NORWAY POST ANNUAL REPORT 2001

Between you and me

posten

– between you and me

«Our goal is satisfied customers and a strong market position»

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Electronic solutions, competition, profitability and internationalisation

IN 2001 WHAT many people had predicted for a long time came true: The total volume of letters in Norway dropped. The decline was 2.4%, a figure which at first glance may not seem dramatic.
What is dramatic is the fact that it looks likely to be the first of several years of falling letter volumes.
This development, which is mainly attributable to the growth of electronic substitutes, is one of many challenges faced by Norway Post.
Other challenges include de-monopolisation of the letter market and clearly defined profitability requirements from the state as an owner and the international restructuring of the postal sector.
But these four main challenges: Electronic substitutes, free competition, profitability requirements and internationalisation are also Norway Post's ticket to survival and development.
It is Norway Post's strategy to meet the challenges offensively. This will be done by investment in electronic services, investment along our customers' logistics value chain, streamlining by industrialising all operations and raising the service level in all the interfaces between Norway Post and our customers. One of the paradoxes in Norway Post's operations is that while over 80% of our revenue comes from the corporate market, our profile and expertise is almost exclusively appraised on the basis of the consumers' perspective: Accessibility and service relating to basic postal services. Therefore one of the most highly prioritised tasks of 2001 was to establish our new sales network as rapidly as possible. During the last 12 months we established 700 Post in Shops and during the current year the number will rise to around 1150. At the same time the remaining post offices are forming a modern Post Shop chain, with an exciting range of products on top of the traditional postal services. Experience with the new concepts shows that customers are quickly satisfied with the new solutions. Easy access and long opening hours are especially perceived as much better than before.

IT WAS ALSO IMPORTANT in 2001 to part company with a 50-year-old strategy and practice. The large-scale process of colocation of letter boxes on joint stands. The joint stands were inspired too much by the idea of simplifying distribution as much as possible for those carrying out the work and too little by the customers' needs and requirements. This attitude is not consistent with how we see future postal services: An intermediary who both collects and delivers when and where the customer wishes. After Norway Post's new letter box strategy was announced in August, 26 000 customers have got a delivery point that is far better adapted to their own wishes.
Another area of focus in 2001 was the development and offer of electronic solutions. Either alone

«Open competition is the best way of guaranteeing that Norway Post's customers will receive good services»

or in combination with physical items sent by post. Customers demand the most cost-effective solutions to their communication problems. This effectiveness is achieved by optimising revenue factors relating to physical letter and parcel flows, electronic solutions and database management. Norway Post can only develop and supply satisfactory solutions in this area by a leading edge in information technology. Our wholly owned subsidiarie, division ErgoGroup is central in this context.

TRADITIONAL POSTAL SERVICES still represent the largest proportion of group revenue. But our IT revenue increased by 49.8% in 2001 and currently represents 10% of total revenue. This is a rise from 7% in 2000. Letter products represent 57% of the revenue (60% in 2000) and logistics products 20% (as 2000). There can hardly be any doubt that this income-related shift from traditional to electronic products will continue in the coming years. This is clearly the trend and Norway Post has opted for an offensive strategy with regard to development of electronic additional and replacement products, and services.

In 2001 it became even more evident that the postal sector is becoming internationalised and that large post and logistics groups are pursuing international consolidation. There are mainly two forces behind this development: EU's schedule for full competition in the postal sector and customer requirements for international solutions, often combined with requirements for one overall supplier in a wide field of communications, logistics and payment solutions.

This consolidation process resulted in the Swedish postal company leaving the Nordic parcel co-operation Pan Nordic Logistics (PNL AB). Post Denmark and Norway Post have decided to continue running the company for a number of reasons. The Swedish market position the company has developed is interesting in itself and the company will be able to serve as a joint Nordic platform and basis for further international co-operation and alliance forming in the above consolidation process.

In parallel with the PNL operations, Norway Post is established in the Swedish market in the courier sector (TSI/Box Delivery) and in letter distribution through the acquisition of CityMail Sweden. Our total turnover in the Swedish market will exceed SEK 1 billion in 2002 and our investment there will strengthen our position in the important Nordic market both economically and in terms of customers.

AS OWNER OF NORWAY POST the Norwegian State has in recent years more and more focused on the economic aspects of Norway Post's operations. Accordingly, clear goals have been set for return on capital and dividend, and positive value development expectations for the company have also been expressed. In light of this, it is easy to both understand and welcome thoughts about making Norway Post a limited company. This will

hopefully give Norway Post predictable external conditions, and allow for commercial development on par with the company's competitors. It is my opinion that this will, together with an ever-increasing open competition situation, be the best way of guaranteeing that Norway Post's customers receive good services, supplied under cost-effective and competitive conditions.
As Norway Post is not listed, which means that the owners do not get a natural market valuation of the company, the Department of Transport and Communications commissioned Pricewaterhouse Coopers and DnB Markets to assess Norway Post's market value. The valuation was completed in March 2002 and valued the Norway Post Group as NOK 6.3 billion. This is an increase of 31% on the previous valuation of NOK 4.8 billion in spring 2000. By way of comparison the main index of the Oslo Stock Exchange fell by 14% in the same period.

One of Norway Post's main goals is to give the owners competitive value development in the coming years too.

Kaare Frydenberg
Chief Executive Officer

NORWAY POST´S VISION

The world's most future-oriented postal company.
The use of the term "world" expresses that we shall be a world leader within our industry. This is not an expression of size, but rather expertise. No postal company shall be better in its market than Norway Post is in its own market.
By "future-oriented" we express our desire to be at the leading edge of development. Norway Post offers solutions adapted to the demands of the present and the future, giving focus to customers' needs and satisfaction. Norway Post operates in a dynamic industry and we experience the market as one in the throes of rapid change. Our vision emphasises the continuous process of change and development.
The notion of a "postal company" is not a static concept. Development will show what should be incorporated in the concept "post" in the future, at the same time as we shall build on our historical position and trust gained in the market.

BUSINESS CONCEPT

Norway Post develops and supplies comprehensive, value-adding communications and logistics solutions through physical and electronic networks for national and international customers.
To develop "comprehensive, value-adding communications and logistics solutions" means that the company shall not only transport what is being sent from A to B, but also offer total solutions based on the customers' needs.
Norway Post develop solutions that are delivered through "physical and electronic networks". This means that the company will continue to transport physical consignments, but will at the same time offer electronic services and payment services and similar. These can be supplied by Norway Post's own production and also via alliance partners.
Norway Post's network includes both private individuals and companies. The main focus is still on customers in Norway, but the network offered to customers shall cover the whole world.

PRINCIPAL OBJECTIVES

Satisfied customers, a strong market position, attractive workplaces and competitive value development.

Satisfied customers
Customers shall trust that Norway Post will meet their logistics and communications needs, today and in the future. By focusing on our customers' overall perception of Norway Post and by meeting customers on their own terms, we shall secure profitable operations.
A strong market position
In order 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
The competition to attract employees with the right kind of expertise is becoming increasingly keen. In order to recruit and retain critical competence, Norway Post must be an attractive workplace.
Competitive value development
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 better value development in our company than through alternative investments.

SENIOR VICE PRESIDENT, COMMUNICATION DIVISION
Lars Tendal

CHIEF FINANCIAL OFFICER
Klaus-Anders Nysteen

SENIOR VICE PRESIDENT, DEVELOPMENT
Erik Johannessen

SENIOR VICE PRESIDENT, CONSUMER DIVISION
Kay Evensen

SENIOR VICE PRESIDENT, INTERNATIONAL ALLIANCES
Bernt Reitan Jenssen

SENIOR VICE PRESIDENT, INFORMATION
Elisabeth Hegg Gjølme

«Holistic market solutions are best produced by operative group management»

NORWAY POST WANTS an organisation that applies most of its resources towards the external environment, in order to develop and satisfy the demands of the market. The group structure consists of five market- and goal-focused divisions and four development-oriented corporate staffs. This structure forms the basis of the development of market- and goal-oriented operations.

TO ENSURE EFFECTIVE MANAGEMENT of the group a flat management structure has been established and new control systems put into operation. An operative group management team is instrumental in focusing on comprehensive market solutions. Work is underway throughout the group to replace a regulation-based form of management with a value-based leadership, because we believe that development of and responsibility for the individual employees is one of the pre-requisites for success. Where appropriate, efficiency and economies of scale will be emphasised.

The group's main structure is established around clearly-defined, market-oriented divisions. These comprise: Communication Division, Logistics Division, ErgoGroup AS, Consumer Division and Distribution Network Division. The corporate staffs are development-oriented and concentrated in a small number of units: Finance and Control, Development, Information, Procurement and Real Estate.

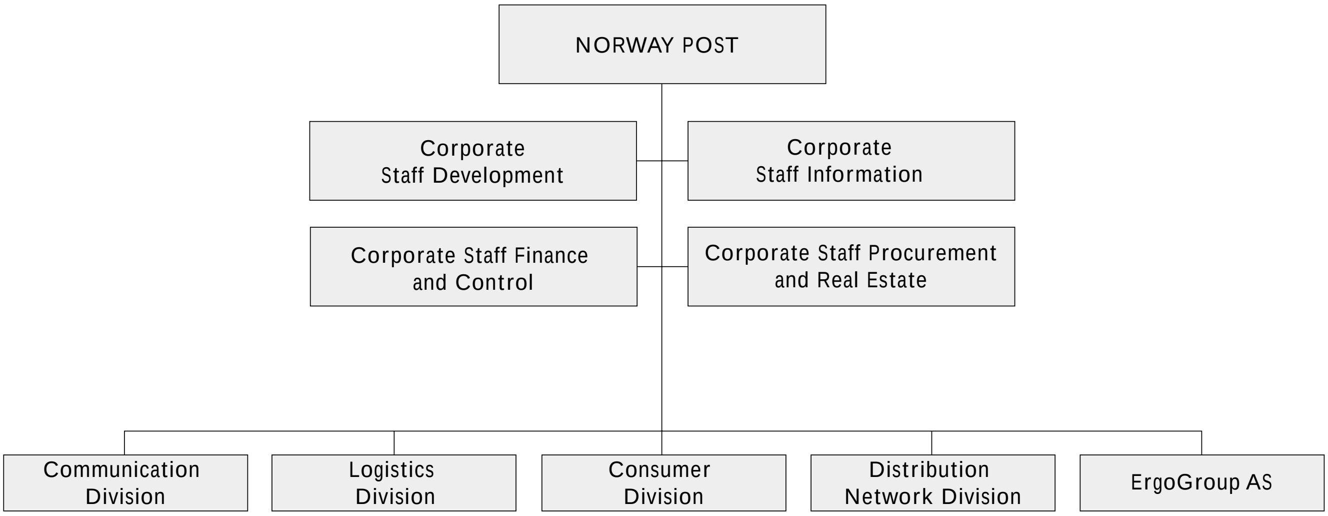
MANAGING DIRECTOR OF ERGOGROUP AS
Per Andersen

CHIEF EXECUTIVE OFFICER
Kaare Frydenberg

SENIOR VICE PRESIDENT, PROCUREMENT AND REAL ESTATE
Hans Edvardsen

SENIOR VICE PRESIDENT, LOGISTICS DIVISION
Arne Bjørndahl

ACTING VICE PRESIDENT, DISTRIBUTION NETWORK DIVISION
Kjell Brevik



«Norway Post's vision is to become the world's most future-oriented postal company»

Board of Directors´ report

THROUGHOUT 2001 NORWAY POST implemented large restructuring processes. The group is arming itself to meet a future of increasing competition with better service, quality, access and streamlined operations. Pre-tax profit in 2001 was NOK 718 million, an improvement of NOK 1.6 billion from the previous year. Adjusted for the provision for structural changes made in 2000, the rise in 2001 amounts to NOK 400 million. This is attributable to the sale of property and companies as well as improvements in the basic operation.

Group turnover amounted to NOK 15,008 million, an increase of NOK 1,429 million or 10.5%. 67% of group revenue comes from sectors exposed to competition and 33% from the reserved area in letter post. Norway Post's vision to become "the world's most future-oriented postal company" has provided a unifying objective for all the development work. In order to realise this principal goal the following main steps were taken in 2001:

• An important factor in looking after and developing the position as a leading and future-oriented postal company is the fulfilment of the licence quality requirements. For the first time Norway Post fulfilled all the requirements throughout 2001. The achievement of such quality is of paramount importance in guaranteeing confidence in our domestic postal services.

• The sales network was expanded and access improved. 452 post offices were replaced by 519 Post in Shops. In addition, 29 post offices were upgraded to Post Shops and 5 Business Centres and 5 Call Centres were established. The final target is a minimum of 1,150 Post in Shops, 300 Post Shops and 20 Business Centres. Post in Shops bring Norway Post closer to its customers, while simultaneously increasing access with longer opening hours and central location.

• The move from joint stands to placing letter boxes at the entrance to the home. To increase customer satisfaction, Norway Post abandoned the philosophy of concentrated delivery of post to joint letter box stands. Instead customers can have the letter box at the entrance to their home. 26 000 recipients of post availed themselves of this option during 2001.

• Home delivery of parcels in the evening. In combination with mobile payment solutions, home parcel delivery to the door has given Norway Post a higher service level in the private market and helps to consolidate the group's position as leading parcel distributor.

• Development of electronic services. Through its subsidiary ErgoGroup AS, Norway Post has developed its offer of secure electronic mail. One result of this work has seen Norway Post in 2001 processing the submission of self-assessment tax forms and changes of tax cards with secure electronic mail. With Telenor, ErgoGroup AS established a joint company, ZebSign AS, for the development of secure electronic ID and digital signature. In 2001 ErgoGroup AS also established the company Buypass AS with Norsk Tipping for further development of electronic smart cards.

• In IT operations and infrastructure ErgoGroup AS has consolidated its position as a serious supplier to both the private and public sector. In 2001 the company entered into major agreements to take over IT operations, including those in Gjensidige NOR.

• Norway Post has ensured a strong position the express services market. Following take-overs of several courier companies, Norway Post is, through the TSI Group, currently the largest courier operator in Scandinavia.

• Efforts are being directed towards strengthening the offer in international solutions, particularly in the parcels and logistics area. The collaboration in the 50%-owned company Pan Nordic Logistics (PNL) has been central to this.

Change and increased efficiency are necessary to keep costs down and to enable prices to remain at a lower level than would otherwise be the case. Increased efficiency, and particularly the process of change to Post in Shop, are important for reducing the need for government purchase of unprofitable postal services.

FOR NORWAY POST TO BE COMPETITIVE in the future, every part of the organisation must be cost effective. Work has been directed towards this end throughout 2001, with the following results:

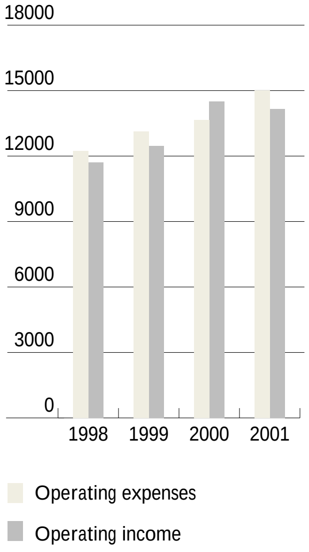
• In 2001 the parent company cut 2,178 full-time jobs. When the ongoing restructuring processes have been completed, Norway Post will have cut down 5,000 full-time jobs.

• To guarantee economies of scale, a smaller number of larger and more automated production units are being developed. In 2001 new, automated sorting centres were put into operation at eight main terminals around the country and a new terminal structure was adopted for northern Norway, Trøndelag and parts of the west.

• Norway Post transferred the individual salary and

Operating income and expenses

(NOK millions)



human resources services to the subsidiary ErgoBluegarden AS, with estimated annual savings of approx. NOK 100 million.

• To ensure effective management of the group, a flatter management structure was established, together with new control systems and work was carried out to replace a regulation-based with a value-based management.

• In June 2001, Norway Post entered into an agreement on leasing of cars for postal deliveries. The agreement is valid until June 2004 and gives annual savings of approx. NOK 100 million.

The need for continuous cost improvement and product development is still strong, particularly as a result of the decline in letter and parcel volumes. 2001 saw the first drop in the volume of letters. The number of parcels sent also showed a decline last year. At the same time fewer bank transactions were carried out at post offices. The changes in the letter and banking areas are structural and Norway Post is planning in terms of a continued decline in these areas. This means that substantial requirements are being placed on Norway Post's innovation, streamlining and customer management to develop new products and services capable of contributing to new growth.

MARKET DEVELOPMENT: Norway Post is structured and developed through market-oriented divisions. This is to focus even more strongly on quality, service, efficiency and product development. Norway Post is to a minor extent protected by monopoly areas. The reserved areas represent 33% of turnover and these will be deregulated within a few years.

In the traditional letter markets volumes are declining. Electronic communication is feeding off the market, while the authorities' introduction of VAT to postage from 1 July 2001 resulted in customers particularly in the financial sector, public sector and humanitarian organisations sending fewer letters. Both in the private and the corporate market the trend will strengthen in the coming years. With the structural changes now taking place, new lines of business must be established. That is why it is important for Norway Post not to invest exclusively in generic growth, but also to grow through alliances and acquisitions, nationally and internationally. The group will develop and position operations, in line with the market's ever-increasing demand for electronic communications solutions, through Norway Post's wholly-owned subsidiary ErgoGroup AS. With ErgoGroup AS as an integrated part of its operations, Norway Post can offer comprehensive solutions to meet our customers' communications and logistics requirements both physically and electronically.

Organic development and the acquisition of Norwegian and Nordic companies have enabled ErgoGroup AS to establish a strong platform from which to compete internationally in the post and logistics area. Norway Post is positioning itself in the express services market. Through the company TSI AS, Norway Post has expanded to become the

largest express and courier company in Scandinavia. This means the group is well equipped to meet future growth in areas such as remote commerce and commerce on the Internet.

Deregulation will result in increased competition. Internationalisation and development of large commercial units will be one consequence of a deregulated market. Norway Post is working actively to be part of a global distribution and communications market. This will be achieved by co-operation and alliances and also by company acquisitions. For the development work to be a success, Norway Post has asked its owner for an increase in capital to allow greater trading freedom in order to implement the group's offensive strategies.

From 1 October 2001, the Ministry of Transport and Communications defined a new concession for Norway Post, which is valid until 31 December 2005. The new concession is essentially a continuation of the old one. It means that Norway Post continues to be subject to considerable regulations with community-related requirements for product offer, quality and accessibility and also that the reserved area continues to the same extent.

FINANCE AND PROFIT GROWTH In 2001, the group had an operating income of NOK 843 million while profit before tax amounted to NOK 718 million. This is an improvement in operating income of NOK 1.6 billion from the previous year, when the accounts were charged with a provision of NOK 1.2 billion for structural changes and disability pensions. The operating income includes one-off effects of NOK 525 million from the sale of property and companies. Income from the operation excluding one-off effects, developed positively during the year from NOK 214 million in 2000 to NOK 318 million in 2001, but is still too weak.

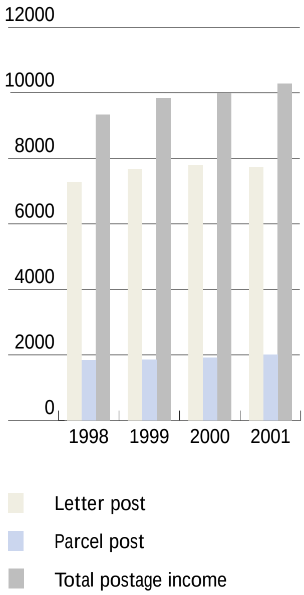
In 2001, Norway Post had a turnover of NOK 15,008 million. This represents an increase of 9.9% from 2000. The volume of letters showed a decline of 2.4% in 2001 compared with the previous year, while the logistics products fell by 2.3%. The number of bank transactions in the sales network fell by 7.5%. ErgoGroup AS had a turnover of NOK 2,450 million, which is an increase of 46% on 2000. The growth can be attributed to increased sales, new agreements and acquisitions.

Income from the IT and consumer area represents an increasing proportion of Norway Post's turnover. The IT area amounted to 10% of income in 2001, compared with 7% in 2000. The consumer area has increased from 8 to 9% and logistics operations are stable at 20% of Norway Post's turnover. Income from the letter area has dropped from 60 to 57% and other income has fallen from 5 to 4%. Government purchase in 2001 amounted to NOK 597 million, including remuneration for implementing the parliamentary elections of NOK 57 million. This puts government purchasing on a par with 2000.

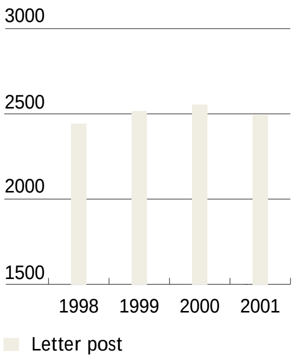
Operating expenses continue to be high. Norway Post is working to make operating expenses more

Income development

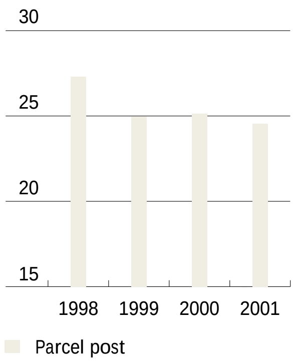
(NOK millions)



Volume development, letter post
volume in million



Volume development, parcel post
volume in million



variable and during the year succeeded in reducing the proportion of the total expenses relating to payroll from 62 to 59%.

CAPITAL: Total capital amounted to NOK 9.2 billion in 2001. This is an increase of NOK 1.1 on the previous year. Group investments in 2001 amounted to NOK 2,033 million, of which NOK 699 million represented acquisitions and NOK 1,334 million investments for operations and maintenance. Investments increased from NOK 1,359 million in 2000. Return on capital employed in 2001 was 24.6%. After an adjustment for sales gains and provisions, the return in 2001 was 11.0% compared with 8.5% in 2000. The equity ratio was 23.9% at 31 December 2001, compared with 24.8% in 2000. Cash flow from operations, before changes in provisions, amounted to NOK 777 million in 2001. The difference between cash flow from operations and the operating income is mainly due to restructuring and sale of property and companies.
Norway Post's operations are such that the financial risks are relatively small. Financial instruments are used to reduce the risk involved in changes in interest rates, exchange rates and the price of energy. The Board of Directors confirms that the annual accounts have been prepared on the going concern basis and that the conditions for this are in place.

ORGANISATION AND ENVIROMENT: At the end of 2001 there were 24 506 full-time jobs in the group, compared with 25 684 the previous year. The group implemented staff cuts involving 1178 full-time jobs. In the parent company there was a reduction of 2178 full-time jobs, while in the subsidiaries there was an increase of 1000 compared with 2000. There is still concern over the high incidence of sick leave. Total sick leave in 2001 was 11.3%, against 10.9% the previous year. Actions are being continuously taken to reduce sick leave. One important measure to emerge in 2001 was active monitoring based on the "Post model" for long-term absence, resettlement and rehabilitation opportunities. At the same time, it is evident that periods of large-scale restructuring create uncertainty, which may be a contributing factor to increased sick leave. 2001 saw 583 employees retiring due to disability, compared with 526 the previous year. Efforts are also being made to reduce this figure. A total of 75 nationalities are represented among Norway Post's employees. Norway Post also carried out work on a "zero tolerance to racism zone " in all parts of its operations.
Norway Post's employees have wholeheartedly supported this initiative.
In the last two years there has been a marked decline in the number of postal robberies. Norway Post has placed emphasis on a systematic development of effective security measures. In 2001 the number of postal robberies in Norway was 8, compared with 20 in 2000 and 32 in 1999. This shows a positive development for Norway Post in comparison with other criminal trends in society. When robbe-

ries do take place, we attach great importance to following up, and supporting, affected employees. Occupational injuries leading to sick leave totalled 357 in 2001. The corresponding figure in 2000 was 362. The injury frequency rate, i.e. the number of injuries involving absence per million working hours, was 9.8 in 2001, against 9.2 in 2000.

Norway Post's employees are part of a major restructuring process. Rationalising and streamlining measures have been necessary to guarantee Norway Post's competitiveness. It is mainly in three parts of the organisation where staff cuts have been sizeable: the sales and dispatch network, distribution network and staff functions. Efforts to create the right balance between resources and assignments will continue in the coming year.

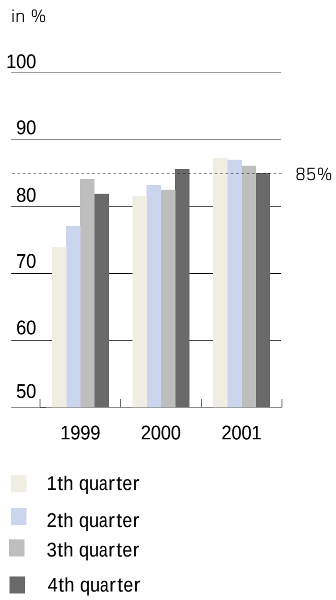
On 1 November 2001, Norway Post joined the employers' organisation NAVO. In spring 2002, the company will be negotiating a new general agreement with NAVO. This will involve Norway Post leaving the state tariff area, as the Norwegian parliament opened for in spring 2001 by ordering the existing special regulations in the act on the public post corporation to be repealed.

Norway Post helps to minimise external environmental effects by its transport operations, management of buildings, refuse and recycling and environmentally-effective purchases. The most serious strain on the environment comes from transport and the management of buildings and in 2001 environment accounts were drawn up to give an overview of energy consumption and emissions. Improvement processes are constantly being worked on to ease the strain on the external environment, mainly via measures to increase the degree of utilisation of transport in the main forms of mail delivery and by transferring more goods transport from air to van/train. In the delivery business all privately owned vans were replaced by 4675 new, leased vans, which will result in reduced use of fuel and fewer emissions into the air. Norway Post has a total of 39 electric vehicles and takes part with four of these in the joint-European project ELCIDIS, which evaluates the efficiency and environment effects of electric vehicles in goods transport. Energy requirements in Norway Post's buildings are mainly covered by electricity and fuel oil. In 2001 an ENØK project was started in Norway Post's terminal building with the aim of reducing total energy consumption by 20% in the period 2002-2005 and increasing the use of renewable sources of energy. In 2001 Norway Post entered into a three-year agreement with Bellona on a collaboration focusing on long-term, strategic environmentally-effective solutions.

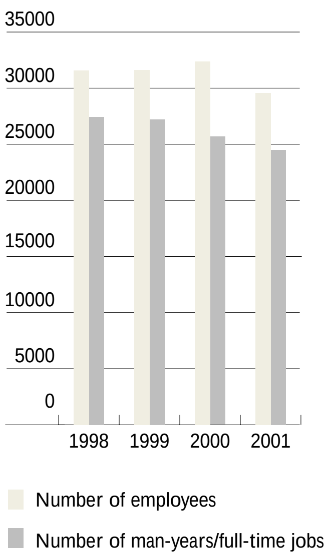
The Board wishes to thank the employees for their active contributions and conscientiousness in this demanding period of restructuring.

THE BOARD AND MANAGEMENT: At the Norway Post Annual General Meeting in 2001, the following new owner-nominated board members were appointed:

Priority mail (A-post) total delivered overnight/next day in Norway



Staff development



In 2001 the principles for calculating full-time jobs was changed. The year 2000 has been recalculated.

Inger Marie Gulvik Holten, Bjørn Kaldhol, Wenche Pedersen and Ingrid Svendsen (deputy member). The following members left the Board: Anna-Synnøve Bye, Svein Roald Hansen, Bjørn Johs. Kolltveit and Ingvild Myhre (deputy member). In spring 2001 the Department of Transport and Communications decided to abolish the corporate assembly. Instead, the Board was expanded from nine to ten members, which gave the employees an increased representation from three to four permanent Board members.
The employees in Norway Post elected the following new Board members in autumn 2001: Hanne Haugsgjerd, Ingeborg Sætre and Erik Døvle. Hanne Haugsgjerd subsequently left Norway Post and was replaced by Hans Fredrik Danielsen. Jan Inge Kvistnes and Bjørg Vatnedalen resigned from the Board.

ALLOCATIONS: Norway Post had a net profit of NOK 461 million after tax for the year 2001. Group underlying operating profit amounted to NOK 318 million. Norway Post has drawn up a strategy for the coming years, involving considerable investments and has asked for an increase in capital in this connection.
It is also that clear that Norway Post's underabsorption with regard to pension commitments may have a negative impact on its liquidity. The Board proposes to the annual general meeting the following allocations, with the owner's wish that the dividend be taken into consideration:

- Allocated dividend	NOK 300 million
- Transferred to other equity	NOK 161 million
- Total transfers and allocations	NOK 461 million

The company had NOK 129 million in distributable reserves at year-end.

PROSPECTS: We must work on the basis that Norway Post will meet competition in all areas of operation in the future. The main features of the market will be growth in electronic alternatives to Norway Post's traditional services, deregulation – and with it increased competition – in the letter market and a globalisation of logistics and communications services. It must be assumed that the development will continue in the direction of fewer and bigger international players who will be expanding their networks. This means that Norway Post must strengthen its position through its own development and the acquisition of companies and the forming of international alliances.
Deregulation of the post market will continue. This will place stiff demands for further development on Norway Post. The EU has drawn up the following deregulation schedule:
• From 2003, the reserved area for letters will be reduced to apply to letters under 100 grams – the current limit is 350 grams. Letters that cross national boundaries will be exempt
• From 2006 the reserved area will be further reduced to apply only to letters under 50 grams

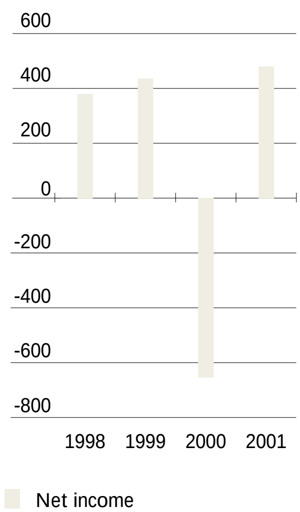
• From 2009 full deregulation is expected in the letter market both nationally and internationally.

To face up to this new competitive situation, Norway Post must continue to attach great importance to the development and restructuring of operations. The traditional postal business can strengthen its competitiveness by the growth of new value-adding services, the streamlining of production and working processes and the use of new technology. Huge resources are required to implement the restructuring work. It is an absolute condition to secure positive economic development in future years. If Norway Post is to succeed in becoming a preferred logistics supplier, external conditions and freedom of trade must be on a par with competing companies. Norway Post's transfer to a limited company will be important in enabling it to adapt to a new competitive pattern.

Profit from the ongoing restructuring and streamlining work will appear gradually. For 2002 we are expecting a profit in line with that of 2001, apart from the sale of properties.

Net income after tax

(NOK millions)



Oslo, 21 March 2002

Magnus Stangeland (Chairman)

Liv Stette (Vice Chairman)

Erik Døvle

Bjørn Kaldhol

Asbjørn Birkeland

Inger Marie Gulvik Holten

Wenche Pedersen

Odd Chr. Øverland

Hans Fredrik Danielsen

Ingeborg Anne Sætre

Kaare Frydenberg (Chief Executive Officer)

AMOUNTS IN NOK MILL.

KEY FIGURES

		2001	2000	1999
PROFIT/LOSS				
Operating revenues	NOK million	15 008	13 659	13 130
Operating incomes	NOK million	843	-848	656
Operating income before tax	NOK million	718	-886	622
PROFITABILITY AND RETURNS				
Estimated key figures incl. one-off effects:				
Net operating margin 3)	%	5,6	1)	5,0
Net operating margin before tax 4)	%	4,8	1)	4,7
Return on capital employed 5)	%	24,6	1)	18,5
Return on equity 6)	%	22,8	1)	17,4
Estimated key figures excl. one-off effects 2):				
Net operating margin 3)	%	2,1	1,6	5,3
Net operating margin before tax 4)	%	1,3	1,3	5,0
Return on capital employed 5)	%	11,0	8,5	19,4
CAPITAL AND EQUITY				
Cash flow from operations	NOK million	183	843	548
Investments	NOK million	2 033	1 359	1 000
Equity ratio 6)	%	23,9	24,8	35,9
PERSONNEL				
No. of employees at 31 December		29 563	32 365	31 614
No. of man-years in 2001		24 506	25 684	27 208

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

1) One-off effects in 2000 related to the allocation for restructuring and disability pensions amount to NOK 1.2 billion This gives negative key figures

2) Estimated figures without one-off effects take into account sale of real estate and operations in 2001, allocation for restructuring and disability pensions.

Definitions

3) Operating income/operating revenues
4) Operating income before tax/operating revenues
5) Operating income before tax + financial income/average of capital employed
6) Net income for the year/average equity
7) Equity/total capital

AMOUNTS IN NOK MILL.

INCOME STATEMENT

NORWAY POST					NORWAY POST GROUP		
1999	**2000**	**2001**		**Note**	**2001**	**2000**	**1999**
11 949	**12 024**	**12 486**	**Operating revenue**	**1**	**15 008**	**13 659**	**13 130**
987	992	984	Cost of goods and services		2 578	2 029	1 668
7 276	7 416	7 326	Salaries	2	8 628	8 331	7 992
399	499	549	Depreciation	7, 8	805	625	500
0	25	62	Write-downs	7, 8	71	26	0
2 628	2 936	3 343	Other operating costs	3	2 608	2 434	2 279
35	1 062	(458)	Other revenues and expenses	4	(525)	1 062	35
624	**(906)**	**680**	**Operating income**		**843**	**(848)**	**656**
144	97	174	Financial income	5	105	104	135
161	128	215	Financial expenses	5	230	142	169
607	**(937)**	**639**	**Operating income before taxes**		**718**	**(886)**	**622**
169	(257)	178	Taxes	6	238	(231)	185
438	**(680)**	**461**	**Net income for the year**		**480**	**(655)**	**437**
			Minority interests' share of net income		17	7	2
			Transfer and allocations				
(131)		(300)	Allocated for dividend				
(307)	680	(161)	Transferred (to)/from other equity				
(438)	**680**	**(461)**	**Total transfers and allocations**	14			

AMOUNTS IN NOK MILL.

BALANCE SHEET

NORWAY POST					NORWAY POST GROUP		
1999	**2000**	**2001**		**Note**	**2001**	**2000**	**1999**
			Assets				
99	536	370	Intangible assets	7	1 301	944	227
3 777	3 823	3 560	Tangible fixed assets	8	3 938	4 148	3 987
434	674	821	Share investments	9	135	83	7
35	37	28	Interest-free long-term receivables		48	45	44
36	118	731	Interest-bearing long-term receivables	10	12	13	11
4 381	**5 188**	**5 510**	**Fixed assets**		**5 434**	**5 233**	**4 276**
43	47	49	Stocks in hand	11	51	50	44
1 450	1 610	2 182	Interest-free short-term receivables	12	2 721	2 002	1 756
1 139	647	720	Cash and cash equivalents	13	960	823	1 333
2 632	**2 304**	**2 951**	**Current assets**		**3 732**	**2 875**	**3 133**
7 013	**7 492**	**8 461**	**Total assets**		**9 166**	**8 108**	**7 409**
			Equity and liabilities				
1515	1 515	1 515	Share capital		1 515	1 515	1515
638	505	505	Share premium reserve (Legal reserve)		505	505	638
515	(32)	129	Other equity		138	(33)	502
			Minority interests		35	25	4
2 668	**1 988**	**2 149**	**Equity**	14	**2 193**	**2 012**	**2 659**
292	**1 242**	**654**	**Provisions**	15, 16	**748**	**1 279**	**293**
1 205	**979**	**1 048**	**Interest-bearing long-term liabilities**	17	**1133**	**1 119**	**1 306**
0	**400**	**832**	**Interest-bearing short-term liabilities**	17	**841**	**416**	**0**
2 848	**2 883**	**3 778**	**Interest free current liabilities**	18	**4 251**	**3 282**	**3 151**
7 013	**7 492**	**8 461**	**Total equity and liabilities**		**9 166**	**8 108**	**7 409**
			Guarantee liability/mortgages	19			

Oslo, 21 March 2002

Magnus Stangeland (Chairman) | Liv Stette (Vice Chairman) | Erik Døvle

Bjørn Kaldhol | Asbjørn Birkeland | Inger Marie Gulvik Holten

Wenche Pedersen | Odd Chr. Øverland | Hans Fredrik Danielsen

Ingeborg Anne Sætre | Kaare Frydenberg (Chief Executive Officer)

AMOUNTS IN NOK MILL.

CASH FLOW STATEMENT

NORWAY POST				NORWAY POST GROUP		
1999	2000	2001		2001	2000	1999
			Cash flow from operational activities			
822	(294)	613	Generated from the year's operations *)	855	(142)	922
(13)	(4)	(2)	Change in stocks in hand	(2)	(6)	(14)
(12)	(160)	(572)	Change in interest-free short-term receivables, ex. group contribution	(713)	(157)	(108)
(78)	168	588	Change in interest-free short-term liabilities, ex. dividends	637	177	46
(321)	964	(566)	Change in provisions	(594)	971	(298)
398	**674**	**61**	**Net cash flow from operational activities**	**183**	**843**	**548**
			Cash flow from investment activities			
(800)	(904)	(1 186)	Investments in tangible fixed assets/IT development etc.	(2 033)	(1 359)	(1 000)
36	333	1 248	Sales of tangible fixed assets	1 384	342	53
(31)	(638)	(551)	Changes in other fixed assets	86	(419)	67
(795)	**(1 209)**	**(489)**	**Net cash flow from investment activities**	**(563)**	**(1 436)**	**(880)**
			Cash flow from financing activities			
400	0	80	Payments, new long-term loans	80	4	416
0	400	432	Payments, new short-term loans	442	416	
0	0	0	Payment of group contribution/dividends	-	-	-
(1 332)	(226)	(11)	Repayments on long-term loans	(18)	(236)	(1 326)
(86)	(131)	0	Dividends paid	-	(131)	(86)
(1 018)	**43**	**501**	**Net cash flow from financing activities**	**505**	**53**	**(996)**
(1 415)	**(492)**	**73**	**Total change in liquid assets**	**125**	**(540)**	**(1 328)**
2 554	1 139	647	Cash and cash equivalents at start of period	824	1 333	2 661
			Cash and cash equivalents at acquisition of subsidiaries	12	30	
1 139	**647**	**720**	**Cash and cash equivalents at end of period**	**960**	**823**	**1 333**
			*) This figure breaks down as follows:			
438	(680)	461	Net income for the year	480	(655)	437
399	524	634	+ Depreciation and write-downs **)	928	651	500
(15)	(138)	(482)	- Gain from fixed assets **)	(553)	(138)	(15)
822	**(294)**	**613**	**= Generated by the year´s operations**	**855**	**(142)**	**922**

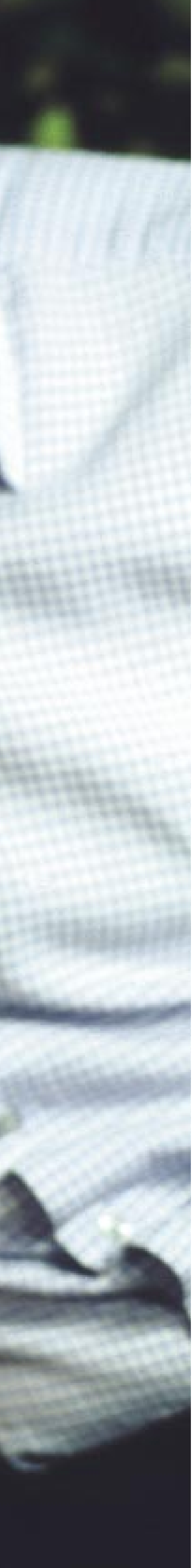
**) Depreciation and write-offs plus gain from sale of fixed assets in cash flow statement also include shares, etc., in addition to assets.

Notes

The notes are an integral part of the annual accounts and can be found on pages 36-52.

«We are your most valuable connection»

LARS TENDAL
Senior Vice President, Communication Division



Tradition meets innovation

IN 2001 NORWAY POST experienced its first decline in letter product volume. "This confirms trends in which information travels around the world, without having been placed in an envelope with a stamp on it. Norway Post has decided to tackle this development offensively. We shall confront the market with service, quality and better accessibility. And we are investing in new, electronic solutions, in parallel with the further development of our traditional letter and advertising products," says Lars Tendal, Senior Vice President, Communications Division.
There is no doubt that Norway Post needs revamping at present. Norway Post's protected existence is a thing of the past, with competition coming in ever-increasing areas. New electronic forms of communication are causing a decline in the number of letters and, in the long term, the disappearance of substanial revenues. In 2009 the EU will be open to free competition for all addressed letters. This means the end of the road for Norway Post's remaining reserved areas and Norway Post will move from its protected state to become exposed to competition. Tendal thinks that the general decline in the economic situation – for Norwegian businesses – which generate approx. 80 per cent of Norway Post's income – and the introduction of VAT on postal services may explain the fall in items sent physically by post. "In this market we too are better represented by completely electronic services, such as secure e-mail and consumer-controlled advertisements, but also by hybrid solutions, whereby the sender and addressee can choose whether they want the letter to be sent electronically or on paper," says Tendal.

THE SENIOR VICE PRESIDENT GUARANTEES that the division will continue to invest in high quality, product development, reasonable prices and solid marketing across the entire spectrum of services.
"The strategic acquisition of business in the communications market also figures prominently in our future offensive," adds Tendal, who points out that both unaddressed and addressed advertisements are on the increase despite the decline in the rest of the advertising market.
"With deeper and broader customer databases, the letter boxes will become the supreme channel for all those who want to nurture their contact with customers. This means that the products we offer are given added value," he explains. The Communication division has plans in place for the future development of the physical letter products. From 1 March 2002 a simpler product and price portfolio was established for addressed letter products. The change means that the three letter products (A, B and C) have been cut down to A Priority and B Economy.
"For the customers the restructuring means a simpler and clearer offer and for us it allows key account agreements to be offered to customers with exceptionally large volumes, continues Tendal.
The Senior Vice President also draws attention to two other product innovations, which show the direction of future development: Electronic change-of-address and safekeeping services, which have increased the offer to customers, will be further developed.

TO DEVELOP IN LINE WITH ITS VISION to become "The world's most future-oriented postal company", Norway Post is revamping its brand strategy. The brand-building is aimed at contributing towards consolidating Norway Post's role as the customers' most valuable connection by offering customer-oriented services and communicating these in a uniform way under the slogan "Between you and me". "Everything from commercials to Norway Post's courier service will communicate the same message: That Norway Post is a solid, honest, trusted and forward-looking company," says Tendal.
During 2001 the Communication division implemented major organisational changes, with the three-year aim of becoming one of the five best organisations in Norway in terms of sales, market and business development.
"Whether the solutions are physical, electronic or a combination of the two, the focus remains on the customer's needs. We are looking to the future, but also taking with us the huge competitive advantage we have gained from more than 350 years as a messenger, in other words Norway Post's position as a trusted third party," concludes Tendal.

KEY FIGURES	2001 HIGHLIGHTS
Employees: *at. 31.12.01: 403* Turnover: *NOK 8,508 million* Physical postal items: *2,494 million*	• The launching of several electronic services, such as eBrev (hybrid service based on physical and electronic mail) and consumer-targeted advertising • Ready-franked envelopes introduced • Norway Post took over responsibility for the majority of postal services in Telenor's new headquarters at Fornebu • Norway Post established a new branding strategy under the slogan "Between you and me" • In mid-May Norway Post's Plus services were launched, allowing changes of address via the Internet and by telephone. At the end of July 45,000 of these subscriptions had been registered

«We shall consolidate our position as leading provider of integrated logistics solutions»

ARNE BJØRNDAHL
Senior Vice President, Logistics Division

Ready for international alliances

BY SUPPLYING TOP QUALITY the Logistics division has maintained its market position. Now all efforts are being aimed at streamlining costs and expanding the network both nationally and internationally.
Senior Vice President Arne Bjørndahl makes no secret of the fact that the Logistics division is aware of a general decline in both national and international logistics markets with lower demand. A decline that was exacerbated by the events of 11 September.
"We have concentrated our efforts on adjusting the costs. Much has been achieved so far, but it will be a little more time before income is satisfactory again," says Arne Bjørndahl. One of the measures that have increased efficiency is the introduction of new parcel sorting centres in Trondheim, Stavanger, Drammen, Stokke and Hamar.

AS WE ENTERED 2001 Norway Post took over 100 per cent of the shares in TSI (Transport Systems International), thereby increasing its participation in the express market in Scandinavia. TSI expanded considerably in 2001, buying several courier companies, including KBE, Pedal and De Grønne bude.
"From now on our most important challenge is to face up to keener competition on the international front. A large proportion of our customers are international and of course they want international solutions. So it is going to be increasingly important for us to satisfy these customers by providing access to international alliances that cover the Nordic region and the rest of Europe," says Bjørndahl. However, the international alliances have not yet found their final form.
The Nordic logistics partnership in PNL AB (Pan Nordic Logistics) was established in 1997 to develop and supply competitive logistics solutions for express mail and goods to and from the Nordic countries. In autumn 2001 Posten Sverige withdrew from the partnership and instead joined forces with French La Poste and the US FedEx. Norway Post and Post Danmark are continuing their partnership in PNL.

THE LOGISTICS DIVISION HAS ENCREASED its service level and further developed many of its products. At the end of 2000 Norway Post launched home delivery of parcels and during 2001 the division entered into a large number of important home delivery agreements with Ellos, Hennes & Mauritz, Norkom, UPC, Rogaland Konserve and others.
Home delivery as a product has improved and the service now includes payment solutions for both recipient and sender. Another of the year's innovations saw the option of replacing the traditional collection slip by SMS messaging/postal notification so that customers can be informed by mobile phone that they have received parcels.

THE EXPECTED EXPLOSION in web commerce did not materialise. The global forecast is for Internet commerce to increase from the 2001 figure of 10 per cent to approx. 16 per cent in 2003. Norway Post is well placed to meet this growth and its measures have included the development of electronic payment solutions.
"A well functioning logistics apparatus is extremely important to success in e-commerce. Norway Post can offer overall solutions for e-commerce, which will make us the best player in supplying logistics solutions to web shops," states Bjørndahl. To be able to offer several services and to keep costs down, the Logistics division has introduced an electronic system for parcel information exchange, called EDI (Electronic Data Interchange). In October Norway Post passed the 1000 EDI customer mark and over half of all parcels are now EDI parcels.

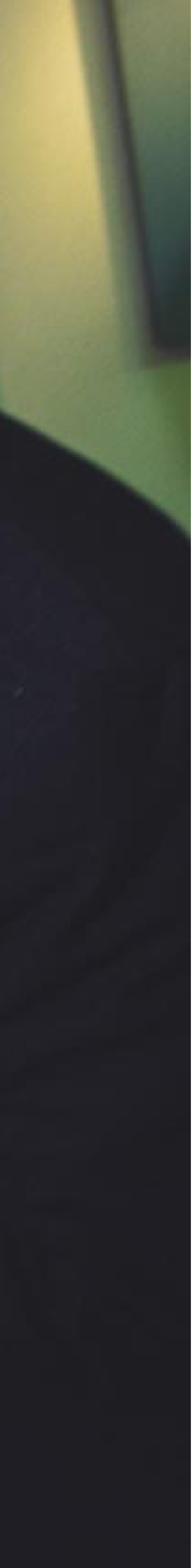
2002 MAY BE A DEMANDING YEAR for the Logistics division. "We do not think there will be an upturn until the end of 2002. Our focus remains on adapting costs to falling volumes and working with the companies we have taken over to realise synergy effects. And, in particular, to appear to our customers as a more complete supplier," concludes Bjørndahl.

OVERVIEW OF SUBSIDIARIES: Netaxept AS, Oslo Container Stevedor AS, Wajens AS, Transport Systems International AS, KortProsess AS, PNL AB and 1to1 Factory AS.

KEY FIGURES	2001 HIGHLIGHTS
Employees: *at 31.12.01: 1357* Turnover: *NOK 2,840 million* Total number of parcels: *24.5 million*	• Norway Post purchased the shares of the logistics company 1to1 Factory AS • The takeover of TSI increased our participation in the Scandinavian express market • The 1000th EDI customer mark was passed • On 19 November Norway Post launched recipient-ordered home delivery, with the recipient deciding on the delivery details • Mobile phone notification replaced the traditional collection slips • Major agreement with Alcatel • Norway Post launched the new business parcel express

«This restructuring offers the customer increased service and improved accessibility»

KAY EVENSEN
Senior Vice President, Consumer Division



Greatest change for Norway Post

THE MAJOR RESTRUCTURING of Norway Post's sales network began in 2001 and is continuing into this year. "The restructuring is the biggest in the company's history. For the customers it means increased service and improved accessibility," says Kay Evensen, Senior Vice President, Consumer division.

At the end of the year there were 29 Post Shops, 519 Post in Shops, five Business Centres and four Call Centres. The restructuring of Post in Shops means that Norway Post can offer an ample range of postal and banking services in partnership with leading nation-wide multiple retail organisations such as NorgesGruppen, COOP and Hakon Gruppen. "We are in the throes of a tremendous process of change that will continue in 2002. Post Shop will become a multiple chain concept in the same way as Rimi, Cubus and IKEA," explains Kay Evensen.

Through Norway Post Bank, Norway Post is the leader in the over-the-counter giro service. In 2001 there were 47 million of these transactions. The transfer to electronic solutions is resulting in reduced demand for over-the-counter services. At the same time, Norway Post has become aware of increased demand for personal consulting services and more advanced financial products. Post Shop enables Norway Post to increase sales of financial products and services to the private market.

ON THE COMMERCIAL SIDE the Consumer division has tried out new sales products such as mobile phones, music, video films and PC games on Post Shop customers. Now the Division wants to get a stronger hold on the market by developing its own concept with special solutions. "To succeed in the market we must sell commercial products on our terms and make best use of our market advantage. For example, by offering gifts with packaging and franking adapted for different occasions. The shortage of time means that customers want more total solutions and that is exactly what we are in a position to offer," emphasises Kay Evensen. During the year Norway Post set up four Call Centres located in Haugesund, Larvik, Kristiansand and Steinkjer. Before summer 2002 all administrative queries to Norway Post will be answered by the Call Centre in Steinkjer.

"If this goes well, it may be relevant to sell this type of service to other market players," says Kay Evensen.

44 NEW STAMPS divided among 15 series were issued by Norway Post in 2001. The most prestigious issue commemorated the centenary of the Nobel Peace Prize. Selected previous winners were reproduced on eight stamps and a miniature sheet. The series attracted attention both nationally and internationally and won the Norwegian Design Council's Award for Design Excellence. The series was also nominated for the Design Council's highest award – the Honours Award for Design Excellence. In October Norway Post sold its 78 per cent share in Billettservice to the US Ticketmaster. Even though Billettservice is no longer in Norwegian hands, Norway Post has a five-year agreement for the distribution of tickets through its points of sale. According to plan, Norway Post will, on completion of the restructuring, have a minimum of 300 Post Shops/Post Offices, 1,150 Post in Shops, 21 Business Centres and five Call Centres. The overall target is 1,500 points of sale in Norway. In addition, Norway Post will have service points in the form of letter boxes, post-office boxes, door delivery and of course the green domestic letter boxes.

THE POST SHOP IS REPLACING the present post office and will consolidate Norway Post's market position by simplifying, standardising and streamlining postal services. Commercial products, financial services and tickets are also being sold.

POST IN SHOPS are aimed at private customers with a need for postal and banking services. Norway Post has signed agreements with NorgesGruppen/Norske Shell, COOP and Hakon Gruppen to set up Post in Shops in shops, kiosks and petrol stations. In 2001 between 1 March and 13 December 519 Post in Shops were established. Post in Shops are a satisfactory alternative to post offices and offer all the postal services that customers use every day.

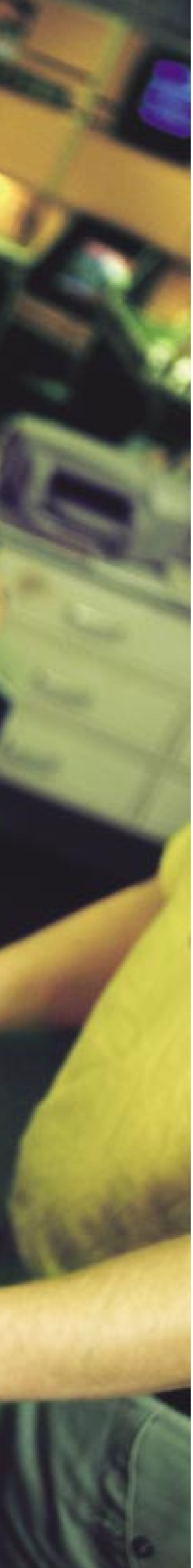
BUSINESS CENTRES supply basic postal services and value-adding solutions for business customers in areas with a high density of commerce and industry.

CALL CENTRES have been established in Haugesund, Kristiansand, Larvik, Sarpsborg and Steinkjer. The centres offer customer service, complaint management, sales, internal support for the sales and distribution network and a common central switchboard for Norway Post. The Call Centres increase the customers' access to Norway Post via telephone and the Internet.

KEY FIGURES	2001 HIGHLIGHTS
Employees: *at 31.12.01: 5775* Turnover: *NOK 2,698 million*	• In March the first 18 Post in Shops opened • In May the stage was set for the new Business Centre in Kolbotn • In July Rolvsøy Post Shop in Østfoldhallen and Kongsvinger Post Shop opened • During the parliamentary elections Norway Post had a new record of 511 766 postal votes • In October Norway Post sold its share in Billettservice to the US Ticketmaster

«We offer simpler electronic interaction»

PER ANDERSEN
Senior Vice President, ErgoGroup



The strong grow stronger

2001 WAS A HARD YEAR for the IT sector, yet ErgoGroup still experienced growth. “Long-term planning, good business acumen and talented employees have all contributed to our success with our targets,” says Managing Director Per Andersen. In 2001 ErgoGroup made its mark as a serious IT player. The company implemented comprehensive structural changes with a new name and division into companies. By moving from Posten SDS to ErgoGroup, the company now has a name that can be used internationally. “We took these steps to gain a better focus on the bottom line and to pave the way for alliances in parts of our operations. We shall emphasise that we are a large IT player that wants to be strong in the market both nationally and internationally. Our challenges lie in the fact that we are relatively small in an international context and we are feeling the impact of economic trade cycles in Norway,” says Per Andersen.

TURNOVER LAST YEAR WENT from NOK 1.7 billion to NOK 2.4 billion. By combining the development of existing businesses and taking over new ones, the company has found the right formula for continued growth in 2002. The company supplies hybrid mail solutions to 28 postal companies in as many countries. “Norway Post’s growth strategy gives us the confidence to achieve the goals that lie ahead of us. We are perceived as a strong player and we shall continue to be a spearhead in Norway Post. With ErgoGroup as an integrated part of its business, Norway Post can offer total solutions in relation to the customers’ communication and logistics requirements both physically and electronically,” explains Andersen. ErgoGroup competes with large IT companies such as Merkantildata, IBM, EDB Business Partner and Tieto Enator. One of the company’s advantages is its association with parent company Norway Post.

“With this type of association we can enjoy a long-term perspective. On the other hand, the security must not act as a cushion – we shall of course supply the market’s best conditions to both owners and customers,” stresses Per Andersen. Internally in ErgoGroup intensive work has been carried out on skills development for employees and an internal survey conducted in autumn 2001 revealed that ErgoGroup has highly competent employees who are very happy in the company.

“We can offer an IT environment that spans the whole country. The conclusions from the staff survey show that people set great store by flexibility and that our competent employees find our tasks exciting and stimulating,” says Per Andersen. Last year gave ErgoGroup several boosts – particularly heartening was the NOK 1 billion agreement for the outsourcing of Gjensidige NOR’s IT operations. The project to introduce a new payroll and personnel system in Norway Post delivered by Ergo-Bluegarden has been a flagship for the division and has made a considerable contribution to the restructuring of the Norway Post Group with annual savings of NOK 100 million. ErgoBusiness, a company ErgoGroup has built based on Norway Post’s accounting services, was merged into Adviso and contributed to a solid increase in value. “In this way we supply services that are better, cheaper and more effective for Norway Post. This is one example of how Norway Post is reinventing itself and focusing more on its core business,” affirms Per Andersen.

ERGOGROUP HAS STRENGTHENED its investment in the public sector by taking over 100 per cent of Ephorma. In March ErgoGroup established the company ZebSign with Telenor and in October Buypass was established with Norsk Tipping to build a new nation-wide infrastructure for secure e-mail and digital signatures based on the use of smart cards. Norway Post’s role as a trusted third party in electronic joint action is central to ventures in 2002. “It is important for Norway Post to develop its role as a trusted third party for electronic solutions too. In this area ErgoGroup is a contributor and influential factor,” says Per Andersen.

OVERVIEW OF SUBSIDIARIES: ErgoBluegarden, Ergo-Netcomputing, ErgoConcept, ErgoDialog, Ergo-Enet, ErgoIntegration, ErgoPeople, ErgoSolutions, ePartner, ElectricFarm, Sensia, Buypass, Ephorma, IntraDoc, Medix, TransWare, ZebSign, International Data Post. In addition ErgoGroup has ownership shares in the following companies: Atento, Adviso, Interprise Consulting and Multicard Systems.

KEY FIGURES	2001 HIGHLIGHTS
Employees: *at 31.12.01: 1836* Turnover: *NOK 2,454 million*	• Took over IT operations in Gjensidige NOR • Electronic identity (eID) connected to submission of self assessment forms via the Internet • The company Buypass established in partnership with Norsk Tipping • Took over 100% of Ephorma • Started international campaign by purchase of International Data Post and parts of Interprise Consulting in Denmark • ErgoBluegarden handled salary payments for approx. 500 000 employees • Took over payroll and personnel services for Danish Sonofon

«We are developing and operating Norway Post's infrastructure both at home and abroad»

PER HENNING GRIMSRUD
Senior Vice President, Distribution Network Division

Streamlining the sorting network

THE DISTRIBUTION NETWORK DIVISION has invested strongly in improving the quality of A-post (priority mail), with pleasing results. All year the Distribution Network division satisfied the licence requirement for a minimum of 85 per cent of priority mail to arrive at its destination next day.

"The quality of A-post has been the pinnacle of 2001, but in other production areas too we have fulfilled the licence quality requirements. The challenge now is to achieve even more success with A-post and all the other types of dispatch," says Per Henning Grimsrud, Senior Vice President of the division.

CENTRALISATION and automation have enabled the Distribution Network division to work towards streamlining the sorting structure. In 2001 automated sorting centres were put into operation at the eight main terminals in Bergen, Bodø, Drammen, Hamar, Kristiansand, Stavanger, Stokke and Trondheim. The restructuring will be completed during 2002 with large-scale investments in buildings and equipment. The remaining investments mainly relate to the restructuring of the terminal structure and the modernisation of terminals in the west and north of the country. A new mail centre is also planned in the capital.

"We are still using far too many resources on the manual processing of mail. The new investments will increase the rate of machine sorting, simplify work processes and give more cost-effective solutions," says Per Henning Grimsrud. The reorganisation of the terminal structure will result in reductions in the workforce, particularly in the new main terminals in the largest cities.

A NEW TRANSPORT PLANNING SYSTEM was introduced in Norway Post last summer to make more effective use of resources, reduce costs and improve quality. The system gives Norway Post better control of materials and people and for the customers it provides a contact point for booking large distribution assignments. A new vehicle arrangement involves Norway Post leasing 4,675 vans for delivery services. The transfer from the agreement whereby the company's own vehicles were used for delivery in return for an allowance will bring an annual saving of around NOK 100 million for Norway Post.

After the terrorist attacks in the USA 11 September a number of letters containing anthrax powder were discovered in the USA. Letters containing powder and the fear of anthrax resulted in the closure of mail terminals and mail volumes dropped in Norway too.

In September, Norway Post took an important step closer to the customers' doors with new guidelines for the positioning of letter boxes. The customers now decide where the letter box will be placed, up to a certain boundary – at the entrance to their home. The new strategy has resulted in approx. 25,000 customers moving their letter boxes, making them more satisfied. A further 15,000 letter boxes are expected to be moved in 2002.

"The battle for customers is intensifying. In the future the competition will be to get a foot in at the customer's door – a competition that Norway Post is eager to gain access to and win. Norway Post wants to take its position as the leading supplier of goods and services to the customer's door," explains Per Henning Grimsrud.

ONE OF THE AREAS OF FOCUS in the Distribution Network division is to reduce the incidence of sick leave. At the Forus mail terminal in Stavanger sick leave was halved over six months using simple means such as fitness and better contact between managers and employees.

"Similar measures will be continued in 2002 to achieve the same development in other places," says Per Henning Grimsrud.

In the middle of December, Norway Post put out for tender all post transport with heavy goods vehicles. The invitation to tender covers all transport assignments south of Saltfjellet, representing around ten million driven kilometres a year.

OVERVIEW OF SUBSIDIARIES: Norway Post Consumer Contact, which distributes unaddressed advertisements and newspapers, concentrating on the four largest cities. The Nettlast companies, comprising Nettlast AS, Nettlast Hadeland AS and Nettlast Helgeland AS. Norway Post took over NSB's road haulage operations in autumn 2000.

KEY FIGURES	2001 HIGHLIGHTS
Employees: *at 31.12.01: 17 277* Turnover: *NOK 6,537 million*	• At least 85 per cent of all A-post arrived at its destination within one day in line with Norway Post's licence • A transport control system was introduced • The leasing of 4,675 vans generated annual savings of around NOK 100 million • New terminals were opened, among them Drammen, Stokke, Hamar and Bodø • A new post strategy brought letter boxes closer to the front door • Revenue protection measures brought Norway Post earnings of NOK 100 million

Keener market situation

«We enter into alliances which span traditional sectors»

THE DYNAMICS IN NORWAY POST´S main markets are changing drastically. Traditionally separate industries are fusing together. At the same time, completely new solutions are being developed, which are rapidly changing the market picture. The development means huge challenges for Norway Post with regard to product and service development, improvement of the service level and continued measures for achieving internal cost effectiveness. Targeted work in these areas will consolidate Norway Post's position in a postal market that is growing but increasingly exposed to competition.

COMMUNICATION BETWEEN PEOPLE and companies is taking place more and more through electronic channels. Suppliers of electronic solutions are focusing particularly on messaging development, case handling, internal information flows and market communication. The development is given impetus from the enormous potential for streamlining, cost reduction and value creation. This makes electronic solutions an effective competitor to the traditional letter post, also in Norway Post's reserved area. Profit margins and costs are being squeezed. In particular Norway Post's most production-friendly types of physical letter post are under threat from large volumes of eFaktura, for example. The relatively high price level of the physical communication of information, which rose even more when VAT was applied to postal services, is accelerating the transfer to electronic alternatives.

On the political front, international (EU) and national strategies are being put in place to speed up the transfer to electronic alternatives. Central to the plans are measures for reducing ICT vulnerability and to encourage development of new services, broadband expansion and around-the-clock administration. The government's e-Regulation project has allowed electronic communication to be accepted, confidence-inspiring and have the same legal validity as traditional, written communication.

COMMERCE ON THE INTERNET has not been on as large a scale as was expected. This is mainly attributable to a shortage of logistics solutions, the issue of payment security, low confidence in the new e-commerce companies and a safer and better experience when purchasing in a shop. It is uncertain how the e-commerce market will develop in the future. The recent economic recession may slow down growth. However, many market players are still optimistic and are shifting the focus from the "Business-to-Consumer" segment (B2C) to the "Business-to-Business" segment (B2B). OECD believes that the B2B market will very soon represent 80% of all Internet commerce. This is the market that has the large volumes and there is also profit to be made from efficiency measures if Internet purchasing takes off.

A PROPOSAL FOR FURTHER DEREGULATION of the letter market was adopted by the EU parliament in March 2002.

- from 2003 the reserved area will be restricted to letters weighing up to 100 grams and the price limit will be no more than three times the basic rate,
- outward cross-border post will be fully deregulated from 2003,
- from 2006 the weight and price limit will be reduced to 50 grams and 2.5 times the basic rate.
- full deregulation may be effected from 2009.

The final EU directive must be implemented in Norway through the postal services act and the licence. Norway Post is working on the basis that the reserved area will be reduced to 100 grams in 2003 with a further reduction in 2006.

In the long term, increased direct competition will exert stronger pressure on prices, particularly in the most densely populated and attractive areas. The players will all compete together for the same labour force. The positioning of competitors may reduce Norway Post's opportunities for geographical cross-subsidisation, which may put the system of geographical unit prices for addressed letter mail under pressure.

THE STRUCTURAL CHANGE in the private sector is affecting the transport market in that the transport industry's customers are merging and forming alliances with competitors or other parts of the value chain, often internationally. One of the reasons for this is to draw out the synergy effects in logistics and costs in general. The result is often a small number of large production plants, which can serve substantial market areas. Another consequence of

this centralisation of ownership and production is that the warehouses are centralised at an earlier stage in the value chain, often with the result that one warehouse will serve several countries. Postal companies are moving from being suppliers of distribution services to becoming total suppliers of integrated services in logistics and communication.
The development in technology makes the sector differences less apparent, particularly between the traditional post sector and other sectors such as banking and financial, telecommunications and niches within transport. The competitive arena is becoming less clear-cut, with players establishing themselves in new markets and alliances being formed across traditional sectors of industry.
The large national postal companies in Europe are expanding their international network and consolidating their position in the integrated communication and logistics market. In particular the “big four” postal companies in Europe, TPG (Netherlands), Deutsche Post (Germany), Consignia (UK) and La Poste (France) are expanding beyond national borders, thereby positioning themselves for the forthcoming deregulation of the letter market.
For a long time goods transport has been undergoing a process of large structural changes, mainly because of a constantly expanding European market that demands a cross-border transport service.
Trends are moving towards fewer and substantially bigger players operating in an international market. These companies are developing their own commercial logistics networks that control dispatches all the way to the recipient, often independently of the national postal operator’s network. This makes access to an international network important.
Norway Post and Post Danmark are owners of PNL. The two collaborating postal companies are now working to join an international alliance. This will enable the companies to deal with the market demand and secure volumes for their own operations.

CROSS-BORDER COMMERCE is on the increase. More and more nationally protected sectors are finding themselves exposed to competition.
Integrated networks for production and information development are being established irrespective of national borders. The increasing global focus on better access to information through large-scale use of information technology is intensifying the competition and changing the behaviour of customers. Large customers demand effective logistics and transport suppliers who can deliver a complete product range, consulting expertise and tailored solutions door to door in an international network.
At the same time, the increased competition in industry in general is resulting in a stronger concentration on the core business and the outsourcing of support services.
The increasing competition in the goods and services market is heightening the customers’ demands for transport and logistics companies. Information technology is strengthening customers’ position by better access to information. Future market leaders will be those who succeed in all these areas and take customers’ demands seriously.

THE FUTURE LABOUR MARKET will bear the hallmark of declining growth in the labour force, combined with a growing level of training and increased demand for specialist skills. Employees will have strong negotiating powers and place large demands on job content, skills development and personal development. The last ten years have seen a strong increase in sick leave and the number of new disability pension cases.
The development in sick leave and disability insurance is extremely costly for the individual affected, the company and society. In Norway Post too sick leave has increased in recent years and the big challenge is to turn round this development.
The ethnic and cultural diversity in the labour market will increase. Companies and management will have employees who demand to be treated more as individuals in terms of skills and cultural/ethnic background. To ensure recruitment from this part of the labour market too, Norway Post must provide the right conditions to attract and keep this type of labour.

Closer to the customer

«99.94% of the country's households have their post delivered six days a week»

FROM OCTOBER 2001 Norway Post was granted a new licence. The reserved area covers distribution of sealed and addressed letter post under 350 grams. In return for the reserved area, the licence requires that Norway Post attends to a number of matters relating to the community. These community-related matters include product range requirements, access to services and delivery time.
Norway Post offers an equal range of postal and banking service throughout the country. Increased business focus will contribute towards better service and access to services.

AT THE END OF 2001 Norway Post had 3,537 customer points of service throughout the country, distributed among 1,361 permanent post centres and 2170 rural delivery postal routes. In addition, there are 5 Call Centres, which deal with telephone inquiries from customers and these are located in Steinkjer, Haugesund, Kristiansand, Larvik and Sarpsborg. Electronic postal services can also be accessed at www.posten.no, and there are 25,000 red and yellow letter boxes.
In 2001, all the municipalities in the country, except Ramnes, had a permanent post centre in the form of post shop/post office or a Post in Shop/postal branch in the municipality. From 2002, Ramnes has joined with Våle to form Re municipality and the licence requirement for a minimum of one permanent post centre in each of the country's municipalities has been met.

IN ADDITION TO NORWAY POST´S nation-wide operations, ErgoGroup AS has successfully created ICT workplaces in districts and at the turn of the year was operating in 26 towns around the country.
Norway Post delivers post to every household in the country on every working day, six days a week. An exception may be made to the licence requirement if this is warranted by special geographical considerations or extraordinary circumstances.
At 31 December 2001 there were 1173 households, i.e. 0.06% of homes in the country, which did not receive delivery of post six days a week. That is 62 down on 2000. The reduced delivery frequency is due to special geographical conditions making it impossible or cost-wise unreasonable to deliver post on every working day. Many of these have been offered daily delivery by the placing of a post box nearer the main road, but the offer has been declined. In some cases the customers themselves want fewer delivery days, with commuting being one of the main reasons. This means 99.94% of households in the country have their post delivered 6 days a week.

TO GET CLOSER TO ITS CUSTOMERS Norway Post introduced the option of placing of post boxes at entrances to homes in September 2001. This put an end to the work of putting post boxes together on joint stands in single-family house areas. In 2001, the new strategy resulted in 26,000 post recipients applying to Norway Post to move their post box back from the joint stand.
The defined criteria for the placing of post boxes in relation to the home have been produced in collaboration with the Norwegian Post and Telecommunications Authority. Under these provisions, the main regulation is that the post box shall be placed within 100 metres of the home in densely populated areas and within 250 metres of the home in more isolated areas. As mentioned above, Norway Post wants a more customer-friendly application of these regulations.

TABLE POST DELIVERY

99.94% of the country's households have their post delivered six days a week" The remaining 0.06%, or 1173 households, have their post delivered less frequently than six days a week. These are distributed as follows:

	2000	2001
5 days a week	738	770
4 days a week	87	74
3 days a week	396	316
2 days a week	10	12
1 day a week	4	1
Total	1235	1173

SUPPLIERS

Purchase of transport services and other products and services: NOK 0.9 billion

SHAREHOLDERS

Dividend, paid in the fiscal year: NOK 0 billion

SUPPLIERS

Purchase of other products and services: NOK 3.3 billion

BUSINESS RELATIONS

Sale of operations, property: NOK 0.5 billion

CUSTOMERS

Sale of products and services: NOK 12.5 billion

EMPLOYEES

Payroll and social services: NOK 6.4 billion

LENDERS

Loan repayments: NOK 0.1 billion

PUBLIC AUTHORITIES

Taxes and charges: NOK 3.7 billion

SUPPLIERS

Investments: NOK 1.2 billion

Notes

GENERAL

Norway Post was formed as a public corporation with limited liability on 1 December 1996 and took over the operations of the former state enterprise Norway Post from the same date. The accounts have been prepared in accordance with the Norwegian Accounting Act and the Act on the Public Post Corporation.

HISTORICAL DEVELOPMENT

Since it was established in 1996, the Norway Post Group has carried out the following major 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.

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.

1998

At the end of 1998 Norway Post's cleaning services were transferred to Postens renhold AS (85%). The ownership share in Billettservice AS was reduced to 77 %. NordPack AB changed its name to Pan Nordic Logistics AB (PNL). Posten SDS AS divested some smaller subsidiaries, including Computas AS.

1999

Norway Post established Posten Escape AS (100 %) and acquired 40% of Transport Systems International AS, the latter being treated as a joint venture company together with PNL. At 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 autumn 1999 Posten SDS AS established the companies Mondex Norge AS and Mondex Norge Originator AS.

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%). Posten SDS AS hived off its payroll systems and personal 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, 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 and its subsidiaries changed name to ErgoGroup AS.
Norway Post acquired 95 % of the shares in 1to1 Factory AS, a subsidiary of the listed company E-Line Group ASA. At the same time, E-Line Group ASA acquired 100% of the shares in Posten Escape AS. Billettservice was sold to Ticketmaster UK Limited. Together with Telenor, ErgoGroup established a separate company, ZebSign AS, to offer the market electronic ID solutions. Each party has an equal share in the company. Together with Telenor, DNB and Accenture, ErgoGroup established a company to offer electronic procurement services to their parent companies in particular and the market in general. In partnership with Norsk Tipping AS, ErgoGroup established the company Buypass AS. ErgoGroup took over the operation of IT services in Gjensidige NOR Forsikring and Gjensidige NOR Spareforsikring. ErgoGroup acquired 50 % of the shares in Ephorma AS, increasing its ownership share to 100%. In addition, the content of Ergo Business AS was sold to Adviso AS, in which Ergo Business AS has a 27 % ownership share.

2002

In 2002 Posten Sverige AB decided to sell its shareholding of 33.3% in Pan Nordic Logistics (PNL) and Post Denmark and Norway Post increased their ownership share to 50%. The shares in Postens servicepartner AS were sold to ISS Norge AS with effect for accounting purposes from 1 January 2002.
ErgoGroup purchased operations in Runit AS, which were continued in a new company ErgoRunit AS. Norway Post has further enhanced its market position in Sweden by the acquisition of CityMail Sweden.

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 have 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 subsidiaries have been eliminated in accordance with the acquisition method of accounting.
The difference between the purchase price paid and the 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 expectations of future earnings is recorded as goodwill in the balance sheet and depreciated using the straight-line method over the estimated economic life.
Foreign subsidiaries have been 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 a 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 classified as fixed assets.
All liabilities directly relating to the product cycle are treated as current liabilities, even if part 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. Otherwise, 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 comitments and the pension funds, which ever is greater. Net pension costs are classified in their entirety as payroll and related costs in the income statement. In the balance sheet net uncovered pension liabilities are classified as provisions.
Norway Post previously charged profit and loss statement with the effects of changes in pension schemes. As the company can influence such changes to a small extent, it was decided from 2001 to accrue planned changes over the average remaining earning period, see note 2.

Restructuring costs

Restructuring is defined as a planned programme that will lead to significant changes in the scope of an operation or in the way an operation 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).

Shares and owner interests

Shares and 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 carried forward at the end of the fiscal year.

Tangible fixed assets and depreciation

Buildings, machinery, fixtures, fittings and equipment etc. are entered at acquisition cost after deductions for straight-line depreciation. For large investments with a long manufacturing period, interest is capitalised as part of the acquisition cost. Tangible 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 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.

Tangible fixed assets are depreciated using the straight-line method over the expected life of the assets. Ordinary depreciation starts from the time when the asset is put into normal operation. This means that depreciation does not apply to construction in progress.
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 life of the systems. Costs relating to ongoing modifications and development of existing systems are expensed as maintenance.

Other development 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 are expensed as they arise. Capitalisation is from the point in time when a product has been developed and there is a customer base sufficient to ensure future earnings.

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 the acquisition cost when the asset was taken over. The asset is depreciated according to rules governing corresponding tangible 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 value 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.

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 in accordance with 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.

NOTE 1 OPERATING REVENUES

NORWAY POST			NORWAY POST GROUP	
2000	**2001**		**2001**	**2000**
8 171	8 482	Letter products	8 485	8 202
2 143	1 968	Logistics operations	3 068	2 762
1 032	1 440	Consumer	1 471	1 073
		IT services	1 460	977
678	596	Other, including eliminations	524	645
12 024	**12 486**	**Operating revenues**	**15 008**	**13 659**

The majority of Norway Post and Norway Post Group operating revenues is generated by business in Norway. The figures for 2000 have been revised and the figures for 1999 are not available for this segment, because of the restructuring of operations.

NOTE 2 SALARIES, REMUNERATION AND PENSION COSTS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
5 831	5 882	5 854	Salaries	6 952	6 643	6 412
804	820	803	National insurance contributions	957	933	882
288	328	359	Pension costs	420	377	326
353	386	310	Other benefits	299	378	372
7 276	**7 416**	**7 326**	**Salary costs**	**8 628**	**8 331**	**7 992**
806 252	801 252	1 056 920	Board of Directors			
	351 444	225 982	Corporate assembly			
1 050 000	1 250 000	1 300 000	Auditor's fee	4 440 510	3 111 000	1 974 650
1 441 638	5 012 390	2 233 750	Auditor consultancy fees	6 897 589	6 484 000	2 017 763
25 408	23 389	21 211	No. of full-time jobs/man-years	24 506	25 684	27 208
29 240	27 178	25 126	No. of employees at 31.12	29 563	32 365	31 614
24 446	23 281	26 861	No. in pension scheme at 31.12.	29 643	25 630	26 255

In 2001 Norway Post changed the principle for defining the number of full-time jobs. Comparative figures have been calculated for 2000.

Remuneration

The board of directors has no pension scheme or any other arrangements apart from remuneration.

The retirement agreement of the Chief Executive Officer 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 retirement. His salary and other remuneration for 2001 amounted to NOK 1 909 834, including Board fees in the ErgoGroup of NOK 100 000. His pension premium payments amounted to NOK 1 001 848, of which NOK 564 818 represents the effect of improvements in pension schemes.

Remuneration of the board of directors and the corporate assembly refers to amounts recorded in the accounts.

Pension commitments

Norway Post and its subsidiaries have pension schemes under which most 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. However, the public service pension fund is not funds-based, but management of such a fund is simulated (a "fictive fund") as if the funds were invested 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.

In 2001 there was a change in the survivor's pension, which is to be considered as a planned change. Parliament decreed that the survivor's pension would be cost-neutral on the basis of country, but based on the composition of the components of Norway Post, the change has been calculated at NOK 140 million. In 2001 Norway Post changed its accounting principles with regard to the accrual of planned changes. Previously the effect of planned changes was charged directly, whereas from 2001 they are accrued over the average remaining earning period (15 years). The change in the accounting principle means that the effect of changes in the survivor's pension calculated at NOK 140 million is charged with NOK 10 million. The pension commitments include pension schemes for executive personnel. In addition, the group has collective pension schemes in life assurance companies.

Calculation of 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.

NOTE 2 CONT. WAGES, SALARIES, REMUNERATION AND PENSION COSTS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
463	487	480	Present value of pension earnings for the year	537	530	500
437	488	560	Interest cost of pension commitment	583	507	451
(453)	(485)	(528)	Return on pension funds	(552)	(504)	(469)
(116)	(116)	(116)	Employees' 2% contribution	(116)	(117)	(116)
		10	Change in pension schemes	12		
331	**374**	**406**	**Net pension costs**	**464**	**416**	**366**
(8 240)	(9 070)	(10 243)	Estimated accrued commitment	(10 720)	(9 463)	(8 555)
7 900	8 559	9 365	Estimated value of pension funds	9 807	8 917	8 190
(340)	(511)	(878)	Net estimated pension commitment	(913)	(546)	(365)
		147	Change in pension schemes	146		
221	186	609	Unrecorded estimate change (corridor)	626	204	237
(119)	**(325)**	**(122)**	**Book pension commitment**	**(141)**	**(342)**	**(128)**

Employer's National Insurance contributions are included in the individual figures above.

Some subsidiaries also have supplementary plans on top of the benefit plans arrangement. For these companies the premiums are expensed. The above specification of recorded pension commitments for 2000 includes a provision of NOK 200 million for disability pensions. The provision is classified in the income statement as other revenues and expenses, cf. note 4.

The unrecorded estimate change (corridor) increased by NOK 423 million from 2000 to 2001. The increase is attributable to higher wage growth and withdrawals from the disability pension than the long-term assumptions.

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

NOTE 3 OTHER OPERATING COSTS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
862	909	943	Cost of premises	845	835	723
533	825	1 198	Misc. external services	340	340	239
290	299	225	Travelling expenses	303	354	318
164	137	90	Marketing	119	162	170
779	766	887	Other costs	1 001	743	829
2 628	**2 936**	**3 343**	**Total other operating costs**	**2 608**	**2 434**	**2 279**

NOTE 4 OTHER REVENUES AND EXPENSES

NORWAY POST				NORWAY POST GROUP		
1999	2000	2001		2001	2000	1999
50	1 000		Restructuring		1 000	50
	200		Provision for disability payments		200	
(15)	(138)	(458)	Net (loss)/gain on fixed assets	(447)	(138)	(15)
			(Loss)/gain on disposal of subsidiaries	(78)		
35	**1 062**	**(458)**	**Total other revenues and expenses**	**(525)**	**1 062**	**35**

Restructuring/provision for disability payments

In the 2000 accounts a total provision of NOK 1 200 million was made, of which NOK 1 000 million was to cover restructuring. During the period 1997-2000, disability pension payments increased and were 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 under-absorption in the pension funds relating to disability pensions, calculated at NOK 200 million at 31 December 2000. The 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 reduction of administrative functions. Remaining provisions of NOK 530 million as at 31 December 2001 are expected to be used as follows:

Redundancy payments	210 mill.
Measures concerning the relocation of employees	80 mill.
Lease rental for vacated premises	180 mill.
Other costs	60 mill.

See note 16 for information concerning the recording of provisions.

Sale of fixed assets

In 2001 Norway Post put up for sale 72 post buildings in addition to its future main post office, PostHuset. In connection with the sale of PostHuset, an agreement was signed that the buyer would pay an additional fee per square metre for an approved arrangment on the enlargement of properties.

At 31 December 2001 12 of the properties had still not been sold. The book value for unsold properties has been adjusted down to the assumed market value and entered under gross profit for sold buildings. Agreements have been signed for the leasing back of large areas in the sold properties.

The sale was booked at a net profit of NOK 458 million.

Sale of subsidiaries

A profit of NOK 78 million was reported for the sale of Billettservice and Ergo Business AS.

NOTE 5 FINANCIAL REVENUES AND FINANCIAL EXPENSES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
2	5	40	Interest income from within the group			
122	80	72	Other interest income	93	98	131
20	12	62	Exchange gains etc. from financial investments	12	6	4
144	**97**	**174**	**Financial income**	**105**	**104**	**135**
1			Interest expenses from within the group			
152	109	180	Other interest expenses	193	123	160
8	19	35	Exchange losses from financial investments	37	19	9
161	**128**	**215**	**Financial expenses**	**230**	**142**	**169**

NOTE 6 TAXES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
(16)	(42)	(145)	Diff. rel. to current balance sheet items	(208)	(50)	(21)
138	(805)	(226)	Diff. rel. to long-term balance sheet items	(199)	(799)	69
		(20)	Tax loss carried forward	(75)	(69)	(3)
(56)	(274)	(86)	Net pension commitment	(109)	(283)	(62)
66	(1 121)	(477)	Basis for deferred tax/(tax asset)	(591)	(1 201)	(17)
19	(314)	(134)	Deferred tax/(tax asset)	(165)	(336)	(5)
		(2)	Payment on dividend/other	12		
19	**(314)**	**(136)**	**Deferred tax/(tax asset)**	**(153)**	**(336)**	**(5)**
607	(937)	639	Profit/loss before tax	718	(886)	622
(74)	1 206	(639)	Differences in accounts/tax	(604)	1 298	7
533	269	0	Basis for tax payable	114	412	629
149	**75**	**0**	**Tax payable**	**42**	**115**	**176**
149	75	0	Tax payable	42	115	176
20	(332)	178	Change in deferred tax/tax asset	196	(346)	9
169	**(257)**	**178**	**Tax costs**	**238**	**(231)**	**185**

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

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.

In addition, tax assets of NOK 23 million have been deferred and these have not been entered because they are not expected to be utilised in future years.

NOTE 7 INTANGIBLE ASSETS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
99	222	234	IT development, rights etc.	330	279	133
	314	136	Deferred tax asset	153	336	5
			Goodwill	818	329	89
99	**536**	**370**	**Intangible assets**	**1 301**	**944**	**227**

NORWAY POST	Accumulated cost price at 01.01	Depreciat-ion at 01.01	Book value at 01.01	Additions in 2001	Addition and transfers 2001	Depr./ writedowns 2001	Book value at 31.12	Deprecia-tion period
IT development, rights etc.	228	93	135	124		86	173	4 years
Plant under construction	87	0	87	34	60		61	
Total IT development, rights etc.	**315**	**93**	**222**	**158**	**60**	**86**	**234**	
NORWAY POST GROUP								
IT development, rights etc.	**414**	**135**	**279**	**246**	**82**	**113**	**330**	**4 years**
Goodwill								
Subsidiaries:								
TSI AS	78	10	68	25		9	84	10 years
Wajens AS	27	2	25	1		3	23	10 years
Oslo Container Stevedor AS	92	7	85	0		9	76	10 years
KortProsess AS	1	0	1	0		0	1	4-5years
1to1 Factory AS	0	0	0	24		24	0	
Other goodwill:								
Konsernet ErgoGroup	56	4	52	451	2	41	460	10 years
Konsernet TSI	106	8	98	94	4	12	174	10 years
Total goodwill	**360**	**31**	**329**	**595**	**6**	**98**	**818**	

GOODWILL

Goodwill acquired through the acquisition of 80% of Transport Systems International AS (TSI) will be depreciated over an expected economic life of 10 years. In conjunction with the purchase of a further 20% of shares in the company in 2001, the depreciation period for the acquired goodwill was reassessed and changed from 12 to 10 years. The company's position as leading courier 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 AS'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. In 2001 the TSI group acquired operations in Sweden and Denmark. Acquired goodwill, which at 31 December 2001 amounted to NOK 174 million, will be depreciated over ten years on the basis of anticipated earnings. Acquired goodwill in ErgoGroup AS totalling NOK 460 million is due to the acquisition of operations in the companies Ergo-Bluegarden AS and ErgoIntegration AS in 2000 and in 2001 computer operations to Gjensidige NOR. Anticipated earnings from the acquisitions are expected to span a minimum of 10 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/movement and courier operations). Norway Post therefore expects to achieve a commercial return on these investments over a long period of time and for this reason has chosen to depreciate goodwill in these companies over a 10-year period.

IT development, rights etc.

The depreciation amount of NOK 113 million in IT development includes NOK 15 million, which is classified as other revenues and expenses in the financial accounts.

NOTE 8 FIXED ASSETS

NORWAY POST

	Machinery	Vehicles, FF&E	Buildings, real estate	Plants under construction	Total
Acquisition cost at 01.01	713	2 048	3 176	472	6 409
Additions	4	363	30	632	1 029
Transfers	255	37	630	(922)	
Disposals	(0)	(256)	(988)	(29)	(1 273)
Acc. depr/write-downs 31.12	(524)	(1 282)	(799)		(2 605)
Book value at 31.12.2001	**448**	**910**	**2 049**	**153**	**3 560**
Depreciation for the year	86	301	95		482
Write-downs for the year	21	25	(2)		44
Useful life	4 - 8 yrs	4 - 8 yrs	30 - 40 yrs		

NORWAY POST GROUP

	Machinery	Vehicles, FF&E	Buildings, real estate	Plants under construction	Total
Acquisition cost at 01.01	713	2 755	3 261	472	7 201
Additions	4	601	31	632	1 268
Transfers	255	37	630	(922)	
Disposals		(314)	(988)	(29)	(1 331)
Acc. depr/write-downs 31.12	(524)	(1 855)	(821)		(3 200)
Book value at 31.12.2001	**448**	**1 224**	**2 113**	**153**	**3 938**
Depreciation for the year	86	451	98		635
Write-downs for the year	21	25	(2)		44
Useful life	4 - 8 yrs	3 - 8 yrs	25 - 40 yrs		

Of the book value of plants under construction, NOK 20 million relates to buildings and real estate. Ordinary depreciation and write-downs for the year in Norway Post, including depreciation on IT development costs amounts to NOK 611 million, while depreciation in the group amounts to NOK 876 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	Owning/ voting interest	Book value
ErgoGroup AS	01.12.96	Oslo	100 %	431
Oslo Container Stevedor AS	12.04.00	Oslo	100 %	107
Transport Systems International AS(TSI)	01.01.99	Oslo	79,47 %	126
Wajens AS	12.04.00	Oslo	100 %	36
Nettlast AS	15.11.00	Oslo	100 %	30
Netaxept AS	30.06.00	Oslo	48 %	50
Pan Nordic Logistics AB (PNL)	15.08.97	Sweden	33 %	19
Nettlast Hadeland AS	15.11.00	Jaren	100 %	5
Nettlast Helgeland AS	15.11.00	Mosjøen	100 %	5
Posten Forbruker-Kontakt AS	01.10.97	Oslo	100 %	3
Kort Prosess AS	26.06.00	Oslo	51 %	3
Postens servicepartner AS	15.12.98	Oslo	51 %	1
1to1Factory AS	30.06.01		100 %	6
Other owner interests				1
Book value				**821**

An agreement has been signed for an option to purchase 100% of the shares in TSI over three years. At 31 December 2001 the ownership share was 79.47%. Other owner interests are minor shareholdings owned directly by Norway Post.

NOTE 9 CONT. SHARE INVESTMENTS

Subsidiaries Subsidiaries owned by ErgoGroup AS:	Address	Owning/ voting interest	Book value
ErgoIntergration AS	Oslo	100 %	176
ErgoConcept AS	Oslo	100 %	32
ErgoSolution AS	Oslo	100 %	33
ZebSign AS	Oslo	50 %	3
Buypass AS	Oslo	50 %	26
ErgoBluegarden AS	Oslo	100 %	75
ErgoBusiness AS	Oslo	100 %	0
ErgoDialog AS	Oslo	100 %	1
ErgoEnet AS	Oslo	100 %	7
IntraDoc AS	Sandnes	62,6 %	10
Atento AS	Oslo	28,6 %	5
Ephorma AS	Kristiansand	100 %	168
Objectware AS	Sweden	40 %	24
Int. Datapost AS	Danmark	100 %	1
Medix AS	Oslo	50 %	5
Minor limited liability companies			2
Total group shares			**566**
Axiti		4,9 %	6
Interprise Consulting		33,5 %	5
Total share investments			**577**

Subsidiaries owned by Transport Systems International AS:			
Box Delivery Norge AS	Oslo	100 %	5
IL-X Transport Service AS	Oslo	100 %	0
Sam's Budbil AS	Oslo	100 %	0
Tiny Distribusjon AS	Oslo	100 %	1
De Grønne Bude AS	Copenhagen	100 %	22
Other share investments			
Transportinvest AS	Oslo	9 %	41
Telegate ASA	Oslo	5 %	20
Other company shares			8

NOTE 9 CONT. SHARE INVESTMENTS

Jointly controlled companies	PNL	Netaxept	ErgoXchange	ZebSign
Share of operating revenues	315	1	18	32
Share of operating costs	313	23	28	37
Share of net financial items	(2)	(1)	1	
Share of taxes	1		2	(1)
Share of profit/loss for the year	**3**	**(21)**	**(13)**	**(4)**
Share of fixed assets	7		18	22
Share of current assets	109	17	10	18
Total assets	**116**	**17**	**28**	**40**
Share of long-term liabilities	6	0	6	11
Share of current liabilities	95	3	14	17
Total liabilities	**101**	**3**	**20**	**28**

Norway Post has a joint venture with Posten Sverige AB and Post Danmark, whereby the three postal companies own 33% of the shares in Pan Nordic Logistics (PNL). Posten Sverige AB has decided to sell its shareholding in PNL AB and during the 1st quarter of 2002 Post Danmark and Norway Post will increase their ownership share to 50%. Norway Post owns 48 % of Netaxept AS at 31 December 2001.

NOTE 10 INTEREST-BEARING LONG-TERM RECEIVABLES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
11	12	10	Receivables, upon employees	12	13	11
25	106	721	Loans to subsidiaries			
36	**118**	**731**	**Interest-bearing long-term receivables**	**12**	**13**	**11**

NOTE 11 STOCKS IN HAND

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
50	56	58	Acquisition cost	60	60	51
(7)	(9)	(9)	Write-downs	(9)	(10)	(7)
43	**47**	**49**	**Stock in hand**	**51**	**50**	**44**

NOTE 12 INTEREST-FREE CURRENT RECEIVABLES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
1 328	1 493	1 885	Accounts receivable	2 319	1 831	1 591
6	4	3	Receivables from employees	8	10	9
12	20	44	Receivables from subsidiaries			
46	47	57	Prepaid expenses	114	83	63
58	46	193	Other receivables	280	78	93
1 450	**1 610**	**2 182**	**Interest-free current receivables**	**2 721**	**2 002**	**1 756**

Deductions have been made in accounts receivable for provision for bad debt in the amount of NOK 11 million for the parent company (NOK 9 million in 2000 and NOK 4 million in 1999) and NOK 36 million for the group (NOK 19 million in 2000 and NOK 9 million in 1999). Actual losses on receivables for the parent company in 2001 were NOK 4 million (NOK 15 million in 2000 and NOK 12 million in 1999) and NOK 9 million (NOK 17 million in 2000 and NOK 12 million in 1999) for the group.

NOTE 13 LIQUID ASSETS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
986	637	720	Bank/cash deposits	928	780	1 151
153	10		Bonds	11	10	153
			Restricted assets	21	33	29
1 139	**647**	**720**	**Liquid assets**	**960**	**823**	**1 333**

The cash holding for Norway Post Bank of approx. NOK 350 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.

Norway Post has furnished a bank guarantee of NOK 350 million as security for employees' withholding tax. The group has established a group accounts system whereby Norway Post by agreement is the group account holder. The bank 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.

For 2001 the group account holding is included in Norway Post's bank holding, while the holdings of the individual companies are treated as intercompany with the parent company. Comparative figures have not changed.

NOTE 14 EQUITY

	Paid-in capital	Legal reserve	Distri-butable-reserve	Share-premium reserve	Other equity	Equity-parent-company	Group-reserve	Group equity
Equity at 31.12.1999	1 515	638	515			2 668	(9)	2 659
Transferred from distrib. 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
Profit/loss for year, parent company after dividend					161	161	(161)	
Profit/loss, consolidated after dividend							180	180
Direct transfers against equity								1
Equity at 31.12.2001	**1 515**			**505**	**129**	**2 149**	**43**	**2 193**

The minority share of equity at 31 December amounted to NOK 35 million (2001), NOK 25 million (2000) and NOK 4 million (1999).

Pursuant to changes in the Act on the Public Post Corporation (special legislation), the regulations governing the legal reserve and dividend were repealed with effect from 1 January 2000. 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		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
119	325	122	Net pension commitment	141	342	128
19			Deferred tax			
154	914	530	Restructuring commitment	530	915	158
	3	2	Other commitments	77	22	7
292	**1 242**	**654**	**Provision for commitments**	**748**	**1 279**	**293**

See also notes 2, 6 and 16.

NOTE 16 RESTRUCTURING COMMITMENTS

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
496	154	915	Restructuring 1.1	915	158	496
			Grant			
60	1 000		Provision		1 000	60
(10)			Reversals			(10)
(392)	(240)	(385)	Incurred expenses	(385)	(243)	(388)
154	**914**	**530**	**Restructuring 31.12**	**530**	**915**	**158**

See also note 4.

NOTE 17 INTEREST-BEARING LONG-TERM AND CURRENT LIABILITIES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
600	400	481	Liabilities to credit institutions	490	443	617
205	179	167	Other long-term liabilities	243	260	289
400	400	400	Subordinated loans	400	416	400
1 205	**979**	**1 048**	**Interest-bearing long-term liabilities**	**1 133**	**1 119**	**1 306**
600	400		Liabilities to credit institutions		401	617
118	120	105	Other long-term liabilities	159	177	185
400	400		Subordinated loans		400	400
1 118	**920**	**105**	**Loans maturing after 5 years**	**159**	**978**	**1 202**
		12	Repayments 2002	15		
		11	Repayments 2003	15		
		12	Repayments 2004	15		
		492	Repayments 2005	497		
		412	Repayments 2006	415		
		109	2006+	176		
		1 048	**Long-term liabilities**	**1 133**		
	400	600	Loan certificates	600	400	
		232	Liabilities to credit institutions	241	16	
	400	**832**	**Interest-bearing current liabilities**	**841**	**416**	

Total unutilised drawing rights amounted to NOK 1 719 million at 31 December 2001 and these are valid until 1 December 2005.

In addition to equity, the government has invested NOK 400 million in subordinated loan capital at an average interest rate of 8.3% 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 7.6% in 2001. There were no fixed-interest agreements at 31 December 2001.

NOTE 18 INTEREST-FREE CURRENT LIABILITIES

NORWAY POST				NORWAY POST GROUP		
1999	**2000**	**2001**		**2001**	**2000**	**1999**
1 448	1 479	1 751	Provision for wages/public charges	2 002	1 652	1 528
232	194	393	Provision for incurred expenses	485	222	250
131		300	Allocated dividend	307		131
149	75		Tax payable	41	118	176
345	381	442	Prepaid revenues	489	400	357
460	569	581	Accounts payable	799	662	602
53	121	243	Debt to subsidiaries			
30	64	68	Other liabilities	128	228	107
2 848	**2 883**	**3 778**	**Interest-free current liabilities**	**4 251**	**3 282**	**3 151**

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. The guarantee amounted to NOK 37 million in 2001. A parent-company guarantee has also been furnished for contracts with the Aetat and for the Oslo Kemnerkontoret, and a further one for rental costs. These guarantees have been furnished on behalf of ErgoGroup AS.

In addition, the company has furnished a guarantee to Norway Post Bank for loans to employees for the purchase of vehicles for use in service. At 31 December 2001 loans totalled NOK 31 million (NOK 67 million in 2000).

Norway Post is also guarantor for the subsidiary Transport systems International AS for NOK 6 million. The total guarantee level at 31 December 2001 was NOK 141 million, compared with NOK 220 million at 31 December 2000.

Some of Norway Post's loan agreements contain negative mortgage clauses and commit the group to maintaining defined levels for financial key ratios. The group lay well within these limits at year-end 2001.

NOTE 20 RENTAL COMMITMENTS

NORWAY POST				NORWAY POST GROUP		
1999	2000	2001		2001	2000	1999
27	5	5	No. of leased buildings 31.12	6	6	8
1 298	1 228	1 192	No. of rented buildings 31.12	1 258	1 244	1 312
426	495	518	Rental costs	625	580	475

Financial leasing

The book value of buildings at 31 December 2001 was NOK 160 million for the parent company (NOK 167 million in 2000 and NOK 198 million in 1999) and NOK 223 million for the group (NOK 233 million in 2000 and NOK 265 million in 1999). The commitments at 31 December 2001 totalled NOK 163 million for the parent company (NOK 174 million in 2000 and NOK 201 million in 1999) and NOK 232 million for the group (NOK 246 million in 2000 and NOK 276 million in 1999). 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.

Operational leasing

In June 2001 a new agreement was signed with LeasePlan Norge AS for the leasing of delivery vans. The agreement is valid until 26 June 2004 for entering into new individual contracts. The contract for each individual vehicle will normally be of 2 to 5 years' duration.

Status at 31 December 2001:
Number of leased vehicles: 4 243
Annual rental amount (equivalent fleet at 31 December 2001): NOK 99.6 million)

NOTE 21 OTHER MATTERS

Disputes

ESA has considered a complaint regarding alleged illegal cross-subsidisation relating to transfers from Norway Post's licensed reserved area to its parcels business. The complaint did not contain specified claims and no provision was therefore made in the accounts.
The cross-subsidisation allegation was refuted by Norway Post. ESA has now completed its investigation into this matter and has fully acquitted Norway Post as a result. With regard to other allegations in the complaint, Norway Post has made submissions to the complaint in which it denies there are grounds for the claim.
As a result of the reduction in the number of PostShops, Norway Post has received compensation claims from suppliers of equipment and furnishings. Norway Post is currently in dialogue with a supplier about the amount of compensation.

Financial matters

Financial instruments for managing exposure relating to exchange rate fluctuations and changes in power prices are employed by Norway Post to a limited extent. 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 energy consumption.

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

Forward contracts and options have been employed to cover part of energy consumption. At 31 December 2001, contracts have been entered into covering 85% of the expected consumption in 2002. At 31 December 2001, unrealised losses amounted to NOK 1.4 million. No further contracts have been entered into in 2002.

Six contracts have been signed in order to hedge the currency risk in connection with the purchase of sorting systems for Logistikk 2000, with two of these contracts maturing in 2002. At 31 December 2001 the outstanding hedged amount was EUR 1.5 million. At 31 December 2001 there was no unrealised loss or gain.

As far as the pension scheme operated by the Norwegian Public Service Pension Fund (Statens Pensjonskasse) is concerned, the return on the pension funds (virtual fund) is linked to interest rates for government bonds, cf. note 2.

Major transactions

The largest individual transactions in the parent company relate to the sale of

NOTE 21 CONT. OTHER MATTERS

the property portfolio in which the future head office in Biskop Gunnerus gate 14 was sold for NOK 501 million. During 2001 Norway Post sold shares in Posten Escape AS and Billettservice AS, and purchased shares in 1to1 Factory AS.
In the subsidiaries TSI AS acquired courier operations in Sweden and Denmark and ErgoGroup AS took over operation of IT services in Gjensidige NOR. ErgoGroup purchased 50% of the shares in Ephorma AS, increasing its ownership share to 100%. In addition, the content of ErgoBusiness AS was sold to Adviso AS, in which ErgoBusiness has a 27 % ownership share.

The sale of properties is shown in more detail in note 4, while share purchases are presented in note 9.

The Government

The Government is sole owner of Norway Post. The Government, represented by the Ministry of Transport and Communications, granted Norway Post a licence for a more restricted reserved area for letter post up to and including 31 December 2005. This also requires Norway Post to provide efficient national distribution of mail and ensure that the entire population has good and equal access to the basic services and fundamental banking services.

The licence regulations will involve additional expense for Norway Post to achieve a commercially profitable adaptation. Financing of the extra expense involved will be covered by any profits from the reserved area and government purchasing of commercially unprofitable postal services. Government funding of NOK 540 million was allocated for this purpose in the national budget for 2001.

The licence conditions also require Norway Post to document that there is no illegal cross-subsidisation between the reserved area and the services 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 2001 shall be presented no later than three months after the financial accounts for 2001 have been approved. When Norway Post was established in 1996, the costs of restructuring the sorting centre and post office network were calculated. It was assumed that the government would cover the costs by up to NOK 1 340 million. At 31 December 1998 NOK 1 140 million had been paid. The grant for the remaining NOK 200 million was then postponed several times and in the 2001 national budget it was decided to cease this grant.

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

VAT charges

The VAT reform of 2001 means a total reorganisation of Norway Post's VAT situation. The reform means that Norway Post suddenly went from being exempt from charges to being totally subject to charges. Up to the effective date of 1 July 2001, much work was done to attend to Norway Post's obligations and rights relating to the reform. The company has had close talks with the charging authorities to clear up problem areas. Problem areas remaining include the tax status for government purchasing of postal services.

The unresolved handling of charges for government purchasing of services will not affect the annual accounts.

Den norske Bank ASA

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

The obligation now lies with Norway Post as the licence that is valid until 31 December 2005 means that Norway Post must offer basic bank services throughout the company's post office network, cf. Act on the Public Post Corporation §4a.

The postal network is owned and run by Norway Post. A cooperation agreement has been signed with Den norske Bank ASA, which gives the bank sole right and obligation to offer basic bank services, and which also relates to the sale of other products and services and development of the network. The present agreement, a continuation of that with Norway Post Bank, runs until 31 December 2005 and is based on commercial principles.

Post in Shop

In autumn 2000 Norway Post signed a five-year agreement with Norgesgruppen ASA and AS Norske Shell as principal cooperation partner for the development of the Post in Shop concept. Agreements were also signed with Coop and Hakon. There are plans to set up 1150 of these outlets and at 31 December 2001 and 1 March 2002 there were 519 and 681 Post in Shops established.

ANDERSEN

TRANSLATION FROM NORWEGIAN

AUDITOR'S REPORT FOR 2001

Arthur Andersen & Co
Statsautoriserte revisorer

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Den norske Revisorforening

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To the Annual Shareholders' Meeting of
Posten Norge BA

We have audited the annual financial statements of Posten Norge BA as of 31 December 2001, showing a profit of NOK 461 millions for the parent company and a profit of NOK 480 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. 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 2001, 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 profit 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,
21 March 2002

MARCH: The first 18 Post in Shops open their doors. Minister of Transport and Communications Terje Moe Gustavsen cuts the ribbon in Drøbak.

MAY: New terminals for more effective handling of letters and parcels.

JANUARY: Ergo signs billion contract taking over IT operations in Gjensidige NOR.

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THE INTERNAL REVENUE SERVICE chooses Norway Post's Electronic ID for tax and self assessment

POST IN SHOP AGREEMENTS with Coop and HakonGruppen

FEBRUARY

NEW CALL CENTRE opened in Haugesund to provide a redirecting service for customers

NORWAY POST PURCHASES logistics company 1to1 Factory and sells web shop Escape

MARCH

NORWAY POST ESTABLISHES the first 18 Post in Shops

NORWAY POST AND TELENOR establish the joint company ZebSign AS for secure electronic ID and digital signature

A NEW AGREEMENT on company vehicles and vehicle allowances for postal deliveries

APRIL

NORWAY POST SELLS PostHuset (formerly Postgirobygget) and puts 70 properties up for sale

THE NORDIC REGION´S FIRST 24-hour post office is opened at Shell Select, Vardaneset in Stavanger.

MAY

NEW SERVICES for the forwarding and safekeeping of post are launched

INTRODUCTION of change of address via the Internet

NEW TERMINAL STRUCTURE in northern Norway, Trøndelag and parts of the west to give more effective letter and parcel production

JUNE

FIRST POST OFFICES converted to Post Shops open in Kongsvinger and Rolvsøy

STOREBRAND, IF AND NORWAY POST merge their financial and accounting service operations

NOVEMBER: Norway Post provides new service, delivering parcels right to the front door – without question and without trouble.

SEPTEMBER: Post boxes can be moved nearer to the entrance.

SEPTEMBER: New record 511,766 postal votes during parliamentary elections.

JULY

VAT ON POSTAGE introduced from 1 July.

EIGHT MAIN TERMINALS become fully automated in 2001, of which Stokke, Drammen and Bodø open in July

AUGUST

CO-OPERATION WITH Adresseavisen introduced to evaluate joint post and newspaper distribution

NEW MOBILE PHONE messaging service replaces collection slips for parcels

SEPTEMBER

RECORD NUMBER of postal votes for Norway Post in connection with the parliamentary elections

POST BOXES can be moved from the stand nearer to the entrance to the home

NEW COURIER COMPANIES taken over – Norway Post leader in the Scandinavian express market.

OCTOBER

NORWAY POST EXPOSED TO letters containing powder – and danger of anthrax contamination following the terrorist attacks in the USA

NORSK TIPPING and Norway Post establish Buypass AS

PNL AB, the postal companies' joint Nordic logistics company, continues without Posten Sverige.

NOVEMBER

NORWAY POST joins employers' organisation NAVO

NEW HOME DELIVERY parcel service

BILLETTSERVICE AS sold to US Ticketmaster

DECEMBER

PARLIAMENT decides that Norway Post's Norwegian name shall change from Posten Norge BA to AS

POST IN SHOPS go through their first big test, namely the Christmas traffic.

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