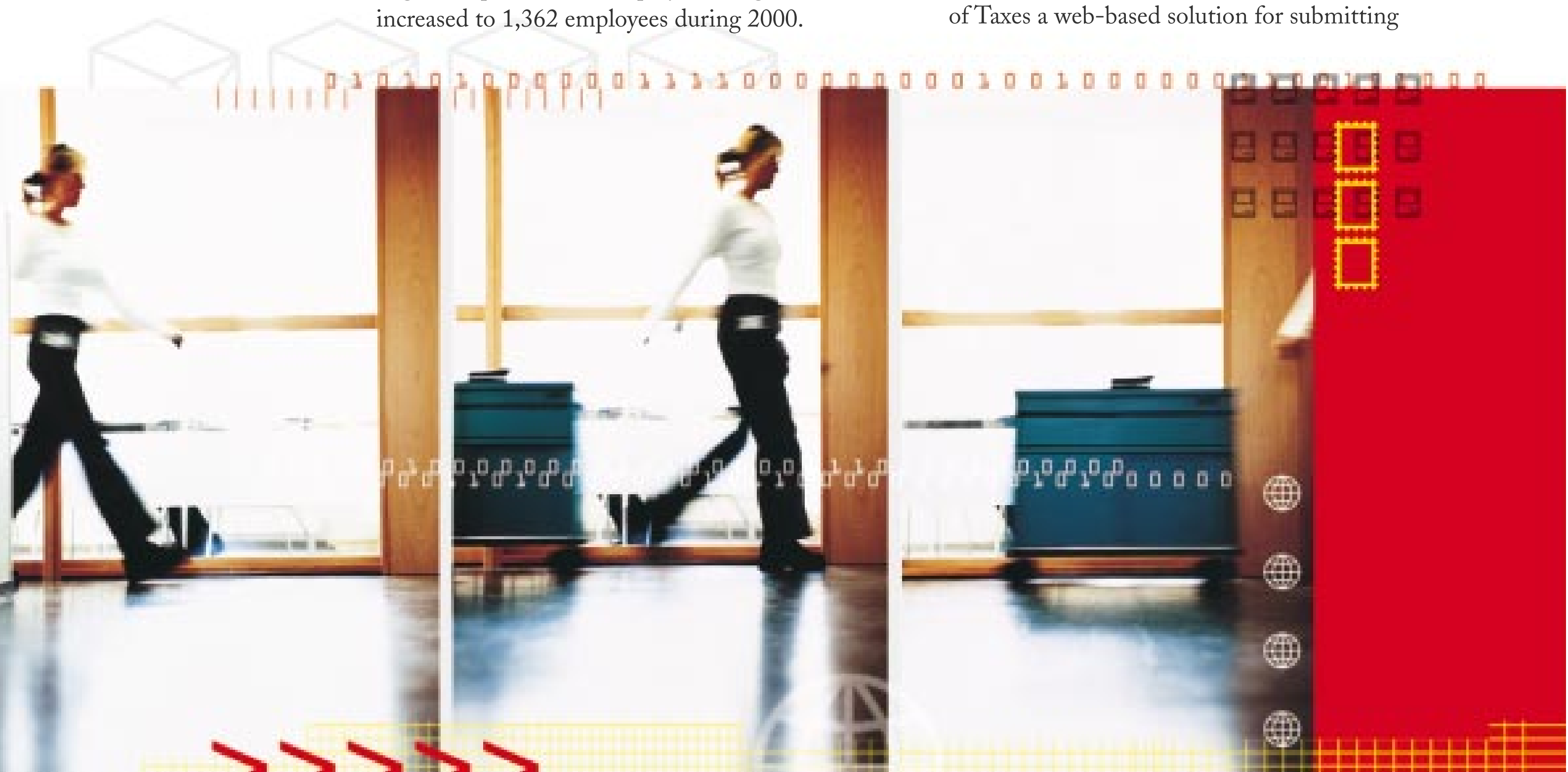
ErgoGroup recorded a turnover of NOK 1,678 million in 2000, an increase of 15 % from 1999. The private sector accounts for 27 % of the turnover, while the public sector accounts for 32 %. Forty-one per cent of the turnover came from deliveries to Norway Post. In 1999, ErgoGroup had 1,118 employees, a figure that increased to 1,362 employees during 2000.

### >>Organisation and human resources

In the spring of 2000, ErgoGroup was awarded the Remote Worker Prize by the Norwegian Forum for Distance Work. During the first quarter, the company presented its first Skills Report, a proprietary tool for strategic skills development. ErgoGroup issues its own annual report, which this year includes a Skills Report for the former parent company Posten SDS. Staff surveys show that the company enjoy high scores in employee satisfaction. ErgoGroup is represented with 25 offices from Hammerfest in the north to Kristiansand in the south. ErgoGroup's head office is situated in Nydalen in Oslo.

### >>Highlights of 2000

- Agreement signed with the insurance companies Gjensidige NOR Forsikring and Spareforsikring concerning outsourcing of the companies' IT operations. This agreement represents a value of more than NOK 1 billion over a five-year period.
- Acquisition of 40 % of the Swedish company TransWare, which supplies data and communications solutions to the transportation industry. This agreement secured ErgoGroup a 50.1 % voting share.
- ErgoBluegarden acquired Formula (Merkantildata Applications), a consultancy environment and product centre in the area of payroll and HR systems, and PR and TLP, which are part of IBM's payroll and personnel systems. Since it was established in January 2000, the number of people employed by ErgoBluegarden has grown from 60 to 300.
- ErgoGroup has developed for the Directorate of Taxes a web-based solution for submitting



"ErgoGroup will be a spearhead in the expansion of Norway Post's role in modern society."

*Managing Director*
Per Andersen

tax returns over the Internet (Elektra). In 2000, more than 300,000 individuals submitted their tax returns via the Internet, four times the number in 1999.

- ErgoGroup was awarded a contract to supply the Directorate of Taxes with data communications services. This agreement adds more than NOK 100 million in turnover p.a.
- Delivery of a system for the electronic reporting of the National Insurance Administration's settlement claims following treatment of patients in outpatient departments.
- ErgoGroup was chosen by the Norwegian Patent Office to supply a system for the electronic processing of patent applications. Of key importance to this system is Norway Post's SmartCard-based electronic ID concept.
- Contract signed with Norske Skog concerning the operation of Norske Skog's data environment. This contract adds over NOK 45 million in turnover.
- Subsidiary Ephorma signed a contract with the Municipality of Oslo concerning the introduction of a new financial management system. The new turnover for this contract is more than NOK 100 million.

## EXPERTISE AND AREAS OF FOCUS

### >>Infrastructure services

ErgoGroup will be responsible for developing a competitive infrastructure for the group's customers and for the Norway Post group. Infrastructure services form the basis of the group's other services and business is created through the interplay between business areas. Growth will occur through existing customers, by winning larger outsourcing contracts, and through strategic acquisitions.

### >>Electronic services

ErgoGroup will create new revenues for the Norway Post group when the market for physical mail levels off. The company will develop electronic solutions for payment and logistics, thereby ensuring that Norway Post continues to be a competitive supplier of logistics. The solutions ErgoGroup develops will subsequently be utilised in the commercial market.

### >>Administrative support functions

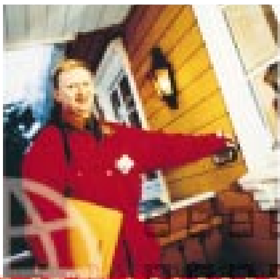
An increasing number of companies outsource part of their operations. Through acquisitions and organic growth in the year 2000, ErgoGroup is well positioned in this market, and through its subsidiaries ErgoGroup is able to take over responsiblility for entire business functions for its customers within payroll, HR and accounting services. The administrative support functions (supplied as an ASP solution – Application Service Provider) shall bring ErgoGroup higher up the customer's value chain, thereby strengthening customer relations and increasing growth and profitability throughout the group.

*ErgoGroup comprises the companies ErgoBusiness, ErgoBluegarden, ErgoEnet, ErgoDialog, ErgoIntegration, ErgoNetcomputing, ErgoConcept, ErgoSolutions, ErgoXchange, IntraDoc, Ephorma, TransWare, Mondex Norge, Mondex Norge Originator, ZebSign and Medix.*

**ErgoGroup sells and supplies IT solutions primarily to large public and private operations, targeting a broad market with tried and tested standard solutions. The company's most important competitive advantage is its ability to combine professional and technological expertise with a thorough knowledge of each individual customer.**

**Key figures:**
**Turnover:**
**NOK 1,678 million**

**No. of employees as at 31 December 2000:**
**1,362**




ICA

## >>INCREASED EFFICIENCY AND BETTER QUALITY

**The Distribution Network business unit was established in 2000. The objective of this unit is to develop and operate Norway Post's physical network both in Norway and internationally, primarily supporting the other business units in the group. Restructuring has been carried out in order to improve the flow of mail between sender and recipient.**

### >>Market-oriented distribution network

The most important challenges facing Distribution Network are the development and creation of a market-oriented and efficient distribution network. New and higher targets are set to improve quality, particularily in those areas impacting own ability to deliver on time. One of the conditions for meeting these targets is to supply the organisation with necessary expertise. Throughout the year 2000, Distribution Network has focused strongly on measures designed to improve quality in all areas, and it will continue to give priority to this task in the future.

### >>Quality level meets licence requirements

By focusing strongly on the quality of delivery throughout the organisation, and by implementing a number of specific measures, Norway Post has succeeded for the first time in meeting the licence requirement effective from October 1999. In the fourth quarter of 2000, 85.6 per cent of all priority mail (A-post) arrived at its destination within one day, representing an improvement of 5 % compared with 1999.

### >>New sorting centre structure – standardisation of new technology

The process of automating and rebuilding sorting centres was started in 2000. Norway Post signed an agreement with a supplier for delivery of twelve sorting machines for letters. Bergen and Kristiansand took delivery of the first new sorting machines at the end of the year.

### >>New distribution solutions – home delivery

In order to satisfy market demand and to meet new customer requirements, Distribution Network has, in collaboration with "ICA Rett hjem" and several other suppliers, established a pilot project in Asker and Bærum, in which around 500 customers receive home delivery of goods, parcels and letters in the evening. Independent surveys show that the customers participating in this project are very pleased with the service.

### >>Organisational development

Distribution Network will focus on the continued improvement of efficiency and quality. During the course of the year, the sorting offices in Stavanger, Vestfold, Trondheim, Drammen and Hamar will begin to use state of the art sorting machines. Distribution Network will also introduce new technology and automated processes within Norway Post's transport and delivery operations. To ensure the right type of expertise, focus will be given to instigating organisational development and cultural change throughout the business unit.

**Key figures:**
**Turnover:**
**NOK 6,326 million**

**No. of employees as at 31 December 2000:**
**17,968**

## SUBSIDIARIES

### >>Norway Post Consumer Contact – integrated

To secure closer coordination with the parent company, Norway Post Consumer Contact was integrated as part of Norway Post's product portfolio in the year 2000. Norway Post Consumer Contact distributes unaddressed mail in a market that is expected to grow.

### >>The Nettlast companies– strategic acquisitions

To strengthen its transport operations and improve the basis for distributing heavy goods, Norway Post took over NSB's road haulage operations by acquiring the companies Nettlast AS, Nettlast Helgeland AS and Nettlast Hadeland AS. Through this strategic acquisition, Norway Post extended its product range to include heavy goods, while at the same time opening for considerable synergies with Norway Post's other long-haul transport operations.

*Business Unit Manger Distribution Network*
Petter Henning Grimsrud

*"Meeting our customers' needs means delivering their mail according to their expectations."*


post

# >>FROM SERVICE AND THE "ROLE OF PERFORMER" TO BUSINESS PARTNER AND THE "ROLE OF NEGOTIATOR"

**Business Partner is a newly-established business support unit , with the objective to maintain and develop the procurement of support services for Norway Post's other business units. Business Partner also manages Norway Post's real estate.**

### >>Group procurement

The group's internal, strategic project, "Procurement 400", played a key role in helping Norway Post, represented by the Group Procurement Division, to win the central government procurement prize in 1999. In 2000, Procurement 400 produced accumulated procurement savings of NOK 245 million. The goal of the project is to achieve accumulated annual savings totalling NOK 400 million by the end of 2001.

### >>Market development

Increased professionalism and exposure to competition in Norway Post in recent years has resulted in the gradual transfer of support functions to the subsidiary company Postens Servicepartner AS. The strategic restructuring currently being carried out by Norway Post will result in less need for support functions in the field of construction, cleaning and canteen services, which are areas covered by Postens Servicepartner AS.

During 2000, new concepts for administrative support services in the areas payroll, personnel, accounting and finance have been developed through shared service centres. These will become important agreement and procurement areas for Business Partner in the future. The subsidiaries ErgoBluegarden AS and Ergo-Business AS are suppliers of these support services.

In connection with the move to Norway Post's new headquarters, PostHuset, a full service concept will be realised in 2003 for common services for all business units and corporate staff.

### >>Gains from restructuring

At the time when the restructuring of Norway Post's canteen operations was completed in the summer of 2000, Postens Servicepartner AS operated 44 manned canteens for Norway Post, compared with 61 before the restructuring process. These changes have resulted in more cost-efficient operations, and greater customer and employee satisfaction.

Restructuring of the cleaning service was completed on 30 April – eight months ahead of schedule.In the year 2000, cleaning costs amounted to around NOK 150 million, which represents a saving of approx. NOK 100 million since 1999. In this area too, greater customer and employee satisfaction was achieved.

### >>Focus and priority areas

Business Partner's role as negotiator on behalf of Norway Post's business units will be of great importance in developing the procurement of competitive support services. In order to develop and increase the level of professionalism in Business Partner's activities, special focus will be given to skills development and the utilisation of new technology. The restructuring of Norway Post's sales and distribution network also means that Norway Post's real estate needs will change. Now and in the future, it will be important to use space efficiently. One important task will be to sell off property and lease back a minimum amount of space.

*Manager*
Hans Edvardsen

*"Business Partner guarantees that Norway Post receives competitive support services."*

## >>Quality surveys – the market as driving force

The subsidiary Postens Servicepartner AS conducts monthly quality surveys of the cleaning and canteen services. The results of these surveys show an average score of 4.1 for cleaning services and 4.3 for canteen services, on a scale from 1 to 5, with 5 being the best. In addition, a computer-based quality system is used, containing, among other things, improvement and deviation reports, and a quality telephone line where customer comments concerning quality are logged.

## >>Surveys of the working environment – for internal optimisation

Last year, several studies were made of the working environment by the corporate health service, Norsk Bedriftshelse AS. The canteen study carried out in February, showed a generally high level of satisfaction with an overall score of 4.1, calculated on a scale from 1 to 5, with 5 being the best. A similar survey of cleaning staff produced an overall job satisfaction score of 4.2, as against 3.8 in 1999.

## >>Head office project – a full service concept

Norway Post's office activities in the Oslo area will be gathered at PostHuset, the present Postgiro building, with the move planned for approximately 700 employees in the middle of 2003. Today, Norway Post is spread over a total of 13 locations in Oslo. The vision for the new headquarters is that the "new" PostHuset will present an image of Norway Post as a modern and future-oriented service company with a working environment that fosters innovative activity. Business Partner is responsible for the entire relocation process, up until the move. The construction part of this process will involve rehabilitation of the building, as well as the design of tomorrow's workplace of postal employees. An organisation development project will carry out the process of fostering innovation and appropriate forms of management and interplay in the "new" Norway Post. The full service concept involves development of optimum common service and support functions for the business units and corporate staffs.

Norway Post has decided to announce the sale of PostHuset, along with the development plans, with an option to lease back seven floors.

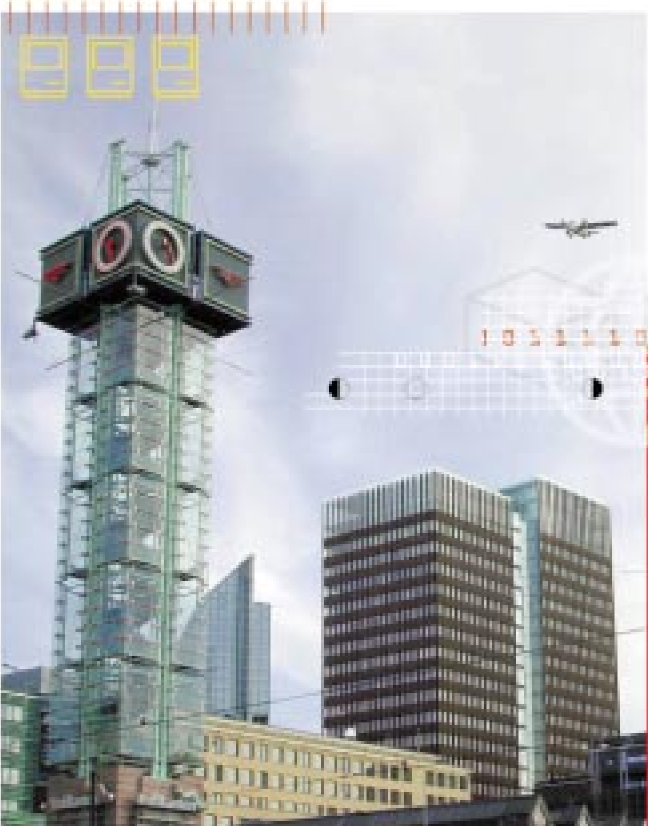
**Through its activities, the business units shall document the suppliers' competitiveness and ensure that Norway Post purchases competitive support services in the market.**

**Key figures:**
**Norway Post's premises:**
**Approx. 425,000 sq. m. owned**
**Approx. 525,000 sq. m. leased**

**Employees as at 31 December 2000: 1,229**

**Turnover: NOK 1.295 million**

**In 2000, work totalling 422 man-years was performed through Postens Servicepartner AS. At 31 December 2000, Postens Servicepartner AS had 1,015 permanent employees, 261 of whom worked full time.**



# >>CHALLENGING AND EXCITING TIMES AHEAD FOR NORWAY POST

**The rapid pace of change places new demands on how Norway Post meets its customers. The most important task ahead is to pursue an aggressive policy and seize the chances we have to create the best possible solutions for our customers. Aspects of change that will significantly influence our operations are:**

### >>The emergence of electronic alternatives

> Simpler forms of communication, particularly electronic, give expectations of a significant increase in the total communications market. This growth is, however, characterised by substitution, reducing the number of physical transactions in the retail and distribution network. We note, among other things, a strong focus on digital signatures, electronic messaging, Internet banking and electronic invoicing. Furthermore, the new Financial Agreement Act opens for electronic communication on a par with written communication.

> Through the "e-Europe" action plan, the EU has adopted a programme of increased investment in IT, which will strengthen the development towards electronic alternatives. A separate action plan at a national level, "e-Norway", has also been adopted. The aim of this plan is to create "a green, knowledge-based economy and an information society for all, with a focus on access, competence and trust".

> Current developments give rise to a number of opportunities. The communications market is growing and Norway Post will assume a strong position, also in respect of electronic channels of communication. At the same time, one expects to see growth in the logistics market through increased e-commerce. This growth will come both from trade between businesses and consumers (B2C) and between businesses (B2B). International transport is expected to increase in line with growth in e-commerce.

> Technological developments erase traditional boundaries between industries. This makes it more difficult to gain an overview of the competitive arena. New players establish themselves in markets where they would not normally have been present, and cross-industry alliances are being established.

> New technology will also change Norway Post's "internal life". A drop in physical communications will bring pressure to bear on the task of changing the cost structure for traditional products. At the same time electronic forms of learning and working methods will be used to a greater degree.

### >>Deregulation and growing competition in the letter market

> The EU is in the process of further deregulation of the letter market from 2003. The proposed deregulation plans will mean that the upper weight limit for letters within the sole-rights area will be reduced from the present limit of 350 grams to 50 grams. In addition, free competition will be introduced for so-called special services. The EU Commission's proposals may create grey areas between the sole-rights area and areas that are opened for competition. The proposal is controversial and has not been fully debated and adopted by the EU. Further deregulation proposals are expeced in 2004, which will come into force from 2007.

> Deregulation will pave the way for new players in the Norwegian market. This will mean increased competition and stronger pressure on prices, particularly in the most densely populated and attractive areas. At the same time the market players will compete for the same manpower.

### >>Globalisation and changed customer demands

> Cross-border trade is experiencing strong growth, and an increasing number of national protected sectors are being exposed to compe-

tition. Integrated networks for production and the exchange of information will be established without regard to national borders.

> Increasing global focus and stronger competition changes customers' behaviour. Through acquisitions and mergers, customers are becoming bigger and more international.
> Customers will demand tailor made solutions more than individual products and services. Quality and flexibility will be more important, at the same time as growing competition will force prices down. The need for an international partner that supplies all logistics services will become greater and suppliers of logistics and information services must be able to take on a greater part of the customer's value chain.
> Specialisation concerning core expertise and focus on core activities will become more important. All operations that are not core activities will be outsourced to specialists who can perform these tasks better and at a lower cost.

## >>Changes in Postal Europe

> The post corporations in Europe wish to expand their international networks and strengthen their positions in the market for integrated logistics in respect of information and goods. Through acquisitions, mergers and binding alliances, the structure of the postal industry is changing dramatically. The four main post corporations in Europe, i.e. TPG (Netherlands), Deutsche Post (Germany), Consignia, formerly The Post Office (UK) and La Poste (France) are expanding strongly. These players are positioning themselves for the forthcoming deregulated letter market, by focusing on parcels and value-added services.
> In the logistics market, the major companies are developing their own commercial networks that maintain control of the item right up until it reaches the recipient rather than using the national postal operators' network. Foreign players, including the four major operators, are already in competition with Norway Post in Norway through ownership, or alliance with, companies in Norway. One also expects to see the development of integrated, international networks in the communications market.
> International traffic will be concentrated around a handful of constellations. The major networks will gain greater power and will be capable of rapidly entering new and profitable market areas. The traditional, international delivery agreements between post corporations (e.g. REIMS) will be in danger of being undermined. The major networks may establish standards which it will be difficult for the smaller players to influence.

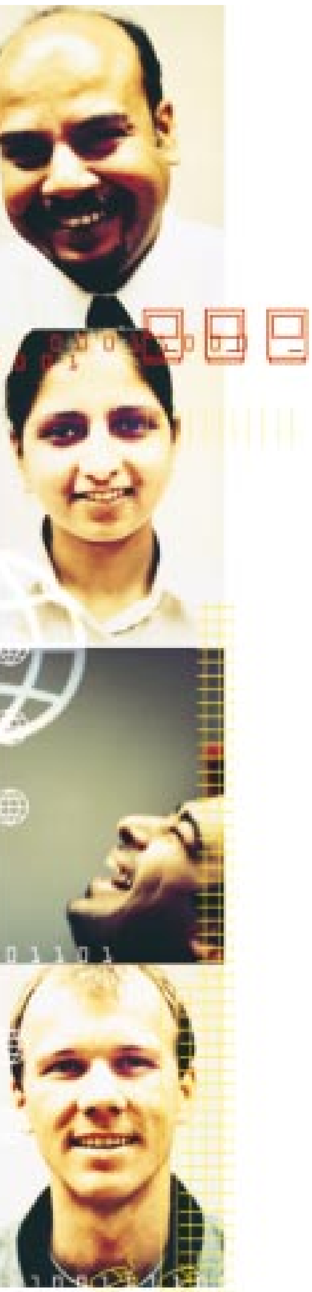
## >>Changes in the labour market

> The trend in the labour market is that more and more people complete higher education before they enter the labour market. Prognoses show that in 2010 as many as 40 % of all people employed will have a higher education, which will mean that the average age of people entering the labour market will be higher. This will lead to greater competition for labour at all levels, especially in geographical areas where qualified labour is already scarce. One particular challenge will be to develop a solution for labour-intensive tasks where the formal education requirement is low. These factors will put greater strain on wage costs.
> The labour market will display greater ethnical diversity and a multitude of skills. Companies and managers will have diversified staffs with employees who demand to be treated as individuals in respect of their skills and background.
> A clear change of attitude is noticeable among employees. Lifelong learning and other requirements of self-realisation are of more importance when choosing employer.
> A tight labour market with growing demand for specialist skills will strengthen the employee's individual power of negotiation. Employees will be less loyal to one particular company and will make demands both in terms of work content and individual development opportunities. Today, every fifth employee in Norway changes job each year. To be able to offer attractive challenges, a good working environment and favourable incentive schemes, will be of great importance in the years ahead.

In other words, the future will place great demands on our ability to adapt. We are highly ambitious and will counter competition with any measure necessary for us to be regarded as the preferred supplier in our markets.

# >>FOCUS ON VALUES

**In a large organisation like Norway Post, it is essential that all employees share the same basic values. For this reason, we have developed a set of values. Staff clearly defines Norway Post as a company that can be trusted in all repects, and a company for which its employees are proud to work.**



### >>Core values

Norway Post's operations shall be characterised by:

> integrity and respect for customers, employees and suppliers
> the best solutions are being created through innovation, dialogue and drive

### >>Human worth

Norway Post's employees:

> wish to do a good job
> welcome challenges and development
> have respect for, and care about one another
> are reliable and take responsibility
> are open and willing to change

### >>Business ethics

Norway Post:

> acts honestly in all matters
> uses its strong market position in a fair way both for customers and competitors
> takes social responsibility
> does not tolerate misconduct

### >>Management philosophy

Managing in Norway Post means adding energy, and freeing up and managing resources so that goals can be achieved both through own efforts and those of others. The managers in Norway Post shall manifest the company's core values through their own behaviour.

### >>Management in Norway Post

Good management is essential if employees are to feel happy and perform to the best of their ability. With a basis in Norway Post's management philosophy, the company expects that its managers:

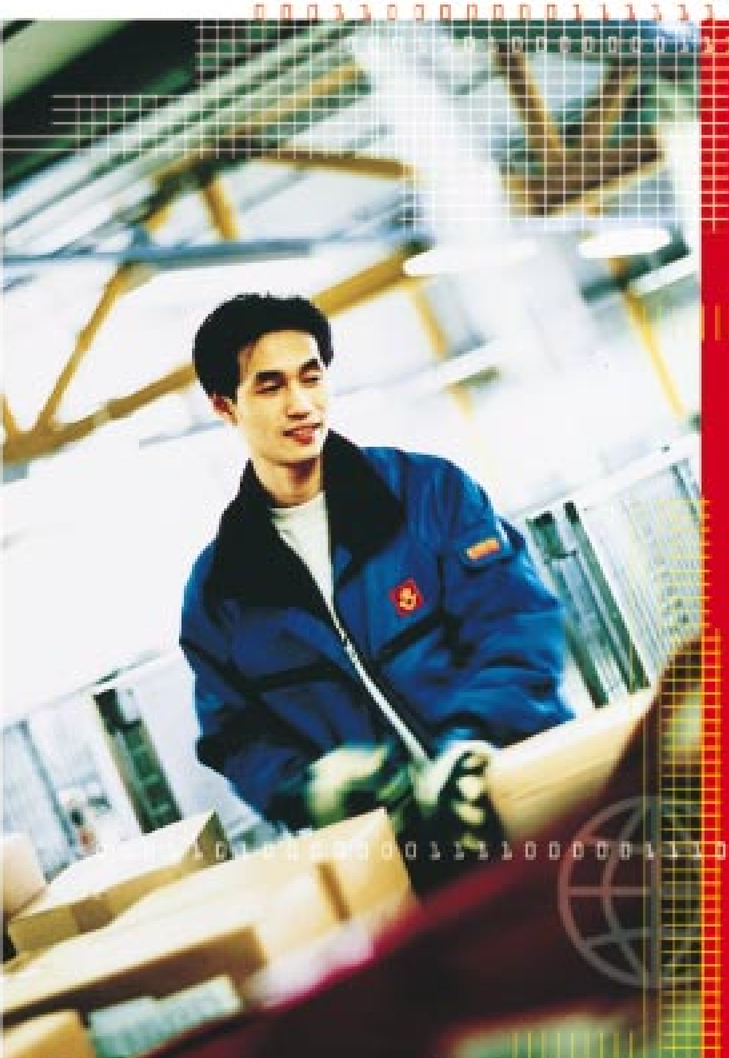
> Understand customers' needs and aim for the best solutions.
< Make clear requirements, follow up results and provide support for and give feedback to their employees
> Assign responsibility and authority to those who do the job.
> Act proactively and are capable of identifying opportunities and exploiting them
> Take a firm hold of difficult situations and resolve conflicts
> Are loyal by contributing to decision-making and effective implementation when decisions are made
> Have personal integrity
> Reduce uncertainty, be predictable and reliable
> Manifest values through attitudes and actions

# >>NORWAY POST DECLARED A RACISM-FREE ZONE

**In 2000, Norway Post signed an agreement with Norwegian People's Aid and the Norwegian postal employees' union Norsk Post- og Kommunikasjonsforbund in which it is stated that Norway Post shall be a racism-free zone. Norway Post is the first major company in Norway to enter into such an agreement.**

The agreement means that Norway Post will have conspicuously racism-free corporate profile and will make it known that everyone is welcome as an employee, guest and customer regardless of his or her skin colour, religious belief or cultural background. Signs containing this message are posted in Norway Post's workplaces and post offices. Norway Post undertakes to treat all employees and prospective employees equally.

Norway Post will take any report of racism and discrimination in the workplace seriously and will in collaboration with the Norwegian postal employees' union Norsk Post- og Kommunikasjonsforbund and Norwegian People's Aid, draw up and use any necessary instrument to secure that the obligations of the agreement are implemented and followed up. Norwegian People's Aid offers professional assistance in carrying out opinion-shaping work. This agreement will be evaluated by the end of 2002.



**Norway Post has been declared a place where everyone is welcome regardless of his or her skin colour, religious belief or cultural background. Norway Post has 32,365 employees and represents 75 different nations in addition to Norway.**

# >>THE WORLD'S MOST FUTURE-ORIENTED POSTAL COMPANY

**During the year 2000 a new group strategy was drawn up along with a corporate vision and principal objectives. These documents contain Norway Post's long-term ambitions, and describe how Norway Post will face the future.**

## >>Vision

The use of the term "world" expresses that we shall be a world leader within our industry. No postal company shall be better in their market than Norway Post is in its own market. This is not an expression of size; rather it is one of skill and expertise.

By "Future-oriented" we express our ambition to always be at the leading edge of developments. We offer solutions adapted to the demands of the present and the future, giving focus to customers' needs and satisfaction. We operate in a dynamic industry and experience the market as one undergoing rapid change. Our vision emphasizes the continuous processes of change and development.

The notion of a "postal company" is not a static concept. We decide ourselves what should be incorporated in the concept "post" in the future, at the same time as we will base our actions on our historical position and trust in the market.

**Norway Post is experiencing considerably sharper competition and a tougher market situation. This require continous development of the company's organisation and culture, management capacity, skills base as well as other resources and systems.**

## >>Principal objectives 2001 – 2003

Norway Post's principal objectives are satisfied customers, a strong market position, attractive workplaces and a competitive creation of value.

### Satisfied customers

Customers shall believe and trust that Norway Post will meet their logistics and communications needs, today and in the future. By focusing on our customers' perception of Norway Post and by meeting customers on their own terms, we will secure profitable operations.

### A strong market position

In order for us to be able to offer our customers the best solutions, both in terms of quality and price, it is essential that we maintain our market position in traditional markets and assume a strong position in new segments.

### Attractive workplaces

To attract and retain employees with the right kind of skills is becoming more and more difficult. In order to recruit and retain critical competence, Norway Post must be an attractive workplace.

### Competitive creation of value

Norway Post must make a number of investments in order to meet the market's need for products and services. Norway Post's owners must be offered a better return on investment in our company than through alternative investments.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