annual report

2003

posten

– between you and me

key figures

KEY FIGURES	2003	2002	2001
Operating revenues (MNOK)	15 559	15 106	15 008
EBIT (MNOK)	512	– 33	843
Government procurements (MNOK)	305	372	540
Value creation (MNOK)	5 500	6 300	4 800*
Revenues from licensed area	26,7 %	31,6 %	33,3 %
Revenues from international activities (MNOK)	1 350	1 096	724
Total parcel volume (million items)	25	24,7	24,5
Total letter volume (million items)	2 652	2 546	2 504
Development A and B mail	– 0,7 %	– 4,0 %	– 9,1 %
Delivery quality A priority mail (delivered overnight)	87,7 %	86,7 %	86,3 %
Machine-sorted, small letters	79 %	75 %	71 %
Machine-sorted, all letters	54 %	48 %	38 %
Employees (full-time equivalents)	21 640	23 509	24 506
Employee satisfaction (points, max 100)	80	79	75
Number of sales outlets (post offices/Post in Shop)	1 503	1 474	1 373
Norway Post reputation, share «Good impression» (MMI)	46 %	43 %	48 %

* 2000

Contents

Change **and development**

Technological development, political framework and competition affect Norway Post and our strategies, and we have to develop continually in order to meet these challenges.

Norway Post is one of Norway's oldest business enterprises, established in 1647. Now as then, our activity is based on our customers' and society's trust in us. Norway Post is the company most frequently commented on by people in this country. Everybody has an opinion about the job we do and should do.

People's impression of Norway Post is based on tradition, the experiences of the individual, and to what extent the company manages to fulfil customer expectations and the expectations of a rapidly changing society.

Therefore, long-term planning combined with flexibility are prerequisites for our success.

Physical and electronic services

Developments in information technology, especially the popularity and possible applications of the Internet have brought about large technological changes. The result is that email is taking over from physical letters. However, this development also brings new opportunities to Norway Post in providing solutions for electronic invoicing, electronic message communication and electronic processing of market databases for their customers. In addition information technology enables us to provide our logistics customers with electronically based supplementary services. These are integrated with our physical services in the form of EDI solutions, inventory surveys, electronic tracking of products, etc.

Norway Post's strategy is to offer electronic services, either as a supplement to or as a replacement for physical services, as required by our customers. Only in this way can we be the total supplier we aim to be.

Politically, former monopolistic, national postal services are becoming increasingly liberalised and competitive. Liberalisation is taking place across Europe, and Norway Post's monopoly currently is limited to closed, addressed letters weighing up to 100 grams. About 73 per cent of our revenues come from the competitive part of the market, with only 27 per cent being protected by licensing.

Liberalisation of the postal market will continue in the years ahead. From 1 January 2006, Norway Post's licensed area will be reduced from 100 to 50 grams, with full liberalisation soon afterwards, probably by 2007 or 2008. Parallel with this liberalisation, Norwegian authorities use Norway Post's licence and a strict regulatory regime as a means of ensuring comparable postal services all over the country, with the greatest possible degree of competition. At times this is a demanding combination for Norway Post. The company's aim is to exceed licence requirements, while at the same time point out that regulations must not be so restrictive and bureaucratic that they prevent us from competing on the same terms as our competitors.

Changes in the competitive situation are most obvious in the distribution of advertising material, newspapers/magazines and logistics.

Within distribution of unaddressed advertising, newspapers are our most important competitor. Together we have about 80 per cent of this market.

Newspapers have chosen not to respect consumer reservations against receiving advertising, regarding advertising in newspapers as being part of the editorial product. Norway Post, however, has decided to respect consumers who do not want to receive advertising. We believe that in the long run, this will be the most successful approach for advertisers. In 2003 newspapers also declared that they want to compete with Norway Post for distribution of other products, for example weekly papers and magazines. We welcome this competition. In our opinion, competition is healthy. A clearer picture of the competitive situation will contribute to reducing the misconception that Norway Post has a monopoly on such services.

International market

Internationally, the competition in the logistics market has developed along two axes: First, by a merger of what was previously parcels with bulk and general cargo. The customers want one provider, regardless of the size and shape of parcels and goods.

Second, competition within logistics is becoming increasingly internationalised. In Norway, large foreign companies are well established in the market. DHL (the German postal operator), TNT (the Dutch postal operator), Linjegods (owned by German Schenker BTL/Deutsche Bahn) og TollpostGlobe (50 per cent owned by Sweden Post) are all examples of these.

Norway Post's acquisition of Nor-Cargo in March 2004 is both a defensive and aggressive move to meet the competition in the logistics market. The acquisition of Nor-Cargo means that Norway Post can offer its »

«Norway Post's acquisition of Nor-Cargo is both a defensive and aggressive move to meet the competition in the logistics market»

» logistics customers complete services regardless of the size and shape of the goods, at the same time as significantly improving the company's competitive edge vis-à-vis the major international players. Two of the largest international logistics companies currently established in the Norwegian market are owned by two of Europe's (and the world's) leading postal operators. Both have clearly expressed their interest in competing for part of the Norwegian letter market once full liberalisation is a fact. Their focus on logistics is only the beginning.

Integrated services

Norway Post operates in four market segments, of which the communications segment is the largest, accounting for 57 per cent of the company's revenues in 2003. Logistics services contributed 24 per cent, information technology (ErgoGroup) 11 per cent and the consumer segment (post office, Post in Shop) 7 per cent. The acquisition of Nor-Cargo will give a more even distribution of revenues between the communications and logistics segments, corresponding to 47 per cent and 37 per cent, respectively, of total revenues. In this way fluctuations within one of the two major market segments will have a lesser impact on the company.

Norway Post's investment in IT-based development and infrastructure services through ErgoGroup is the part of our core activity that enables us to offer our customers integrated services. Administrative support services (salaries and accounting), on the other hand, are no longer a natural part of our core areas. The conclusion of our evaluations was that we can no longer add value to these business areas. Therefore, ErgoBluegarden was sold at the end of 2003, and sale of Adviso accountancy firm has been initiated.

In addition to the strategy of including IT as part of our core activity, it is a clear aim that a larger share of ErgoGroup's revenues should come from sales to customers outside the Norway Post group. This would provide another sound financial foothold for Norway Post.

The restructuring of Norway Post's Consumer division from over 900 company-operated post offices to a combination of 328 post offices and 1 175 Post in Shops has now been completed. The first Post in Shop was opened in March 2001, not without scepticism from customers and politicians. Today we are happy to see that this scepticism has disappeared. Customer surveys show that Post in Shop has become our most popular sales channel.

Norway Post's over 1 500 sales outlets and 15 000 postmen and -women visiting 99.96 per cent of all Norwegian households six days a week, represent our interface with the country's people and business enterprises. A strong distributive muscle will be decisive in the constantly increasing competitive situation. Therefore, we will continue to develop our competitive edge of being able to meet our customers every day through the country's most comprehensive sales and distribution network.

2003 was Norway Post's first full business year as a limited company. Both in terms of market and financial conditions, the year exceeded our expectations. An improvement in net income of NOK 562 million and a return on capital employed of 11.2 per cent indicate that we are on our way towards satisfactory profitability and competitiveness.

Norway Post is 357 years old. We have a long past, but are not stagnating. Our development is immense, and we are looking forward to the years ahead.

Kaare Frydenberg

Kaare Frydenberg
Chief Executive Officer

Norway Post's vision

Our vision is that Norway Post will become:
The world's most future-oriented postal company.
This vision expresses Norway Post's long-term ambition, stating how we want our company to be perceived. The vision is intended to create a common understanding of Norway Post's choice of direction, and serve as an ideal for all of us working in the company to strive for.
The world's underscores our goal of being the world-leader in our industry. No other postal company should perform better in its market than Norway Post does in Norway. We will seek inspiration from the best performers in our sector.
Most means that we will be the best. We will win the profitable competitions most ofen.
Future-oriented means that we will be in the forefront of development.
We will offer solutions adapted to current and future requirements and focus on the customer's needs. We operate in a dynamic industry with rapidly developing markets. Our vision acknowledges the fact that changes and development will be continous.
Postal company is not a static concept. It is up to us to decide what to include in the "post" concept in the future, based on our history and our trusted position in the market.

Business concept

Norway Post develops and delivers complete, value-adding communications and logistics solutions to domestic and international customers through physical and electronic networks.
Norway post will develop complete, value-adding communications and logistics solutions. This means that we will not only transport items from A to B, but offer complete services based on the customer's needs.
We will develop solutions for delivery through physical and electronic networks. This means that we will continue to offer physical transport services while at the same time providing electronic products such as payment services, secure ID and secure email through our own production and through alliance partners.
We serve both personal and business customers. Our main focus is still customers in Norway, but our network covers the entire world.

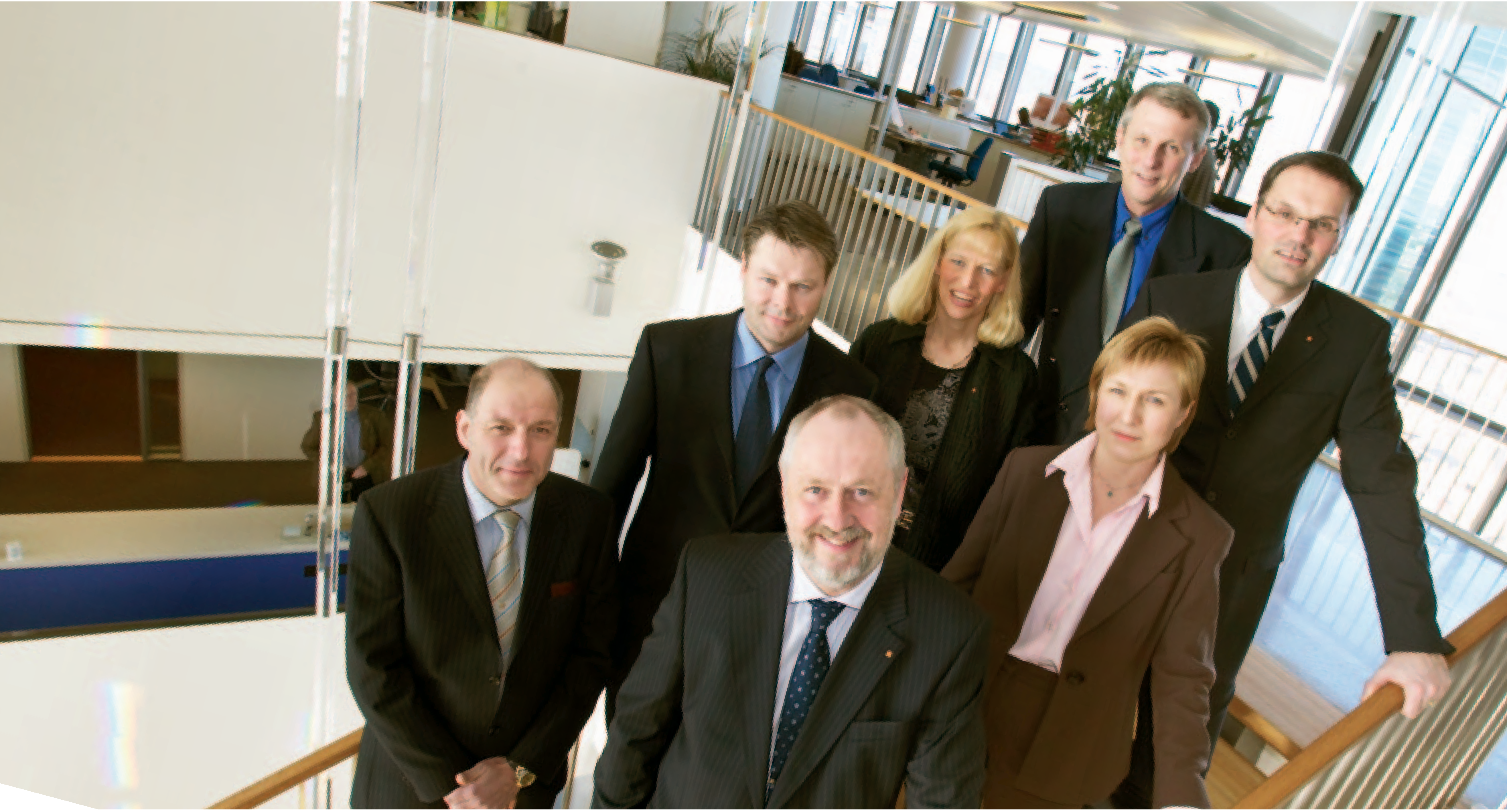
Overall objectives

Based on our business consept, vision, values and future challenges, we have defined the following overall objectives for Norway Post's activity:

- **Satisfied customers**
Will be measured by the development in customer satisfaction, indicating the customer's overall impression of Norway Post.
- **A strong market position**
Will be measured by the development in market shares in existing and new areas. We will be the leading operator in Norway and in niche markets in the Nordic countries. We will form alliances with other players abroad.
- **Attractive workplaces**
Will be measured by the development in workplace attractiveness, in which employee satisfaction is a central factor.
- **Competitive value creation**
Will be measured by the development in Norway Post's overall value. We will create higher value for Norway Post's owners than they would have achieved in alternative investments.

Values

Norway Post's reputation will be supported and based on its fundamental values. These will form the basis for company culture and serve as a guideline in all decisions.
Norway Post's four fundamental values are:
honesty, respect, innovation and interaction.



Norway Post's group management comprises Kaare Frydenberg, CEO (front), Lars Tendal, Sr. Vice President Communications (left), Erik Johannessen, Sr. Vice President Consumer, Kaare Østgaard, acting Managing Director of ErgoGroup, Elisabeth H. Gjølme, Sr. Vice President Corporate Information, and Aniela Gjøs, Sr. Vice President Distribution Network. Back row from left: Arne Bjørndahl, Sr. Vice President Logistics, and Klaus-Anders Nysteen, CFO/Sr. Vice President Corporate Staffs.

Divisionally-based **market approach**

Norway Post's group structure has remained unchanged for the last four years, consisting of five market-oriented divisions and four corporate staff divisions.

The Norway Post group aims to use most resources on developing its market and satisfying customer demand. Its five divisions focus on markets and results, whereas its four corporate staff units focus on development. Although the overall group structure has not been changed for four years, extensive restructuring has taken place within the individual divisions.

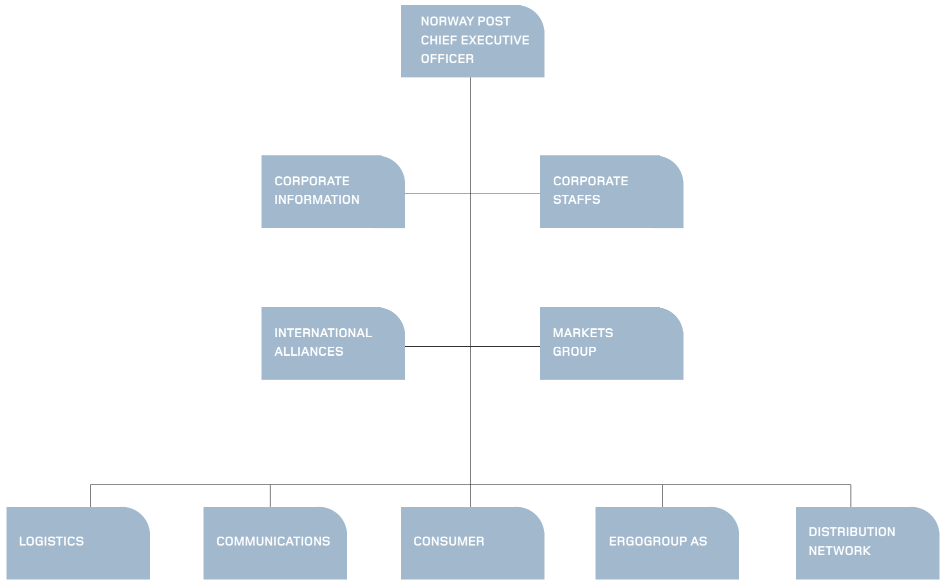
Strenghten value creation

The group structure is an aid to achieving goals and realising strategies, thereby adding to the value of the company. The five divisions: Communications, Logistics, Consumer, Distribution Network and ErgoGroup AS, are responsible for separately and jointly developing and providing competitive concepts intended to satisfy current and future customer demands. The activities of the divisions are integrated, and together constitute Norway Post's core activity.

Operational management team

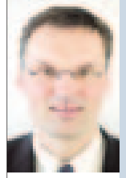
The group's senior management consists of the Chief Executive Officer, the heads of the five divisions and the heads of two of the corporate staff units. The group management is operational, focusing on complete solutions for the market.

The group structure is not static, and both the structure itself and the interfaces between the different units must continuously be evaluated with the aim to achieve the most efficient implementation possible of the group's strategies.

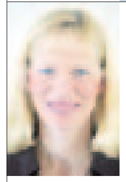


NORWAY POST GROUP MANAGEMENT

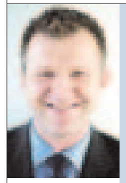
KAARE FRYDENBERG (53)
Chief Executive Officer from April, 2000
Former positions: Senior Vice President Pripps Ringnes AB Stockholm, Managing Director Aftenposten AS and Dagens Næringsliv
Education: Master of Science and Business
Offices: Chairman of the Board of ErgoGroup AS, director, PNL AS and NAVO



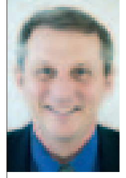
KLAUS-ANDERS NYSTEEN (38)
Senior Vice President, CFO, Corporate Staffs from January, 2001
Former positions: Finance Manager Hydro Seafood, Controller Hydro Seafood Norway, various positions in the Norwegian navy
Education: MBA, Norwegian School of Business Administration (NHH), Naval College
Offices: ErgoGroup AS and Box Group AS



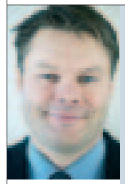
ELISABETH HEGG GJØLME (43)
Senior Vice President, Corporate Information from April, 2000
Former positions: Vice President Information Telenor Mobil, Information Manager Telenor, Marketing and Information Manager Oslobanken AS, Secretary General, Young Conservatives
Education: Norwegian School of Management (BI)
Offices: NAVO



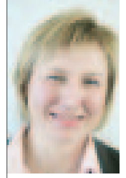
LARS HARALD TENDAL (37)
Senior Vice President Communications from January, 2001
Former positions: Sales/Marketing Manager ICA Norge, Sales Manager Sætre AS, Sales Manager Chains Sætre AS.
Education: Master of Business and Marketing, Norwegian School of Management (BI)
Offices: City Mail Sweden, ErgoIDP Danmark



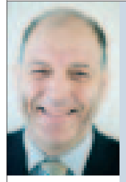
ARNE BJØRNDAHL (51)
Senior Vice President Logistics from January, 2002
Former positions: Deputy Managing Director, Logistics Manager and Finance Manager of Ringnes, Managing Director of Emo AS
Education: Bachelor of Business Administration, Norwegian School of Management (BI)
Offices: Wajens AS, Oslo Container Stevedor AS, Box Group AS, Nettlast AS, Nettlast Hadeland AS and Nor-Cargo ASA



KAARE ØSTGAARD (39)
Acting Managing Director of ErgoGroup AS from January, 2004
Former positions: Deputy Managing Director and controller of ErgoGroup AS
Education: Master of Business and Economics, Norwegian School of Management (BI)
Offices: ErgoSolutions AS, ErgoIntegration AS, ErgoEphorma AS, Adviso AS, TransWare AB, ZebSign AS and Buypass AS



ANIELA GJØS (44)
Senior Vice President Distribution Network from October 2003
Former positions: Logistics Manager for the Ringnes group
Education: Master of Science (approved NTH, Norway '88), Business Candidate '98
Offices: ErgoGroup AS, Avishuset Dagbladet AS and Dagbladet AS



ERIK JOHANNESSEN (52)
Senior Vice President Consumer from September 2000
Former positions: Manager Telenor International AS, Project Manager Telenor ASA, Marketing Manager Ericsson AB
Education: Business Candidate from Norwegian School of Management (BI) & engineer
Offices: City Mail AB, MMI AS, NORTIB, NAVO

Higher quality
and better service

Norway Post's results improved significantly in 2003. Growth in revenues and the streamlining process resulted in higher profitability.

On its way towards becoming «The world's most future-oriented postal company», Norway Post succeeded in making its organisation more efficient and at the same time considerably improving service and quality. Delivery quality in 2003 was record-breaking and remained stable at a level well above the licence requirement.

Group results improved substantially from the preceding year, but earnings must increase further in the time ahead in order to achieve a satisfactory rate og return. Group earnings before tax were NOK 456 million, an improvement of NOK 562 million from 2002, and total letter and parcel volumes increased. IT results remained stable while the decline in bank transactions continued. New products have been launched and electronic services developed to replace or supplement traditional postal services.

Competition increases in all of Norway Post's business areas. On 1 July 2003 Norway Post's licensed area for closed, addressed letters was reduced from 350 to 100 grams. This means that only 27 per cent of Norway Post's revenues come from its monopoly area. To ensure an acceptable restructuring process, Norway Post assumes that Norway will be following the EU's liberalisation time schedule, which largely means free competition from 2006 when the licensed area is reduced to letters under 50 grams.

Norway Post's strategy for strengthening the company in an increasingly competitive market is to streamline all parts of its activity and at the same time improve service and quality. The company focuses on solutions that combine electronic information and physical distribution. The group's subsidiary ErgoGroup AS is becoming increasingly important in this development, and is decisive in ensuring a successful integration of services as required by the customers.

Within its core activity Norway Post aims to be the market leader in Norway. In the Nordic countries Norway Post pursues a niche strategy and is engaged in letter distribution and express services. The company's largest investments in the Nordic countries are CityMail Sweden, Box Delivery and Pan Nordic Logistics. Revenues from Nordic activities increased by NOK 254 million, or 23.2 per cent, from 2002 to 2003, representing 8.7 per cent of Norway Post's total turnover. Outside the Nordic countries the company aims to form strategic alliances.

Higher delivery quality

Significant improvements were made in 2003. Norway Post's accessibility was improved by increasing its number of sales outlets and extending opening hours. The statutory licence requirements of equally good services throughout the country were satisfied in 2003. The quality of Norway Post's postal services has never been higher than in 2003 and remains stable, above the requirements of the company's licence. This means that letters and parcels arrive faster than ever before.

In 2003, 87.7 per cent of A-priority mail was delivered the next day. This is up one percentage point, from 86.7 per cent, in the preceding year. Measurements of international letter mail quality show an overall quality improvement in the postal industry in recent years, with Norway Post having advanced from below to well above the European average.

The number of visits to post offices in 2003 was higher than in the preceding year, and waiting time has been reduced. During the year, 29 new «Post in Shops» were opened. Norway Post now has over 1 500 sales outlets, including 1 175 Post in Shops. Additional expansions are planned for 2004. Post office opening hours were extended in 2003, and the company now adheres to local opening hours. In December 2003 post offices were open on Sundays for the first time.

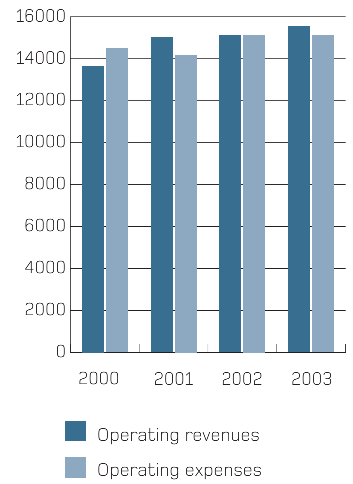
Customer surveys carried out by Norway Post indicate progress, and the work of strengthening customer satisfaction will continue.

Improved cost-effectiveness

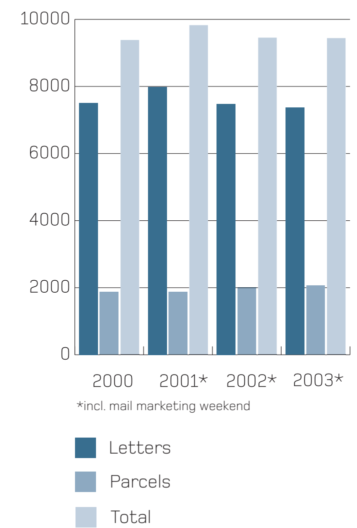
Norway Post has implemented significant restructuring and efficiency improvement measures in order to make the company more competitive. Divestiture and outsourcing have reduced operating costs and increased cost flexibility. Streamlining efforts will continue as an ongoing process.

After major restructuring of the sales network from 2000 to 2002, the distribution network is now undergoing significant changes. Distribution and transport services were merged in 2003, so that letters and parcels are now distributed together. The change has resulted in fewer mail delivery vans on the road and more mail in each van.

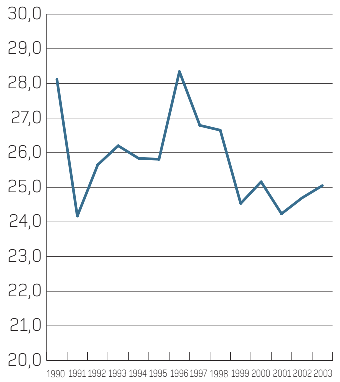
OPERATING REVENUES AND OPERATING EXPENSES
in MNOK



DEVELOPMENT IN REVENUES
in MNOK

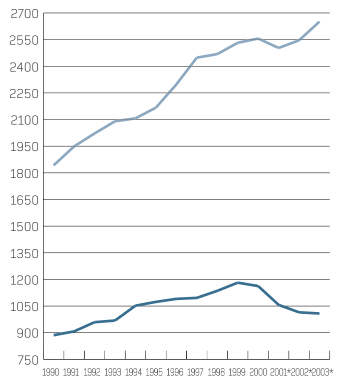


VOLUME DEVELOPMENT, PARCELS
million items



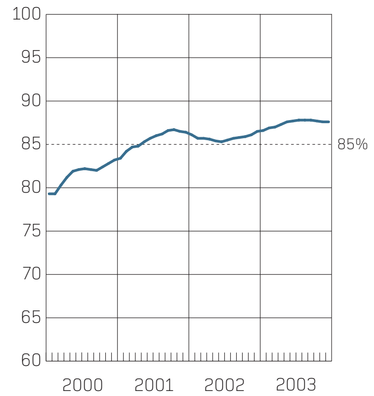
Total letter volume

VOLUME COMPARISON
million items



*incl. mail marketing weekend
Total letter volume
A and B mail

DELIVERY QUALITY A-PRIORITY MAIL
in %



Quality requirement
Last 12 month average

In the autumn of 2003 the decision was made to introduce a new terminal structure, to be established by the end of 2006. Hence, letter and parcel processing will take place at fewer, but larger, sorting terminals. Investment in new machinery will increase machine sorting from 54 per cent in 2003 to 84 per cent in 2007. The number of letter terminals will consequently be reduced from 32 to 12, while the number of parcel terminals will be cut from 21 to 13. Norway Post will subsequently maintain terminals at 15 locations throughout the country and close down its operations at 18 places during the three-year period. The aim is to achieve increased profitability and higher quality.

Divestiture of activities/procurement

Since 1999 a number of non-strategic business areas have been divested from the group, and these services are being purchased back as cost-effectively as possible. After a transitional period, competitive tendering was introduced or prepared for in all areas. Such outsourcing of activity has taken place within transport, cafeteria, cleaning and construction services and within real estate, accounting, personnel, HSE and IT.

Within IT, Norway Post initially transferred activity and employees to its subsidiary ErgoGroup, and agreed to buy back services for a period. During this period, IT services will be specified and prepared for bidding according to public procurement regulations. By the end of 2007, Norway Post's 47 IT agreements will be subjected to competitive tendering, with 91 per cent having been put out for tender by the end of 2005.

Activities defined to be outside Norway Post's strategic core, will be considered for sale. In 2003 the company ErgoBluegarden AS and the activities of ErgoEnet As were sold.

The operations of the company Posten Forbruker-Kontakt AS was closed down in 2003 after an aggregate loss during its last four years of operations of NOK 30 million and a loss of market shares within the distribution of advertising.

In 2003 Norway Post decided to move the Postal Museum to Maihaugen at Lillehammer.

The stamp exhibition was opened in 2003, to be followed in June 2004 by the opening of the Postal Museum's main exhibition and its own museum post office in the city section of Maihaugen.

Price changes

As part of Norway Post's efforts to strengthen its competitive edge, the company in recent years has been reluctant to increase prices. However, price changes have nevertheless been necessary to meet the requirement for cost-based prices of licensed services and in other areas to ensure commerciality.

- After three years of price freeze of stamps and franked letter mail, prices were increased by an average 3.9 per cent from 1 January 2004.

- Newspaper and magazine postage will be increased over a three-year period to ensure that here too, Norway Post will meet the licence requirements for cost-based prices. Norway Post no longer has the opportunity to favour newspapers in the way it has previously done, but will have to demand the same price for newspaper distribution as for other customers. The average price increase of 17 per cent for newspaper postage and 15 per cent for magazine postage from 1 January 2004 is the first step in this three-year adjustment programme.

- A new volume-based pricing model was introduced for parcels on 1 March 2003 as volume, not weight, is the primary cost driver.

- In May 2003, the company introduced a fee for redirection of mail to a permanent, new address after one month's free redirection services.

Development in results and markets

Norway Post's profitability increased significantly in 2003. The group's earnings before interest and tax (EBIT) were NOK 512 million, compared with NOK -33 million for 2002. Adjusted for non-recurring items, lower government procurement and provisions for restructuring, the result of underlying operations improved by NOK 654 million. In parallel with the streamlining of Norway Post, government procurement of unprofitable postal services has almost halved in five years, from NOK 570 million to NOK 305 million in 2003.

Group revenues for 2003 were NOK 15 559 million, which is an increase of NOK 453 million, or 3.0 per cent, from 2002.

The parent company revenues increased by 1.8 per cent, accounting for 78 per cent of the group's revenues, against 79 per cent in the preceding year. About 85 per cent of the revenues come from the business market. The revenues of the subsidiaries increased by 3.1 per cent.

The total letter volume for the year rose by 3.2 per cent. The volumes of A-priority and B-economy mail declined by 0.7 per cent from 2002, and the average price for letter products fell. The Communications division accounted for 57 per cent of Norway Post's operating revenues.

Logistics volumes were 1.4 per cent higher in 2003 than in 2002. Parcels and logistics activities experienced a growth in revenues of 8 per cent during the year, which represents 24 per cent of the group's revenues. The decline in the volume of bank transactions in the sales network continued, down 6.5 per cent from 2002. The Consumer division accounted for 7 per cent of Norway Post's revenues.

ErgoGroup's revenues in 2003 were NOK 2 900 million, which means that the company managed to maintain revenues at the same level as in the preceding year. Of ErgoGroup's revenues, 39 per cent come from Norway Post. ErgoGroup aims to increase its share of revenues from external parties. The IT division accounts for 11 per cent of Norway Post's revenues. ErgoGroup's EBIT before non-recurring

«The restructuring work will be an ongoing process in 2004 and the years ahead. Satisfactory profitability by 2006 is a realistic, but demanding ambition»

items were NOK 48 million, compared with NOK 114 million in 2002. Including sales gains from ErgoBluegarden and ErgoEnet, ErgoGroup's net income was NOK 117 million, an improvement from NOK 28 million in 2002.

The market situation is characterised by the transition to electronic alternatives. The total volume of letter products increased in 2003, the growth coming from advertising products. Volumes of A and B mail peaked in 1999 and have since declined by a total of 14.7 per cent. Uncertainty is attached to the development in volumes in the years ahead, but volumes are expected to sink.

Competition in the newspaper and magazine distribution market is fierce. Norway Post's share of the market for newspaper distribution is 25 per cent, with the newspapers themselves accounting for the remaining 75 per cent.

In addition, newspapers have a strong position with regard to distribution of unaddressed advertising, and are gaining market shares in this segment. At the same time newspapers are expanding their distribution services to also include traditional postal services. The establishment of the company Mediapost shows that the large media groups have ambitions in this field and may become a major competitor to Norway Post.

The market for logistics services has been fully deregulated and is characterized by fierce competition and pressure on margins. The players in the market are becoming increasingly international, with the large international postal operators actively promoting the ongoing consolidation. Both Deutsche Post/DHL, the Dutch postal operator TPG/TNT and Sweden Post/Tollpost are represented in Norway. Together with Linjegods/Schenker BTL they are pursuing an aggressive strategy in the Norwegian market. Norway Post expects the volume increase in logistics products and express services to continue.

Growth in ecommerce increases the need for secure and efficient distribution and payment solutions, resulting in growth in areas in which Norway Post is well positioned.

In 2003 DnB Markets performed a valuation of the Norway Post group at the request of the Norwegian Ministry of Transport and Communications. The group's equity was valued at NOK 5.5 billion.

Capital

On 31 December 2003 Norway Post's total assets were NOK 10 052 million, up from NOK 9 327 million one year earlier.

When, in 2002, the Norwegian parliament decided that Posten Norge AS would have to cover the shortfall of NOK 1 475 million in the Norwegian Public Service Pension Fund, it was also decided to supply the company with NOK 600 million in new equity to compensate for the negative effect of this measure. This supply of equity took place on 1 July 2003. In 2003 it was paid a total of NOK 2 208 million to the Norwegian Public Service Pension fund in the form of coverage of the shortfall and in pension premiums.

On 31 December 2003 the group's book equity was NOK 4 776 million, which is an increase from NOK 4 034 million in the preceding year. The equity ratio increased to 47.5 per cent in 2003, from 43.3 per cent in 2002.

The pension costs of the parent company are accounted for in accordance with standard Norwegian and international practice.

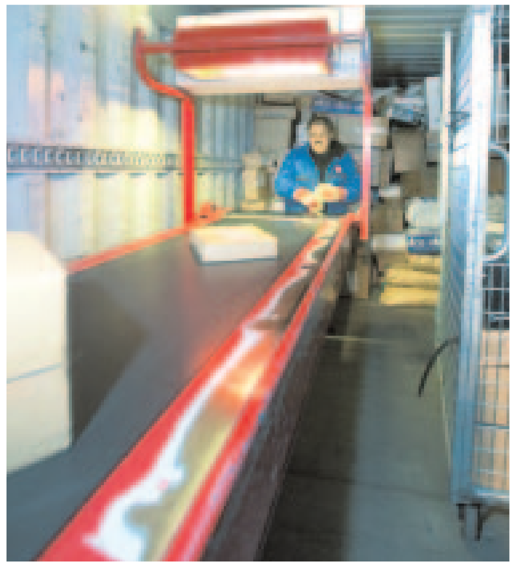
Large salary increases and high disability benefits as well as changes in pension schemes in recent years have contributed to a significant increase in net pension obligations. In accordance with generally accepted accounting principles, this increase is not classified as a balance sheet item, but is accounted for as an unrecognised company commitment. At year-end, the total unrecognised parent company commitment amounted to NOK 1 278 million, cf. note 3 to the annual financial statement. The book equity of Posten Norge AS is NOK 4 925 million. Taking into account the unrecognised pension commitment, the group's book equity would be NOK 3 647 million.

The pension scheme also represents a risk as regards return on pension funds. Pension premiums to the Norwegian Public Service Pension Fund are fictively invested in Norwegian government bonds with the longest remaining life at any given time (10 years). The current system was established on 1 December 1996, with the initial fund of NOK 4 479 million being fictively invested in a bond with a yield of 6.46 percent, maturing on 15 January 2007. A continued low interest level ahead will involve a risk with a negative effect when the initial fund is refinanced in 2007. Efforts have been initiated to reduce risk to a minimum, and the company's pension schemes are currently being evaluated.

Return on capital employed (ROCE) in the group was 11.2 per cent in 2003, compared with 1.7 per cent in 2002. Adjusted for non-recurring items the figures were 10.1 per cent and 1.2 per cent, respectively. Return on equity after tax in 2003 was 6.2 per cent. The company is making every effort to satisfy the owner's requirement of 10.8 per cent return on equity after tax.

Cash flow from operations in 2003 was NOK -915 million. This is a reduction of NOK 1 099 million from 2002, resulting from the payment to cover the shortfall in pensions. Cash flow from investing activities was NOK 941 million higher than in the preceding year. Investments in 2003 amounted to NOK 455 million, which is NOK 986 million lower than in 2002.

«The new, open offices are designed for new work forms, contributing significantly to increased cooperation and communication»



A risk assessment for the group is made every year as part of its corporate governance, followed up by measures and recommendations to reduce individual risk factors. Norway Post is exposed to financial market risk. Financial instruments are used to reduce risk associated with variations in interest rates, currencies and electric power prices. Pensions, the introduction of IFRS accounting principles, goodwill/intangible fixed assets and change in number of people on disability benefits are areas in which Norway Post actively monitors the company's risk exposure.

The Board of Directors confirms that company's annual financial statements have been prepared on the basis of ongoing activities and that the underlying assumptions for these have been met.

Allocations

In 2003 Posten Norge AS had a net income of NOK 402 million. The Board of Directors proposes to the Annual General Meeting that a dividend be paid out corresponding to 30 per cent of the group's net income, which is in accordance with the current dividend policy. This gives the following allocation of the net income for the year:

Provisions for dividend to owner	MNOK 121
Transferred to other equity	MNOK 281

The company's unrestricted equity after the proposed dividend is NOK 235 million. The requirement of the Norwegian Companies' Act that distribution of dividend must not result in an equity ratio lower than 10 per cent or the company distributing more than is agreeable with prudent and generally accepted accounting principles, is fulfilled.

Employees and working environment

Norway Post's work force was reduced by 1 869 full-time equivalent jobs in 2003, 554 of which relate to ErgoGroup. The number of full-time annual work equivalents at the end of 2003 was 21 640, compared to 23 509 one year earlier.

The annual employee satisfaction survey for 2003 indicated continuously increasing job satisfaction among Norway Post employees. The survey shows an increase in the score for job satisfaction to 80 from 79 in the preceding year and 75 in 2001. The survey also shows that employees' loyalty to Norway Post has strengthened.

The company emphasises development of expertise based on the needs of the organisation, with development programmes focusing on strategically important competence.

Norway Post emphasises a value-based and business-oriented management development. During the last two years, 220 top and intermediate level managers have completed development programmes. In 2004, an additional 110 managers will go through the same programme. The training programme for first-line managers will be launched in 2004, targeted at 800 people. Processes are being implemented to establish Norway Post's fundamental values in all divisions of the organisation.

In 2003 Norway Post set up an internal employment service with the aim of keeping a survey of personnel needs in the company's different units and contribute to efficient communication of internal and external jobs for redundant employees.

The company moved its headquarters to the Norway Post building in Oslo, gathering functions from 14 different addresses in one place. The move to a single location reduced office space requirements from 48 000 to 15 000 square metres, and reduced office rental from NOK 67 million to NOK 35 million. This move to the Norway Post building formed an important part of Norway Post's organisational development. The new, open-plan offices are designed for new work forms, contributing significantly to increased cooperation and communication. The company has also gathered administrative functions centrally in Trondheim, Bergen, Bodø, Stavanger, Kristiansand and Hamar. By coordinating the office functions in these seven places, the company reduces its total need for office premises by 77 000 square metres and saves NOK 88 million in rent every year.

8 500 postmen and women were given new, modern uniforms in 2003, as an important part of Norway Post's profiling strategy.

The state Labour Inspection carried out an extensive review of Norway Post's activity in spring 2003, focusing on the company's working environment during the restructuring processes. The review included 80 visits to Norway Post workplaces in Nordland and Oslo. The Labour Inspection's report imposed 15 areas for improvement, which are being followed up in accordance with Norway Post's plans.

At the end of 2003, 46 per cent of the group's employees were women. The corresponding figure for the parent company was 49 per cent. Women accounted for 38 per cent of the group's permanent employees, while the figure for part-time employees was 65 per cent. The percentage of female directors on Norway Post's board is 40.

25 per cent of the group management is women, while the percentage of women among the company's 1 633 managers is 31.

Norway Post practices a moderate gender-based quota system in order to increase the number of female managers and employees in male-dominated job categories. This is incorporated in the company's recruitment policy and collective wage agreement. When accepting trainees for the company's management development programme, emphasis is placed on finding and developing female managers and management candidates. 30 per cent of the managerial staff recruited in 2003 were women.

In 2003 the average annual salary in the parent company was NOK 268 660 for women and NOK 270 322 for men. Female managers received NOK 382 968, while male managers received NOK 406 846.

Although sick leave in Norway Post is now stable, it is still too high. In 2003 sickness absence was 11.29 per cent, down from 11.35 per cent in the preceding year. Sickness absence among women amounted to 12.8 per cent, while the figure for men was 9.3 per cent. The number of people on disability benefit has declined in recent years, from 668 in 2001, 629 in 2002 to 547 in 2003. 61 per cent were women. Increased focus on and systematic efforts to reduce sickness absence and the number of people on disability benefit are beginning to yield results.

Norway Post was the first large company to sign an «Encompassing Workplace agreement» in 2002. The agreement will continue in 2004. The aim is to reduce sickness absence by 20 per cent by the end of 2005, increase average retirement age and increase measures to include more people with disabilities in working life. Norway Post was awarded the «Encompassing Workplace Award» for 2003 by the Working Life Centre in Oslo.

The Norwegian employers' association for public corporations, NAVO, in October 2003 chose Norway Post as the encompassing workplace of the month, on the grounds that Norway Post has an efficient tool for systematic management and follow-up of health, safety and environmental work.

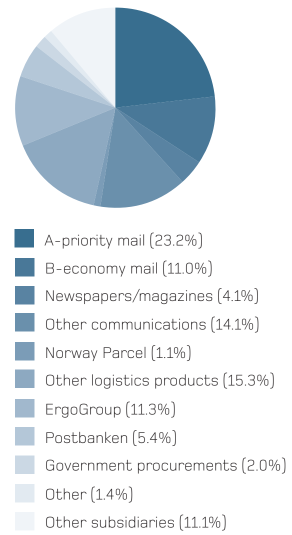
Norway Post has employees from 75 different nationalities. For three years the company has had a zero tolerance approach to racism. A number of measures and activities have been initiated, focusing on Norway Post being a place where everybody is welcome regardless of colour of their skin, religion or cultural background. Employees and managers fully support this work.

From and including 2003, reporting of occupational injuries is electronic. During the year a total of 286 lost time injuries were reported.

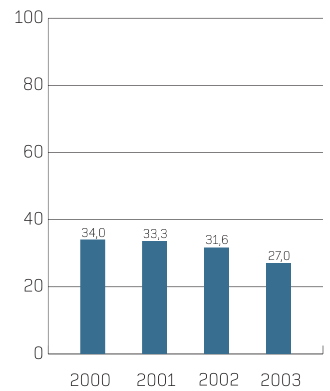
This is a decline from the preceding year, when 297 lost time injuries were reported. In 2001 the figure was 357. There has also been a decline in the number of days of absence due to occupational injuries. Falls clearly constitute the most frequent cause of injuries. The injury frequency, that is the number of lost-time incidents per one million hours worked was 9.2 in 2003, compared with 8.7 in 2002 and 9.8 in 2001.

After several years of a decreasing number of postal robberies, 11 post offices experienced robberies in 2003, compared with 6 in the preceding year. In addition, Norway Post's letter terminal in Oslo was subject to an armed robbery. Experience shows that Norway Post's security systems and routines are satisfactory, and that the follow-up of managers and the HSE system is good. Security measures have nevertheless been inten- »

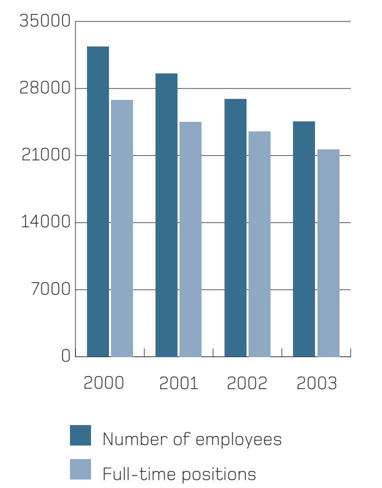
DISTRIBUTION OF REVENUES
in %



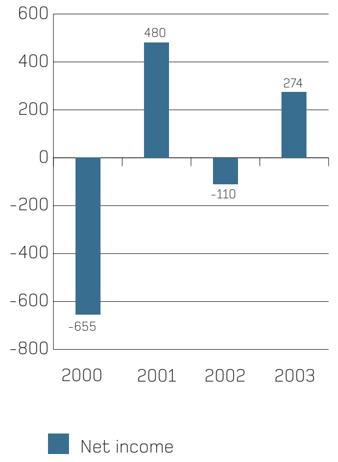
REVENUES FROM LICENSED AREA
in %



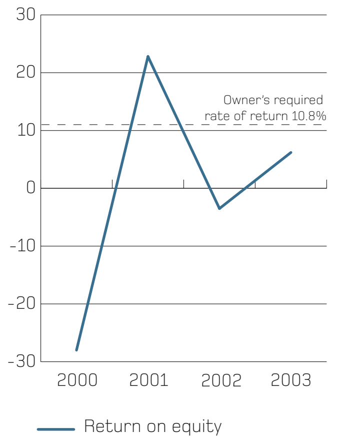
DEVELOPMENT IN NUMBER OF EMPLOYEES



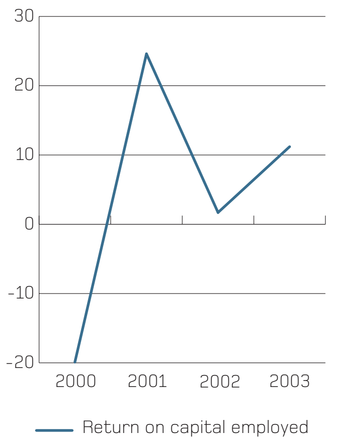
NET INCOME
in MNOK



RETURN ON EQUITY
in %



RETURN ON CAPITAL EMPLOYED
in %



sified, and renewed focus has been placed on emergency preparedness and exercises.

The Board of Directors would like to thank all employees for their active participation and responsible behaviour during the demanding restructuring process.

Natural environment

Throughout its value chain Norway Post's activities have an impact on the natural environment. Purchases of goods, energy and services indirectly affect the environment, whereas consumption of goods and energy in Norway Post's production have a direct environmental impact in the form of emissions to air and discharge to water, and generation of noise and waste. Norway Post aims to reduce the environmental impact of its activities by lowering the consumption of resources and prevent and reduce emissions, discharges and waste.

During the year the company further developed its determined environmental efforts. An environmental action plan for 2004-2006 was prepared, and concrete goals and measures were defined within prioritised areas. To ensure high-quality environmental reporting and more efficient follow-up, an electronic environmental accounting system has been introduced. The environmental work carried out in 2003 had several positive effects. Norway Post's energy programme, for example, reduced energy consumption by 13 per cent in the buildings participating in the project. In addition, district heating systems' share of the total energy consumption increased from 13 to 20 per cent.

During the year, Norway Post increased its use of trains, hired cars and its own vehicles, while the company's use of aircraft was reduced. Norway Post's emissions of CO_2 and NO_x increased by 5 and 7.4 per cent, respectively. Most of the company's emissions relate to transport, of which Norway Post's own vehicles account for 60 per cent.

The Board of Directors

At Norway Post's Annual General Meeting in June 2003 Gry Mølleskog was elected new director, succeeding Wenche Pedersen. Kari Lund was elected deputy director after Ingrid Svendsen.

The Board of Directors emphasises the importance of Norway Post having practical and efficient management and control systems to ensure satisfactory management of the group for its owner and other interested parties. For Norway Post «Corporate Governance» involves the goals and overall policies by which the group is managed and controlled and the structures regulating the interaction between the company's governing bodies and its other interest groups. The basic principles for corporate governance in Norway Post and planned further work in this field were defined by the Board and incorporated in Norway Post's Corporate Governance Policy.

Norway Post has prepared guidelines for possible conflicts of interest and has established a register of board functions and ownership interests for the board of directors, the group management, employees and other interested parties influencing company decisions.

Outlook

The restructuring work will continue as an ongoing process in 2004 and the years ahead. Satisfactory profitability by 2006 is a realistic, but demanding ambition. Service and quality will be further improved. A new terminal structure will be in place by the end of 2006, with full effect on results from 2007.

A deregulated postal services market will attract several national and international players. Norway Post intends to maintain and strengthen its market position by constantly focusing on efficiency, quality, service and innovation. In addition to maintaining traditional sources of revenue, new products and services are being developed, geared to the communications and logistics market. With ErgoGroup as an integrated part of the company's activity, the group is able to offer complete solutions.

In order for Norway Post to be able to achieve its strategic objectives and compete effectively, the company must be given a predictable and competitive framework. Especially in a situation of deregulation and a new licence from 2006, the company will need long-term stability in order to develop. The Storting's (Norwegian parliament) consideration of Report no. 11 (2003-2004) shows that there is broad political agreement about Norway Post's development and choice of direction.

The Storting has determined that from 2006 Norway Post will be free to choose banking partners and offer financial services from different suppliers through the company's sales network. Norway Post and DnB/Postbanken disagreed on the financial settlement of their business agreements, and at the end of March 2004 the disputes were settled by arbitration. This will have a positive effect on Norway Post's results for the first quarter of 2004, amounting to about NOK 65 million. The current agreement with DnBNOR/Postbanken for banking services expires on 31 December 2005. During 2004, therefore, Norway Post will renew its strategy for the sale of financial services.

The acquisition of Nor-Cargo Holding ASA, announced in March 2004, is part of Norway Post's aggressive strategy to become a provider of complete logistics services in the Norwegian market. This acquisition will strengthen Norway Post's core activity and increase its ability to meet the strong competition from international players. The agreement is conditional upon approval by the Norwegian Competition Authority.

Norway Post will continue to make selective acquisitions and form alliances to strengthen the group's core activity.

Norway Post's Board of Directors. From left: Asbjørn Birkeland, Odd Christian Øverland, Erik Døvle, Inger Marie Gulvik Holten, Liv Stette (Vice-Chairman), Arvid Moss (Chairman), Terje Christoffersen, Gry Mølleskog, Ingeborg Anne Sætre and Thore Strøm (Deputy for Hans Fredrik Danielsen).

OSLO, 25 MARCH 2004

Arvid Moss
(Chairman)

Liv Stette
(Vice-Chairman)

Terje Christoffersen

Asbjørn Birkeland

Inger Marie Gulvik Holten

Gry Mølleskog

Odd Chr. Øverland

Hans Fredrik Danielsen

Ingeborg Anne Sætre

Erik Døvle

Kaare Frydenberg
(Chief Executive Officer)

KEY FIGURES

NORWAY POST GROUP

		2003	2002	2001
RESULTS				
Operating revenues	MNOK	15 559	15 106	15 008
Earnings before interest and taxes (EBIT)	MNOK	512	-33	843
Earnings before tax (EBT)	MNOK	456	-106	718
PROFITABILITY AND RETURNS				
Financial key ratios incl. non-recurring items:				
Net operating margin 1)	%	3,3	-0,2	5,6
Profit margin 2)	%	2,9	-0,7	4,8
Return on capital employed 3)	%	11,2	1,7	24,6
Return on equity after tax 4)	%	6,2	-3,5	22,8
Financial key ratios excluding non-recurring items:				
Net operating margin	%	2,9	-0,4	2,1
Profit margin	%	2,6	-0,9	1,3
Return on capital employed	%	10,1	1,2	11,0
CAPITAL AND LIQUIDITY				
Cash flow from operations 5)	MNOK	-915	184	77
Investments	MNOK	455	1 441	2 033
Equity ratio 6)	%	47,5	43,3	23,9
Net debt ratio 7)	%	0,1	0,1	0,5

DEFINITIONS

1) Net operating margin: EBIT/operating revenues
2) Profit margin: Earnings before tax/operating revenues
3) Return on capital employed: (EBIT + financial income)/average capital employed
Capital employed: Equity + interest-bearing liabilities
4) Return on equity after tax: Net income/average equity
5) Cash flow from operations: EBITDA + net financial items + payable taxes + change in net current assets
6) Equity ratio: equity/total assets
7) Net debt ratio: (interest-bearing liabilities – liquid assets/ total equity

INCOME STATEMENT

Amounts in MNOK

POSTEN NORGE AS					NORWAY POST GROUP		
2001	2002	2003		Note	2003	2002	2001
12 486	**11 983**	**12 193**	**Operating revenues**	1	**15 559**	**15 106**	**15 008**
984	1 406	1 528	Cost of goods and services		3 233	3 133	2 578
7 326	6 906	6 562	Payroll expenses	2, 3	8 217	8 485	8 628
549	461	448	Depreciation	8, 9	944	903	805
62	19	8	Write-downs	8, 9	60	22	71
3 343	3 237	3 143	Other operating expenses	4	2 651	2 620	2 608
222	**(46)**	**504**	**Operating income(loss) before other revenues and expenses**		**454**	**(57)**	**318**
(458)		158	Other revenues and expenses	5	(58)	(24)	(525)
680	**(46)**	**346**	**Earnings before interest and taxes (EBIT)**		**512**	**(33)**	**843**
174	194	393	Financial income	6	120	114	105
215	209	169	Financial expenses	6	176	187	230
639	**(61)**	**570**	**Earnings before taxes (EBT)**		**456**	**(106)**	**718**
178	(18)	168	Taxes	7	182	4	238
461	**(43)**	**402**	**Net income (loss)**		**274**	**(110)**	**480**
			Net income (loss) attributable to minority interests		28	(17)	17
			Transfers and allocations				
(300)		(121)	Provisions for dividend				
(161)	43	(281)	Transferred (to)/from equity				
(461)	**43**	**(402)**	**Total transfers and allocations**	16			

BALANCE SHEET

Amounts in MNOK

POSTEN NORGE AS					NORWAY POST GROUP		
2001	**2002**	**2003**		**Note**	**2003**	**2002**	**2001**
			Assets				
370	185	33	Intangible assets	8	1 282	1 639	1 301
3 560	3 468	3 104	Tangible assets	9	3 516	4 034	3 938
821	951	951	Investments in shares	10	152	150	135
38	259	2 289	Non-interest bearing long-term receivables	11	2 235	236	60
721	1 184	804	Interest bearing long-term receivables	12	45	58	
5 510	**6 047**	**7 181**	**Fixed assets**		**7 230**	**6 117**	**5 434**
49	64	60	Inventories	13	64	65	51
1 978	1 846	1 962	Non-interest bearing short-term receivables	14	2 066	2 287	2 518
633	706	559	Cash and cash equivalents	15	692	858	872
2 660	**2 616**	**2 581**	**Current assets**		**2 822**	**3 210**	**3 441**
8 170	**8 663**	**9 762**	**Total assets**		**10 052**	**9 327**	**8 875**
			Equity and liabilities				
1 515	3 060	3 120	Share capital		3 120	3 060	1 515
505	1 020	1 560	Share premium account		1 560	1 020	505
129	(35)	245	Other equity		78	(94)	138
			Minority interests		18	48	35
2 149	**4 045**	**4 925**	**Equity**	16	**4 776**	**4 034**	**2 193**
702	**403**	**367**	**Provisions for liabilities and charges**	17	**431**	**446**	**796**
1 048	**751**	**1 147**	**Interest-bearing long-term liabilities**	18	**1 266**	**846**	**1 133**
832	**300**	**100**	**Interest-bearing short-term liabilities**	18	**101**	**304**	**841**
3 439	**3 164**	**3 223**	**Interest-free short-term liabilities**	19	**3 478**	**3 697**	**3 912**
8 170	**8 663**	**9 762**	**Total equity and liabilities**		**10 052**	**9 327**	**8 875**
			Guarantees/mortgages	20			

Oslo, 25. mars 2004

Arvid Moss
(Chairman)

Liv Stette
(Vice-Chairman)

Terje Christoffersen

Asbjørn Birkeland

Inger Marie Gulvik Holten

Gry Mølleskog

Odd Chr. Øverland

Hans Fredrik Danielsen

Ingeborg Anne Sætre

Erik Døvle

Kaare Frydenberg
(Chief Executive Officer)

CASH FLOW STATEMENT

Amounts in MNOK

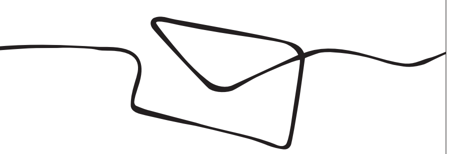
POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2 002**	**2 003**		**2 003**	**2 002**	**2001**
			Cash flows from operational activities			
613	370	867	Provided by operations*	1 048	692	855
(2)	(15)	4	Change in inventories	1	(14)	(2)
(627)	104	(119)	Change in non-interest bearing short-term receivables, excluding group contribution	221	38	(794)
556	25	(62)	Change in interest-free short-term liabilities, excl. dividend	(339)	215	630
(388)	(345)	131	Change in provisions for liabilities and charges	160	(405)	(411)
(203)	(355)	(2 021)	Difference between expensed pensions and payments to/from pension schemes	(2 006)	(342)	(201)
(51)	**(216)**	**(1 200)**	**Net cash flow from operational activities**	**(915)**	**184**	**77**
			Cash flows from investing activities			
(1 186)	(654)	(179)	Investments in tangible assets/IT development etc.	(455)	(1 441)	(2 033)
1 248	601	69	Sale of tangible assets	379	258	1 384
(526)	(496)	367	Changes in other fixed assets	6	172	104
(464)	**(549)**	**257**	**Net cash flow from investing activities**	**(70)**	**(1 011)**	**(545)**
			Cash flows from financing activities			
80	139	452	New long-term loan	507	139	80
432		100	New short-term loan	103		442
	28		Group contribution/dividends received			
(11)	(436)	(56)	Repayment of long-term loan	(86)	(461)	(18)
	(532)	(300)	Repayment of short-term loan	(305)	(532)	
	(300)		Group contribution/dividends paid		(300)	
	1 939	600	Additional equity payment	600	1 939	
501	**838**	**796**	**Net cash flow from financing activities**	**819**	**785**	**505**
(14)	**73**	**(147)**	**Total change in liquid assets**	**(166)**	**(42)**	**37**
647	633	706	Cash and cash equivalents at start of period	858	872	823
			Cash and cash equivalents from acquisition of subsidiaries		28	12
633	**706**	**559**	**Cash and cash equivalents at end of period**	**692**	**858**	**872**
			*) Generated as follows:			
461	(43)	402	Net income/(loss) for the year	274	(110)	480
634	489	461	+ Depreciation/write-downs	1 004	934	928
(482)	(76)	4	- Loss/(Gain) from sale of fixed assets	(230)	(132)	(553)
613	**370**	**867**	**= Provided by operations in 2003**	**1 048**	**692**	**855**

In the cash flow statement, depreciation, write-downs and gain from sale of fixed assets also include shares etc.

NOTES

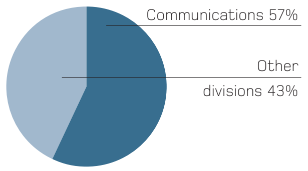
The notes, found on pages 46-64, are an integral part of the annual financial statements.

Bright and airy: In May 2003 Norway Post moved its headquarters to the Norway Post building in Oslo, gathering together functions from 14 different addresses in one place. The move to the new, open offices, has reduced rent from NOK 67 million to NOK 35 million, which gives annual savings of NOK 32 million. Corresponding office reorganisation took place in Trondheim, Bergen, Bodø, Stavanger, Kristiansand and Hamar.

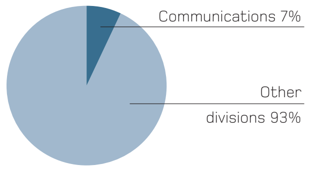


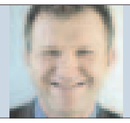
Norway Post offers letter mail and market communication services through physical and electronic channels.

SHARE OF GROUP REVENUES FROM EXTERNAL PARTIES



SHARE OF NORWAY POST'S EMPLOYEES





LARS TENDAL
Senior Vice President
Communications

EMPLOYEES	
2003	1 792
2002	429
2001	403
REVENUES IN MNOK	
2003	8 949
2002	8 356
2001	8 508
MILLION PHYSICAL ITEMS	
2003	2 652
2002	2 546
2001	2 503

SUBSIDIARIES

CityMail Sweden distribution company which services the largest cities in Sweden.
The Communications division has production units (printing, packing, scanning,etc.) at Alnabru and Mo i Rana.

Total supplier of **communications solutions**

By combining new electronic services with traditional postal services, Norway Post is able to offer private customers and firms a wide variety of communications solutions.

In keeping with development since 1999, Norway Post is planning for a decline in letter volumes.

Surprisingly, however, the volume of traditional letter services increased in 2003, in contrast to the preceding year.

«Intense focus on innovation has resulted in new services and further development of traditional services, which have given efficiency gains both for our customers and ourselves,» says Lars Tendal, Senior Vice President, Communications.

Norway Post offers electronic solutions back to back with its physical services. Through eLetters and eInvoicing customers can combine electronic and physical communication.

«We have developed into a flexible supplier of fast, secure and cost-effective complete communications solutions,» Tendal says. During the year, many important eInvoice agreements were made with large-volume customers such as municipalities, educational institutions, insurance companies and accounting firms.

Customer care with cards

CPR postcards (Create online Postcards for Real) enable private and corporate customers to send traditional postcards via the Internet. Norway Post handles the printing, franking and physical delivery to the recipient. During December, 90 000 such cards were distributed. By the end of the year, Norway Post had entered into over 250 agreements with companies who wished to use CPR cards as part of their customer relations management.

«With CPR we offer our customers the best of two worlds. We make use of our electronic services, yet keep much of the personal touch that characterises a traditional postcard,» says Tendal.

Whereas the total advertising market increased by four per cent, Norway Post's sale of mail marketing rose by 13 per cent.

«Mail marketing is central in our range of media, and innovation is important to win a greater proportion of the market. We are constantly improving at identifying customers and their needs. One example is the «Me and mine» service, which enables consumers to register their interests with us, making it possible for us to distribute relevant mail marketing to them either to their physical or their electronic mailboxes,» Tendal explains. Despite the postive development of mail marketing, Norway Post had to liquidate its subsidiary Posten Forbruker-Kontakt AS in 2003 . This company was bought in 1997 to add to Norway Post's revenue from weekend distribution of advertising, but lost in the increasingly tough competition with newspapers and Norway Post's other nationwide quality distribution.

Won important contract

A four-year agreement for distribution of all the Hjemmet Mortensen group magazines has strengthened Norway Post's position in this fiercely competitive market.

As for newspaper distribution, the situation is more complex.

«Our efforts towards cooperation with the newspapers turned out to be unsuccessful. Norway Post and newspapers have coincident value chains. Joint distribution of newspapers and mail would mean a considerable synergy effect for both parties. However, to date, our respective business strategies have put a stop to this cooperation,» Tendal emphasises.

Based on the Norwegian Post and Telecommunications Authority's requirement for cost-based prices, Norway Post invited newspaper publishers for talks on a new pricing model in June. The talks were unproductive, and from the new year Norway Post raised newspaper postage by an average of 17 per cent. Through a three-year escalation plan, postage on newspapers will reflect actual costs.

Addresses in the telephone directory

From the new year Norway Post increased letter postage for the first time in three years, and at the same time introduced a difference in price between stamps and machine-franked letters.

Norway Post entered into an agreement with the issuer of Norwegian telephone directories, Findexa, whereby postal addresses and useful information about Norway Post will be printed in the telephone directories from and including 2004.

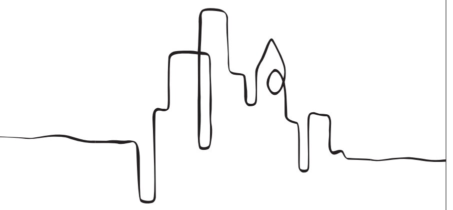
Norway Post's Key Accounts unit ensures one point of contact for major customers. Extensive cooperation agreements have been signed with for example the Orkla group. The new Orkla agreement replaces 150 individual agreements between Orkla and Norway Post's various divisions. A corresponding unit will be established for private customers and small firms.

Magazine distribution: A four-year agreement entered into in 2003 for distribution of all Hjemmet Mortensen magazines has strengthened Norway Post's position in this market.

New opportunities: CPR postcards enable private and corporate customers to send traditional postcards via the Internet.

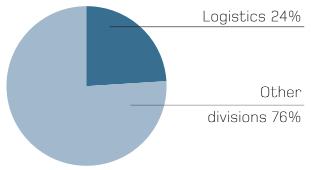
«We have developed into a flexible supplier of fast, secure and cost-effective total communications solutions»

Invests in the Nordic countries: The acquisition of CityMail in Sweden contributes to Norway Post's focus on niche markets in the Nordic countries.

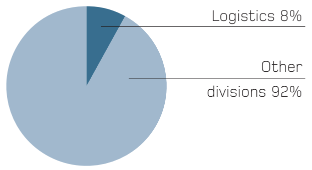


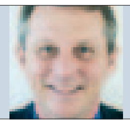
The Logistics Division is responsible for sale and distribution of logistics products, express services and general cargo combined with information and payment services.

SHARE OF GROUP REVENUES FROM EXTERNAL PARTIES



SHARE OF NORWAY POST'S EMPLOYEES





ARNE BJØRNDAHL
Senior Vice President Logistics

EMPLOYEES	
2003	1 890
2002	1 227
2001	1 357

REVENUES IN NOK MILLION	
2003	3 823
2002	3 225
2001	2 840

TOTAL NUMBER OF PARCELS IN MILLION	
2003	25.0
2002	24.7
2001	24.5

SUBSIDIARIES

Box Group AS, Oslo Container Stevedore AS (OCS), Wajens AS, KortProsess AS, Pan Nordic Logistics (PNL) AB, Nettlast AS and Nettlast Hadeland AS.

Teaming up
with ecommerce companies

Norway Post is the first company in Norway to offer integrated logistics solutions that combine physical transport, exchange of information and payment services. Norway Post focuses especially on companies engaged in ecommerce.

Surveys show that companies actively engaged in ecommerce experience the largest growth. Norway Post has positioned itself towards this market, and has developed a wide variety of logistics solutions intended for ecommerce. Door-to-door delivery in more than 50 towns and urban areas enhances service and accessibility. Norway Post has worked together with ecommerce companies to increase the response to delivered parcels, their joint goal being increased sales for Norway Post's customers and the lowest possible return of parcels.

Parcel delivery using SMS notification, tracking and alert, which reduce parcel returns, are examples of electronic services developed by Norway Post over the last few years. The offer of value-adding, electronic services will be further developed.

Provider of complete logistics services

With acquisition of Nor-Cargo Norway Post has become a provider of a complete range of logistics services, including everything from parcels to general cargo and bulk cargo. Nor-Cargo is represented in around 90 locations in Norway and has a well developed distribution and agent network, especially along the coast and in the northern part of the country.

«Norway Post and Nor-Cargo complement one another, enabling us to offer our customers complete logistics solutions,» says Arne Bjørndahl, Senior Vice President, Logistics.

«Many companies delegate the handling of physical goods from purchase to delivery to Norway Post. The aim is that anything to be sent to people's homes, will be delivered by Norway Post,» Bjørndahl says.

Norway Post offers physical delivery of parcels with integrated electronic information regarding ordering, delivery and payment, so-called EDI solutions. The EDI system makes it possible to track parcels, and Norway Post also offers supplementary electronic services which simplify customers' parcel management. Since its introduction in 1998, the share of EDI parcels has increased steadily. More than half of the almost 25 million parcels sent via Norway Post in 2002 were EDI parcels. In 2003 this figure had risen to 60 per cent.

«The EDI system makes our customers' parcel information and parcel flow handling more efficient. Buffer stocks at our warehouses enable customers to centralise their own warehouse function. Customers may also choose to let us handle all their warehousing needs, requiring the use of EDI,» Bjørndahl explains.

The senior vice president says Logistics passed several milestones during 2003, and that there was a conciderable marked growth in both parcel volume and profitability.

«The results are due to good solutions combined with low costs,» says Bjørndahl.

On 1 March 2003 Norway Post introduced its weight and volume based prices for parcels.

«We have achieved our aim of a fairer price system that takes into account the actual cost of transporting parcels. The new system rewards customers who pack cleverly,» Bjørndahl says.

In 2003 endeavours were made to improve the accuracy of delivery addresses on business parcels. When work started in March, 25 per cent of all addresses were wrong. In December, the figure was down to less than 10 per cent.

«This has been achieved through good cooperation with our customers. Both parties benefit from parcels arriving promptly at the right address. The process becomes less costly and the number of returns declines. Our aim for 2004 is to become even better,» Bjørndahl states.

The largest in Scandinavia

With more than a thousand vehicles Norway Post is Scandinavia's largest delivery service company. In 2003 the company's profile was strengthened by the merger of IL-X, Tiny, Sam's budbil, KBE and the bicycle messenger company «Førstemann» under the joint green and white Nordic brand name «Box Delivery». 215 cars in Norway and 150 in Sweden were reprofiled in 2003.

«There is no doubt that we have become more visible in the cities and across national boundaries,» Bjørndahl holds.

New clearance system

Norway Post has worked actively to raise the duty-free limit for private imports, to make it easier to shop abroad. During spring 2004 a new, simpler customs clearance system will be introduced for goods worth between NOK 200 and NOK 1 000.

«We are doing this so that our customers may receive their goods faster without having to think about customs clearance rules. With the new system, our customers will receive parcels from abroad as quickly as they receive domestic parcels,» Bjørndahl explains.

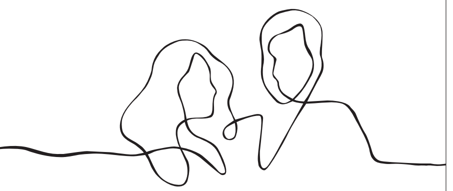
Our most important challenge in 2004 will be to grow in line with our ecommerce customers and assist companies that want to use the Internet as a supplement to traditional sales channels.

«We will, of course, strive to increase the share of EDI parcels and develop value-adding services based on electronic communication. In several of these areas we are well ahead of our competitors,» Bjørndahl concludes.

Productive partnership: The Norwegian wine monopoly's etrade solution is connected to Norway Post's logistics and trac king systems.

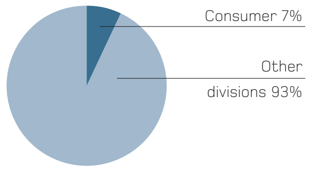
«Our most important challenge will be to grow in step with ecommerce companies»

Visible: Norway Post's Box Delivery is easily spotted.

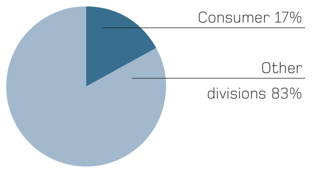


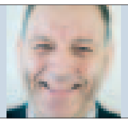
The Consumer division is responsible for Norway Post's nationwide sales network consisting of physical, electronic and telephonic customer contact points represented by post offices, Post in Shops, Business Centres and Call Centres.

SHARE OF GROUP REVENUES FROM EXTERNAL PARTIES



SHARE OF NORWAY POST'S EMPLOYEES

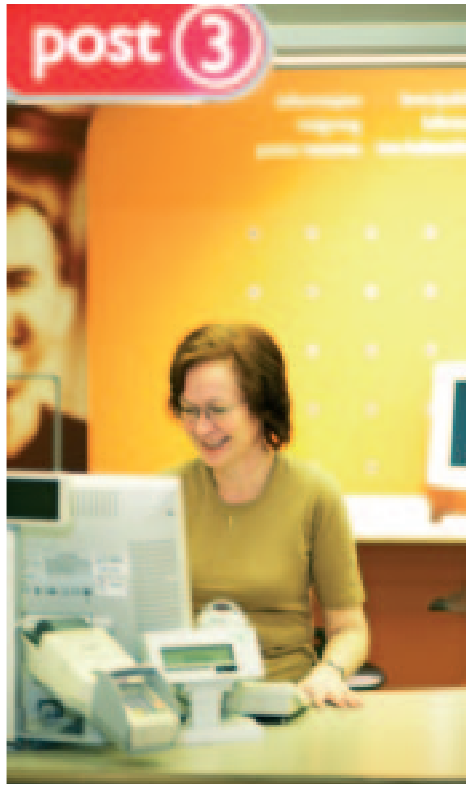




ERIK JOHANNESSEN
Senior Vice President
Consumer

EMPLOYEES	
2003	4 259
2002	4 800
2001	5 775

REVENUES IN MNOK	
2003	2 532
2002	2 705
2001	2 698



«The aim is increased efficiency in the sales network and better customer service»

Increased accessibility: With 1175 Post in Shops and 328 post offices Norway Post has improved the accessibility of its sales network.

More customers: The post offices had some 28 million customer visits in 2003. Surveys show that the customers' waiting time was reduced compared with the preceding year.

Increasingly **closer to the customers**

In 2003 Norway Post improved the accessibility and service of its sales network. Customers are now offered postal and banking services at more than 1500 sales outlets all over the country.

At the end of 2003 Norway Post's sales network consisted of 1 175 Post in Shops, 328 post offices and five Call Centres.

In addition to improving accessibility, the opening hours of Norway Post operated post offices have been extended. Since the major restructuring of the company's sales network began in spring 2001, total opening hours have been increased by more than 25 000 hours a week.

The post offices had some 28 million customer visits during 2003, which is higher than ever before. Surveys show that the customers' waiting time was reduced. In 2002, 92.6 per cent of the customers waited less than ten minutes. The figure for 2003 was 96.3 per cent. This year, the service is to be further improved, the goal being that 95 per cent of all customers should be attended to in less than seven and a half minutes.

«We have focused especially on reducing queues, and have achieved a large improvement. We will continue this work in 2004 to further reduce waiting time,» says Erik Johannessen, Senior Vice President, Consumer division.

Increased accessibility

Two extensive customer surveys carried out in 2003 show that customers appreciate greater accessibility. Over 12 000 customers were interviewed. What they appreciated most were long opening hours, the dispersed geographical locations and the service-minded employees.

«We are especially satisfied that Post in Shop is now fully accepted as a good alternative by our customers,» Johannessen says, adding that he is very pleased that the customers regard the expertise of the employees in Post in Shop as good.

«This shows that our focus on training and increased skills has produced results,» he says.

Higher sales

A survey carried out by ACNielsen also shows that Post in Shop is good business for the retail shops. The conclusion of the survey is that grocery shops offering postal services on average have significantly higher sales during the year compared with shops that do not offer these services.

As for the post offices, the product range has been adapted to the customers' wishes in keeping with Norway Post's focus on communications and logistics solutions.

«Our product line has become more concentrated, consisting mainly of mail-related products, packaging, office supplies and entertainment products like CDs and video films,» Johannessen explains.

Tailored postal solutions

The Business Centres, offering business customers postal services and value-added solutions like for example franking and internal mail processing, may be found at 25 locations throughout the country. Feedback from customers indicates that they are very satisfied with this specialised service.

«We are pleased that our business customers greatly appreciate our contribution to their productivity. Generally speaking, our customer surveys show that through our sales network we are able to carry out simple assignments and services for the general public in a satisfactory manner at the same time as being an important partner for our business customers,» Johannessen states, explaining that Norway Post is also targeting new groups of business customers, and is engaged in a number of projects offering complete solutions to Norway's municipalities.

Introduces best practice

Norway Post's five Call Centres handle customer service, complaints, sales and switchboard services. In 2003 the centres answered almost two million incoming calls. Furthermore, the Call Centres carried out 700 000 redirections, answered 180 000 written customer requests and handled 136 000 complaints.

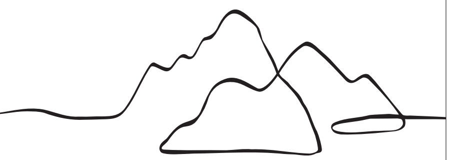
Norway Post aims to become a competitive postal operator. This year sales outlets will improve their services by emulating the best practices from the best units.

«We will develop the most efficient way in which to operate a post office. This means that we will copy the best practice from the units achieving the best results,» Johannessen says.

More sales outlets

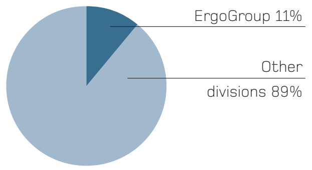
The Senior Vice President explains that plans exist for the establishment of more sales outlets to further increase access to postal services.

«We are constantly aiming to develop Norway Post into a good and efficient sales and service channel, and work hard to increase our service level at the same time as continuing to streamline our operations.»

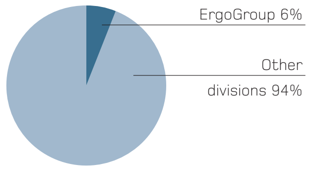


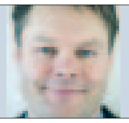
ErgoGroup develops and provides information and communications technologies services, supporting Norway Post's role as a trusted third party for electronic business.

SHARE OF GROUP REVENUES FROM EXTERNAL PARTIES



SHARE OF NORWAY POST'S EMPLOYEES





KAARE ØSTGAARD
Acting Managing Director
ErgoGroup AS

EMPLOYEES	
2003	1 506
2002	2 123
2001	1 836

REVENUES IN MNOK	
2003	2 900
2002	2 907
2001	2 454

SUBSIDIARIES

ErgoEphorma, ErgoIntegration, ErgoRunit, ErgoSolutions, ElectricFarm, Buypass (50%), TransWare (70%) ZebSign (50%), ErgoIDP (International Data Post). ErgoGroup also has ownership interests in Atento, Adviso and Interprise Consulting.

Simpler electronic **everyday life**

Like the rest of the IT industry, Norway Post's IT company ErgoGroup had to cut costs in 2003. However, the company won important contracts in 2003 and is well prepared for 2004.

ErgoGroup is Norway's third largest IT company. The aim of Norway Post's electronic subsidiary is to strengthen Norway Post's position in eBusiness and develop new electronic postal services. In order to improve efficiency, the company had to reduce its workforce by 554 full-time equivalentes including the sale of ErgoBluegarden.

«This has been tough on the people affected, but absolutely necessary to maintain the company's competitive edge. It is important for us to carry out this process in an orderly manner. Thus we are extremely pleased that the Labour Inspection report gives us positive feedback on the process we have implemented,» says Kaare Østgaard, Acting Managing Director.

The fact that the company won several large contracts in 2003 in an otherwise tight IT market, makes the outlook brighter.

«A large volume of new orders puts us in a good situation in 2004. The response from external customers shows that we are regarded as a competitive and dependable supplier. We are winning important contracts, one good example being the Norwegian Directorate of Taxes, which has chosen to place all its tele- and information communications orders with us.»

Other examples are Norway Post eInvoicing agreements with the Norwegian public employment service (Aetat) and with Bergen municipality. The latter agreement included integration of Norway Post eInvoicing in the municipality's financial management system,» Østgaard says.

Encrypted health information

In 2003 ErgoGroup signed an agreement with the Norwegian National Insurance Administration for signature and encryption of health information sent over the Internet. The system will gradually be made available to the entire health sector, but initially will be used by physicians to submit doctors' verifications for sick-leave and medical certificates. Every year 3.5 million such forms are submitted to the National Insurance Administration.

In May, a record high 1.1 million tax payers submitted their tax returns electronically via the Internet and SMS. This was the fourth time Norwegians were allowed to report electronically, and the service was provided by ErgoGroup. This shows how the Norway Post is developing and providing new electronic solutions combined with traditional postal services.

In 2003 Norway's largest IT conference gathered the industry for the 20th time, this year in Molde, with the conference subject being restructuring processes and how IT can optimise customers' profits.

Testing eElection

The local elections in the autumn became an important IT milestone, with eElections being tested in three of the country's municipalities. In Bykle, as many as 50 per cent of the voters voted electronically by means of ErgoGroup's eElection system. In Oppdal and Larvik the figures were 30 and 15 per cent respectively.

Norway Post aims to increase the organisation's focus on complete communications and logistics solutions.

Just before Christmas, ErgoBluegarden was sold to the Swedish investment company Ratos.

«As ErgoBluegarden's services were not part of Norway Post's core activities, it was not relevant to invest in further growth in other similar operations in the Nordic countries. In our opinion, it would be more advantageous for the company to find new owners. In this way we have also realised a significant added value,» Kaare Østgaard points out.

Contract with Norges Bank

In 2003 ErgoGroup won a three-year operating agreement with Norges Bank, the central bank of Norway, worth NOK 80 million, whereby Norges Bank will outsource IT operations and the management of the payment and central bank systems.

This contract also means that ErgoGroup will take over employees with core expertise in these fields.

«This is an important agreement to us as it strengthens our position as provider of services focusing on communication and bank transactions for time critical systems. At the same time it proves that our oursourcing solutions are very competitive,» Østgaard says.

When Norway Post's main office moved into the ultra modern Norway Post House in spring 2003, ErgoGroup was an important contractor. Open-plan offices with flexible work stations required a new electronic infrastructure which was delivered by ErgoGroup.

Supports Norway Post's vision

As for the future and further development of Norway Post's IT division, Østgaard is very clear:

«We will focus on further growth in communications and logistics services, aiming to support Norway Post's vision and strategy of providing complete solutions within these fields,» Østgaard says.

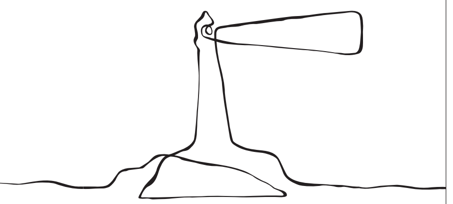
After Norway Post spun off its IT activity into ErgoGroup in 2002, its services to Norway Post were defined in 47 service agreements. Bids will gradually be invited for these agreements, and by 2007 all of these agreements will have been put out for tender.

«ErgoGroup is prepared to compete for Norway Post deliveries and will endeavour to make competitive offers,» Kaare Østgaard concludes.

> «We will focus on further growth in communications and logistics services»

IT flagship: Norway Post's IT division headquarters are located at Nydalen, Oslo.

Large: ErgoGroup is Norway's third largest IT company.

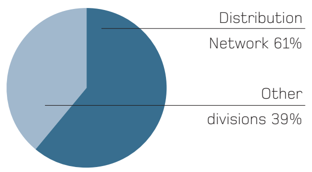


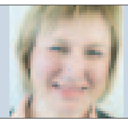
The Distribution Network division develops and operates Norway Post's physical network, including collection, sorting and distribution of letters and parcels. With more than 15 000 employees, Distribution Network is the company's largest unit.

SHARE OF GROUP REVENUES FROM EXTERNAL PARTIES

The Distribution Network does not generate revenues from external parties as the division supplies its services internally.

SHARE OF NORWAY POST'S EMPLOYEES





ANIELA GJØS
Senior Vice President
Distribution Network

EMPLOYEES	
2003	14 942
2002	16 083
2001	17 277

REVENUES IN MNOK	
2003	6 387
2002	6 423
2001	6 537

MACHINE-SORTED, ALL LETTERS	
2003	54%
2002	48%
2001	38%

Delivers: One person can sort about 1 400 letters an hour, whereas a machine can handle some 27 000 letters during the same time. This photo is taken at the terminal at Stokke, Vestfold county.

«We aim to become the customers' prefered letter and parcel carrier»

Record quality: The quality of Norwegian postal services has never been better. Figures from 2003 show that 87.7 percent of A-priority mail was delivered the next day. The figure for 2002 was 86.7 per cent.

Everything is ready for **tomorrow's postal network**

The quality and service of Norwegian postal services have never been better. The new terminal structure is part of Norway Post's efforts to improve quality and reduce costs.

In 2003 the Distribution Network division focused on quality and efficiency – simultaneously and with good results. The delivery quality for A-priority mail has never been higher. For the year as a whole, 87.7 per cent of all A-priority mail was delivered the next day. The figure for 2002 was 86.7 per cent.

«This is well above the licence requirement which states that 85 per cent of A-priority mail must be delivered the next day. Our results have remained stable for three years, above the licence requirement, with the results for 2003 being the best ever achieved since measurements began,» says Aniela Gjøs, senior vice president, Distribution Network.

Coordination

The senior vice president says several measures have been initiated to increase efficiency and streamline operations. One important step implemented in 2003 was to coordinate the handling of letters and parcels during the daytime. By carrying both letters and parcels in the same car with one delivery to the customer Norway Post avoids several delivery vans driving to the same address. This change has resulted in fewer mail vans on the road and more mail in each van. For Norway Post, this gave savings of about NOK 150 million during the first year of operation as well as a better quality service. In 2003 the productivity of the distribution system increased by 12.5 per cent compared with 2002, while the productivity of the processing system improved by 14.6 per cent.

«The introduction of the new distribution system has simplified processes and made us more flexible, which is an important step in the direction of becoming the world's most future-oriented postal operator,» Gjøs says.

New terminal structure

The decision made in the autumn of 2003 to change the terminal structure is another important move in this direction. Fewer and larger sorting terminals with new technology and new machinery will increase the degree of automation and standardisation. The new terminal structure, to be established by the end of 2006, means that the number of letter terminals will be reduced from 32 to 12, while the number of parcel terminals will be reduced from 21 to 13. Total investments amount to about NOK one billion, with estimated annual cost savings of close to NOK 500 million from and including 2007. The changes will result in a reduction of about 880 full time equivalents, mostly from the Distribution Network division. The detail plan for implementation will be completed in 2004, and the first terminal will be closed down.

«We have come to a point where it is difficult to further increase the efficiency of the individual employees. Now we have to invest in new technology in order to bring Norway Post forward in an increasinly more open letter market with constantly tougher competition. Our new terminal solution enables us to optimise the ratio between production and transport costs,» the senior vice president says.

Increased machine-sorting

An important premise for the new structure to give the forecasted gains is that the proportion of machine-sorted mail increases. The share of machine-sorted mail is expected to increase from about 50 per cent in 2003 to 84 per cent by 2008, which will raise Norway Post to the level of the best international postal operators, some of which sort as much as 90 per cent by machine.

Fewer terminals and increased machine-sorting are expected to increase delivery quality by up to three percentage points.

The new terminal structure also includes a new letter terminal in the eastern part of Norway, but its location has not yet been decided. The decision is to be made during 2004.

As part of Norway Post's profiling, 8500 postmen and –women were given new uniforms in 2003. The new red and blue uniforms are intended to promote the impression of Norway Post as a modern business enterprise.

«The uniforms are important profiling tools for Norway Post and a distinguishing characteristic when Norway Post's employees meet their customers. When designing the uniforms, emphasis was placed on comfort and profiling. The clothes are made for the new work routines and our need for flexibility,» the senior vice president explains.

The market **is changing rapidly**

The markets in which Norway Post operates are undergoing a major, dynamic process of change. The shift to electronic solutions and increasing direct competition result in a decline in letter volumes and pressure on profit margins.

At the same time the logistics market is subject to large structural changes. This development creates major challenges for Norway Post with regard to development of products and services, its service level, efficiency, market position and workforce restructuring.

Driving forces
The most important driving forces in the market development can be summarised as follows:

• Development of electronic alternatives:
Easier communication through electronic channels gives expectations of a significant increase in the overall communications market. The number of physical items (letters), especially administrative correspondence/payment notes is expected to decline however, and the postal companies are therefore positioning themselves in electronic communications channels. Increased ecommerce is expected to result in growth in the logistics market.

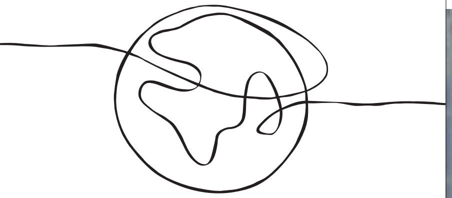
• Globalisation:
Commodity trade across national boundaries is growing rapidly, and a rising number of nationally restricted sectors are being opened for competition. Integrated networks for production and information exchange are being established without regard to national boundaries. Geographical, national and regional borders are challenged. Structural streamlining is taking place in a number of industries in Europe. Norwegian industrial firms too, are moving their production to other European countries. Large firms and groups have centralised purchasing functions outside Norway where decisions concerning purchase of communications and transport services are made for the entire value chain.

• Trade differences become less clear:
Technological developments have made differences between trades less distinct, and this is also the case between the postal and other sectors. Having previously been providers of distribution services, the postal companies are now becoming suppliers of integrated logistics and communications services.

• A few powerful players:
The large postal companies in Europe are expanding across national boundaries through acquisitions and alliances. Their focus is on addressed and unaddressed letter mail, express delivery, logistics and financial services. In this way they strengthen their position in relation to the ongoing liberalisation of the letter market. Volumes are transferred to transport and distribution networks developed outside traditional postal networks. This presents smaller postal companies with large strategic challenges.

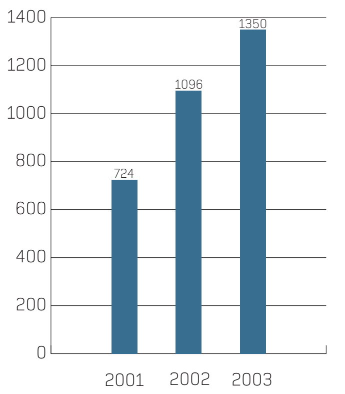
• Partial privatisation and deregulation of public postal operators:
Two of the major postal companies in Europe, Dutch TPG and Deutsche Post in »

Liberalisation of the letter market:
On 1 July 2003 Norway Post's licensed area for addressed mail was reduced from 350 to 100 grams. According to the EU's postal market liberalisation plan, Norway Post's licensed area will be reduced to letters under 50 grams from 2006. Full liberalisation will most probably be carried out in 2007/2008.



Norway Post's activities abroad currently comprise parcels, express services, distribution of addressed and unaddressed letter mail and IT services through the following companies: CityMail Sweden AB, BoxGroup AS, Pan Nordic Logistics AB (50 %), ErgoIDP AS and Transware AB. Operating revenues from international activities increased by NOK 254 million, from NOK 1 096 million in 2002 to NOK 1 350 million in 2003. International activities accounted for 8.7 per cent of Norway Post's total revenues.

REVENUES, INTERNATIONAL ACTIVITIES
in MNOK



«To an increasing degree customers will request global, tailormade and complete solutions instead of individual products and services»

Germany, have been partly privatised, and thus have been given access to capital markets which other, wholly state-owned companies do not have. Efforts are being made in several other countries to deregulate and partly privatise state-owned postal companies.

• Additional liberalisation and increased competition in the letter market:
EU's Postal Services Directive proposes removal of national monopoly areas. This process will open markets, increase competition and produce an even stronger pressure on prices.

• Changing customer demands:
Increased global focus and sharpened competition are changing customer behaviour. To an increasing degree customers will request global, tailormade and complete solutions instead of individual products and services. Their need for one cooperation partner who can provide total communications and logistics services will grow.

European postal companies in the lead

A general trend in the mature part of the European postal market is declining letter volumes as traditional letters are increasingly being replaced by electronic message communication. After a period of aggressive activity in international markets, the large European players last year restructured and consolidated their domestic markets in order to become less dependent on revenues from the letter market. Focus was on cutting fixed costs, and the positive results of the restructuring process can now be seen.

There is every reason to expect other aggressive moves in the future. Especially the dominant players in Europe aim to position themselves in relation to full liberalisation of the letter market. Several companies intend to become global providers of integrated solutions and networks for letter, express delivery, logistics and financial services. This is particularly the case for the major postal companies: Deutsche Post World Net (Germany), TPG (Netherlands), La Poste (France) and Royal Mail (UK).

Nordic countries – an attractive market

International enterprises are increasingly looking at the Nordic countries as one market. Norway is a part of this market.

Within a number of industries this approach is constantly becoming clearer, meaning that decision-making and purchasing processes for services across national boundaries take place outside Norway, also when the service is needed in Norway. When customers regard the Nordic countries as one market, it is only natural for the postal providers to do the same.

Sweden Post, the Swedish postal operator, is represented in Norway through its interest in Tollpost Globe. Norway Post and Post Denmark jointly own the Scandinavian logistics company PNL. By acquiring City Mail in Sweden, Norway Post assumed an important position in relation to developments in the letter market. Norway Post moreover has interests in the express market through Box Delivery in Sweden and Denmark and in the IT market through its stake in the Swedish company Transware AB.

Global ambitions

Both Deutsche Post and TPG clearly have global ambitions and are already heavily represented in the Nordic countries. Deutsche Post is present in the goods logistics and express market in all the Nordic countries through DHL/Danzas. TPG is present in the same markets through TNT. Their competitive edge will first and foremost be built on multinational solutions. As the letter market is gradually liberalised, these players are expected to also be offering letter distribution. Through their international networks they are significant competitors for customers with large volumes of international transport.

The following strategic choices have been made in order to strengthen Norway Post's position in a liberalised and increasingly globalised communications and logistics market:

• Norway Post will deliver integrated services to a larger part of the customer's value chain.

• Norway Post will be the leading operator in Norway in its core areas, offering a broad range of services and representing an attractive domestic distributor and cooperation partner.

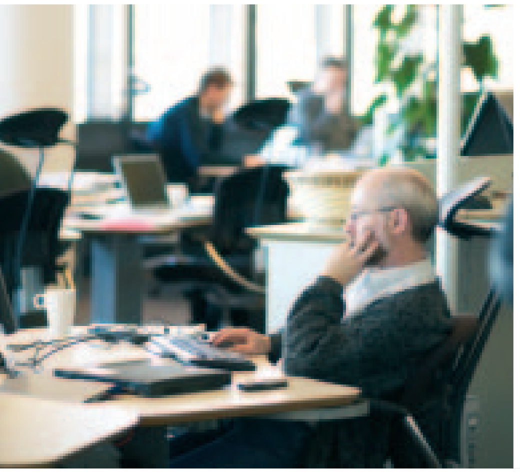
• Norway Post will be a leader in niche markets in the Nordic countries, utilising its expertise to add to the company's revenues and further develop its operations.

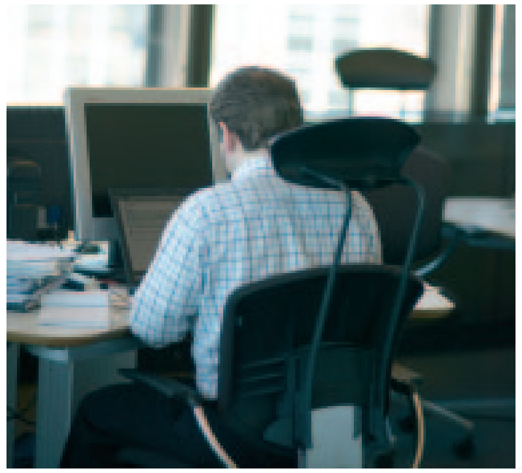
• Norway Post will form alliances with players abroad to ensure proximity to international customers, access to future networks and the opportunity to deliver services to larger parts of the value chains of international customers.

Acquisitions and alliances

Norway Post will implement its strategy through selective acquisitions and the formation of an international network of alliances. Norway Post's activities abroad currently comprise parcels, express services, distribution of addressed and unaddressed letter mail and IT services.

«Norway Post's fundamental values aim to characterise the company's business culture and form the basis for its management model»





Corporate Governance

For Norway Post corporate governance involves the goals and overall policies by which the group is managed and controlled.

For Norway Post «Corporate Governance» involves the goals and overall policies by which the group is managed and controlled and the structures regulating the interaction between the company's governing bodies and its other interest groups. The basic principles for corporate governance in Norway Post and planned further work in this field are found in Norway Post's Corporate Governance Policy.

Share capital and ownership

On 31 December 2003 the company's share capital was NOK 3 120 million comprising 3.12 million shares, each with a nominal value of NOK 1 000. The Norway Post group is owned by the Norwegian state, represented by the Ministry of Transport and Communications. The Minister of Transport and Communications is the company's Annual General Meeting. Some of Norway Post's business areas are licensed pursuant to Norwegian postal services legislation, supplemented by the Norwegian postal services regulations. The current licence expires in 2005. The Norwegian Post and Telecommunications Authority ensures that the company fulfils its licence requirements.

The board of directors

The board of directors of Norway Post comprises ten directors, with six representing the owner and four the company's employees. To ensure satisfactory integrity the directors must not have significant involvement with the Norway Post group. The company's conflict of interests register aims to ensure that neither directors, employees in management positions nor hired consultants participate in activities in which their interests may conflict with those of the company.

The Norwegian act relating to registered limited companies («Aksjeloven») sets guidelines for the board's work. The board's main tasks and administrative procedure are described in more detail in the document «Norway Post board functions and responsibilities». The board of directors convenes 7-8 times a year. Its main functions include strategic planning, together with supervisory and organisational responsibilities. The board evaluates its working processes every year, and reviews the contents of the board instructions as required. Directors elected by the owners are elected for a period of two years. The practice of only half the directors coming up for election at once ensures continuity in the management of the company.

Fundamental values

Norway Post's four fundamental values are honesty, respect, innovation and interaction. These fundamental values aim to characterise the company's business culture and form the basis for its management model. Together with these fundamental values, Norway Post's vision, business concept, overall objectives and strategies make up the main elements of the company's management model.

Norway Post's reputation is to be supported by and based on its fundamental values. These fundamental values also describe Norway Post's business ethics, the guidelines stating that Norway Post will

- behave with honesty in all contexts
- not abuse its strong market position
- not tolerate malpractice
- be a responsible player in society

Governing documentation

The responsibilities and functions of the board of directors and the chief executive officer are regulated by specific guidelines. Corporate governance documents have been prepared to ensure economies of scale, reduce risk and ensure that best practice is employed throughout the group.

The board of directors and the group management are responsible for the necessary supervision of the company's activity in compliance with internal control regulations. This is ensured by, for example, the continuous controller function, external auditors, legal quality assurance, quarterly strategic and business reviews and annual management audits. These processes are intended to ensure sufficient review and control of operating activity in compliance with applicable legislation and principles for good corporate governance.

In addition, the Investment Committee appointed by the chief executive officer and the Remuneration Committee established by the board of directors are responsible for following up their respective areas. The Investment Committee consists of the chief financial officer, the group controller and group treasurer. The Remuneration Committee includes four Norway Post board members, headed by the board chairman. The Remuneration Committee's task is to evaluate, propose and adjust the remuneration of the chief executive officer and give him/her feedback on his/her evaluations of the remaining group management. The committee shall also prepare principles for the company's bonus schemes for board consideration.

The company's auditor participates in the board meeting considering the annual financial statements. At this meeting the auditor reviews the audit and his view on the group's accounting principles, risks, internal control routines and the group's accounting practice. The auditor's evaluation of these aspects is summarised annually in a letter to the board of directors. In addition to carrying out the audit of the annual financial statements, Norway Post's auditor also conducts a yearly review of the product accounts and government procurement estimates. The auditor is also widely used as an advisor as regards financial due diligence in connection with acquisition of new activity and in issues concerning taxes and duties. The auditor is not used as a consultant in connection with strategic or operational issues.

Remuneration of directors and executives

The board of directors is paid a fixed fee, determined by the Annual General Meeting. The directors' remuneration is presented in note 2. Norway Post considers it important to make use of incentives in order to encourage management to focus on long-term value creation in keeping with the interests of the company's owners. On this basis a bonus scheme has been introduced for persons in key positions in the group. The bonus scheme currently encompasses some 35 managers. Maximum bonus is limited to two months' salary.

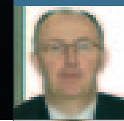
It is possible for the group management to achieve a bonus of up to 25 per cent of their salary. Final decisions concerning bonuses are made by the board of directors (the CEO for the group management). Payments under the bonus scheme are conditional upon positive pre-tax results. If an employee leaves the company before the bonus payment date, no bonus is paid.

Risk

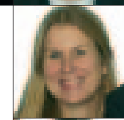
An overall risk assessment for the group is made every year. The different risks are graded according to their significance and probability. The risk assessment includes presentation of measures and recommendations intended to reduce the individual risks.

Norway Post is exposed to financial market risk because of variations in currency, interest rates and electric power markets. Pensions, the introduction of IFSR accounting principles, goodwill/intangible fixed assets and development in number of people on disability benefit are areas in which Norway Post closely follows up the company's risk exposure. Strategic risk relates to the company's relationship with its competitors and customers. In addition, new rules and decisions in regulatory matters represent a strategic risk for Norway Post. Reputation risk relates to Norway Post's relationship with the media, politicians, owners and important customer groups. Internal risk elements associated with reputation concerns failing quality, service and routines, labour conflicts and leaks or disloyalty. Operational risk is associated with factors such as systems operation and the natural environment.

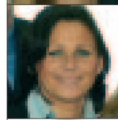
THE BOARD OF DIRECTORS OF NORWAY POST



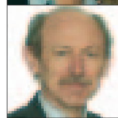
ARVID MOSS (46)
Chairman
President Hydro Aluminium Metal Products



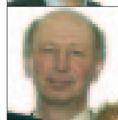
LIV STETTE (46)
Vice-Chairman
Personnel Manager in Ålesund municipality



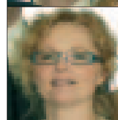
INGER MARIE GULVIK HOLTEN (44)
Director
Marketing Manager, GjensidigeNor Næringseiendom AS



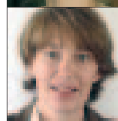
ASBJØRN BIRKELAND (58)
Director
Managing Director, Data Invest AS



TERJE CHRISTOFFERSEN (52)
Director
Group Vice President, executive team of TeliaSonera Group

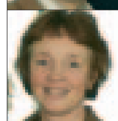


GRY MØLLESKOG (42)
Director
The Royal Palace – Staff Chief for the Crown Prince and Princess

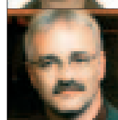


KARI LUND (46)
Deputy Director
Executive Vice President, Storebrand Bank ASA

ODD CHR. ØVERLAND (47)
Director
Employee representative (Postkom)



INGEBORG SÆTRE (49)
Director
Employee representative (Postkom)



HANS FREDRIK DANIELSEN (46)
Director
Employee representative (Postkom)

ERIK DØVLE (55)
Director
Employee representative (PL)

«Norway Post aims to distribute mail to as many customers as possible six days a week»

Equally good postal services throughout the country

Norway Post's social obligation is to provide the same good postal services throughout the country.

Norway Post is part of the infrastructure of the Norwegian society and is the largest workplace in Norway in terms of the number of employees. Norway Post's obligation to society is to provide good and equivalent postal services in accordance with the licence requirements and at the same time operate commercially and be competitive in a market that is open to constantly increasing competition.

Society's demands and expectations of Norway Post's operations are regulated through its licence pursuant to Norwegian postal services legislation. The current licence, which was granted by the Norwegian Ministry of Transport and Communications in September 2001, expires in 2005. The licence requirements entail additional costs for the company compared with commercial operations. The additional costs are covered by any gains from the company's licensed activities and by the government's purchase of unprofitable postal services.

Licence requirements fulfilled

The social requirements of the licence mainly concern: requirements for the range of products offered, accessibility of statutory services, and delivery time.

In 2003 Norway Post fulfilled the licence requirements for statutory postal services and basic banking services. The standard terms for statutory postal services were renewed in 2003. The requirement for basic banking services was met through the following products offered on behalf of DnBNOR/Postbanken: opening of bank accounts, deposits, withdrawals and payment services.

Improved accessibility

In recent years Norway Post's service has been expanded and improved.

Accessibility to the company's services has increased, especially through the establishment of Post in Shops, and by extended opening hours at post offices.

The licence requires a nationwide sales network with a minimum of one permanent outlet in each municipality. All sales outlets and rural postal services must provide statutory postal services and basic banking services. In 2003 the number of sales outlets increased as 29 Post in Shops were established.

Extended opening hours

Opening hours were extended in 2003 as post offices began to adjust their opening hours to those of the local business community. Post offices located at shopping centres are open when the centres are open. Post in Shops observe the opening hours of the shop/petrol station. In December 2003, post offices were open on Sundays for the first time.

In order to fulfil licence requirements, Norway Post has post boxes centrally placed in residential and business areas, at traffic centres, outside its permanent outlets and on its rural postal services routes. At the end of 2003, the company had 27 295 post boxes, compared with 27 762 one year earlier. In addition, agreements can be made for delivery of large quantities of mail to postal terminals, or for collection from the customer. Thus mail could be posted at nearly 31 000 places in 2003.

Distribution six days a week

Norway Post aims to deliver mail to as many customers as possible six days a week. The company has no intention of reducing distribution to five days a week, as in, for example, Sweden. Exceptions from daily mail distribution reflect special geographic conditions which make it impossible or unreasonably costly to deliver mail every day. This applies to a declining number of households and firms. In 2003 the number of households/activities without six-day distribution was reduced by 202, to 801, representing 0.04 per cent of all mail recipients. This means that 99.96 per cent of all households/activities in Norway have mail delivered 6 days a week.

Norway Post wants an open dialogue with its customers concerning the location of mailboxes. Since the requirement for joint mailbox racks in residential areas was removed in the autumn of 2001, over 93 000 households have moved their mailboxes back to their own gates or driveways.

Higher quality

Delivery quality improved in 2003. The licence requirement for delivery of 85 per cent of all A priority mail the next day and 97 per cent delivery within three days, was met with good margins. In 2003 87.7 per cent of all A priority mail was delivered the next day, with 99.5 per cent being delivered within three days. Priority was also given to delivery quality improvements in 2003.

Cost-based prices

The licence demands cost-based prices on statutory and associated services. The same applies to discounts. In addition, uniform postage rates are required within the geographical area covered by the licence. Monopoly services and statutory services must be offered with clear, non-discriminatory terms.

To fulfil the licence requirement, Norway Post presented a three-year plan for adjustment of newspaper and magazine postage in 2003. According to its licence, Norway Post has to demand the same price for newspaper distribution as for other customers. This means that the company is no longer able to favour newspapers and magazines in the same way as earlier.

Decline in government procurements

Norway Post's additional costs relating to statutory services are presupposed covered by the monopoly profit and by government procurements of specified unprofitable postal services. In keeping with Norway Post's streamlining process, the need for government procurements has been significantly reduced in recent years.

Postal services partly financed by the Norwegian State under this system include: one extra distribution day for 15 per cent of all households, four extra distribution days for 5 per cent of all households, free distribution of Braille material for the blind and the cost of maintaining rural postal services and a nationwide sales network.

Taxes and duties

Being one of Norway's largest companies and employers, Norway Post contributes significantly to the Norwegian state in the form of payment of taxes and duties.

Dividend

In addition Norway Post pays dividend to its owner when the company makes a profit and has unrestricted equity. Being the owner of Norway Post, the Norwegian state requires a dividend corresponding to 30 per cent of the company's net income.

NUMBER OF SALES OUTLETS

	2000	2001	2002	2003
Posts offices	875	431	304	328*
Post in Shops	378	897	1 146	1 175
In all	**1 253**	**1 328**	**1 450**	**1 503**

*including 25 business centres

DELIVERY OF A PRIORITY MAIL IN 2003

RESULT IN %	1Q.	2Q.	3Q.	4Q.	TOTAL
The next day:					
requirement:: 85 %	86,5	88,4	88,3	87,5	**87,7**
In three days:					
requirement: 97 %	99,5	99,6	99,6	99,5	**99,5**

TAXES AND DUTIES

IN BNOK	2001	2002	2003
Value added tax	0,973	1,570	1,545
Employers' insur.contr.	0,896	0,850	1,023
Taxes	1,795	1,671	1,538
Corporation tax	0,075	0	0
In all	**3,739**	**4,091**	**4,101**

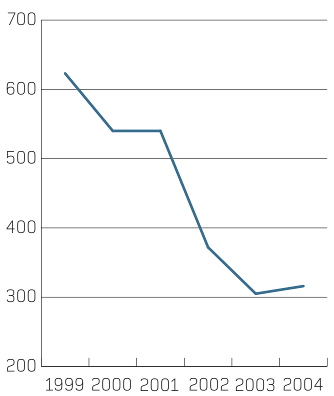
DIVIDEND

IN MNOK KRONER	2001	2002	2003	2004
Dividend paid	0	300	0	121*

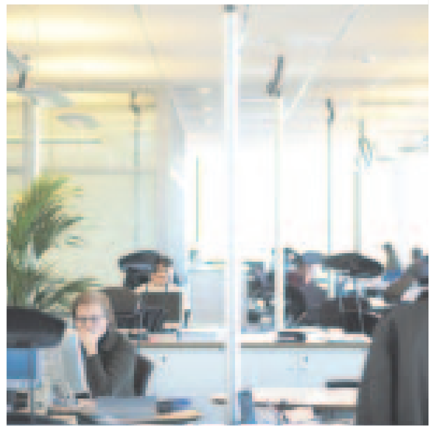
* decided by the Annual General Meeting

GOVERNMENT PROCUREMENT

In MNOK



«Norway Post will contribute to a sustainable development through environmentally efficient operations»



Norway Post's environmental vision:
«Norway Post will contribute to a sustainable development through environmentally efficient operations»

Environmental objectives and action plan
The environmental action plan for 2004-2006 defines objectives, proposes measures to improve performance and establishes benchmarks for prioritised areas: transport, waste, energy consumption in buildings and environmentally efficient purchases.

• Emissions from transport
CO2 and NOx emissions from Norway Post's own fleet of vehicles will be reduced by 5 and 10 per cent respectively by the end of 2006.

• Waste
All waste will be sorted, and total waste quantities will be reduced. By the end of 2006, residual waste (unsorted waste) will not constitute more than 30 per cent of the weight of the total waste.

• Energy consumption in buildings
Buildings included in the energy economising project will reduce energy consumption by 20 per cent and increase their use of renewable energy during the period 2002-2005.

• Environmentally efficient purchases
Norway Post will make environmentally efficient purchases. By the end of 2006, 80 per cent of all framework agreements for purchases of products and services will be environmentally documented.

Norway Post becomes **greener**

As part of Norway Post's continuous endeavours to reduce the impact of its activities on the natural environment, the company introduced a new environmental management system in 2003.

Throughout its value chain Norway Post's activities have an impact on the natural environment. Purchase of goods, energy and services indirectly affect the environment, whereas consumption of goods and energy in Norway Post's production have a direct environmental impact in the form of emissions to air and discharge to water, and generation of noise and waste. Norway Post aims to reduce the environmental impact of its activities by lowering the consumption of resources and by preventing and reducing emissions, discharges and waste.

Environmental management
The aim of environmental management is to meet government requirements and focus on environmental work. Norway Post's environmental management system will ensure systematic, preventive and documented environmental work and contribute to continuous improvements in environmental results.

The new system was introduced in 2003, and will be implemented in the divisions in 2004.

Registration and measurement
To increase the efficiency of its follow-up of environmental work and reporting of results, Norway Post has started using an electronic environmental accounting system. In this way the company's environmental impact is quantified and documented, forming the basis for the annual environmental report.

Environmental activities
The objective of Norway Post's energy programme is to reduce energy consumption in the company and increase the use of renewable energy sources. In all, energy consumption in the buildings included in the programme was reduced by 16 per cent in 2003. The goal was a reduction of 6 per cent. The energy programme covers 21 of Norway Post's buildings, or 30 per cent of all company-operated premises. From 2002 to 2003, the proportion of heating from a distant supply source to total energy consumption increased from 13 to 20 per cent.

During the year, Norway Post increased its use of trains, hired cars and its own vehicles. From 2003 the registered use of vehicles included the entire group. During the same period the company's use of aircraft was reduced. Norway Post's emissions of CO2 and NOx increased by 5 per cent and 7.5 per cent, respectively. These emissions mainly relate to transport. About 60 per cent of total emissions from transport come from Norway Post's own vehicles. The share of residual waste declined from about 48 per cent in 2002 to about 39 per cent in 2003. During the same period the registered total waste increased. The increase was mainly a one-time effect related to the move to new premises, but also partly reflects improved registration routines.

The company's continuous search for optimal logistics solutions involves changes in operations and transport. Mapping of environmental effects is an important part of this work. In 2003 it was decided that a new terminal structure for Norway Post would be introduced. The implementation of the new structure will start in 2004, resulting in increased road transport of mail. At the same time, however, air traffic will be reduced and will be made more efficient by means of charter aircraft. On the whole, the resultant environmental impact of the change will be minimal to positive.

Reduced air traffic
Centralised sorting on Saturdays from 1 February 2004 will reduce air traffic by 2.4 per cent compared with 2003, and reduce annual energy consumption at mail terminals by 450 000 kWh. Distribution Network's coordination of letter and parcel deliveries has improved utilisation of Norway Post's vehicle capacity, and reduced mileage. The vehicle fleet has been upgraded, and Agder sorting area has been re-certified as an "Eco-Lighthouse" firm.

The environmental aspect of Norway Post's joint premises project was concluded in 2003. Office premises with high utilisation were chosen, and resource-efficient and waste-reducing work processes and technology have been introduced. Construction companies were presented with specifications of environmental requirements, and such requirements were also made to the purchase of products and services. Equipment and furniture have been re-used internally, and much furniture has been sold for external re-use. Only defective and damaged equipment was discarded.

Environmental plan
A number of activities will take place during the year:
• Norway Post's energy programme will be continued. Expected reduction in energy consumption is 20 per cent from project initiation until the end of 2004.
• Norway Post's fleet of vehicles will be renewed; 200 vans and 100 lorries from Euro 1 and 2 to Euro 3. In addition, 100 drivers will be trained in environmentally efficient driving.
• Waste management at Norway Post's terminals will be optimised, and the programme for optimal use of the company's premises will be continued, as will Norway Post's participation in Bellona's hydrogen car project.
• The group's internal newspaper and its Dialogue magazine meet the criteria for use of the Nordic Swan eco-label.
• The divisions will prepare their own environmental action plans to contribute to meeting corporate environmental objectives, and will implement the electronic environmental accounting system.
• In addition, corporate environmental key indicators will be defined, and procedures will be prepared for environmentally efficient purchases.

FACTS AND FIGURES

ENERGY CONSUMP.	UNITS	2002	2003
Electricity	kWh	176 253 405	155 494 364
District heating	kWh	10 059 352	12 982 849
Fuel oil	kWh	11 359 096	10 433 431
Est. energy consump.*	kWh	14 582 586	-
Tot. energy consump.	kWh	212 254 439	178 910 644
NORWAY POST VEHICLES			
Vehicles	Number	5700	5825
Lorries = Euro2%		70	80
Kilometres travelled	Km	101 179 142	106 787 000
HIRED TRANSPORT SERVICES			
Vehicles	Tonkm	32 126 164	61 575 500
Aircraft	Tonkm	10 579 121	9 965 888
Trains***	Tonkm	80 902 283	106 910 950
BUSINESS TRAVEL **			
Private cars	Km	12 049 769	11 747 689
Air travel (r)****	Number	3219	3557
CONSUMPTION OF RAW MATERIALS			
Petrol	Litres	4 107 273	4 538 200
Diesel	Litres	14 202 890	14 688 800
Fuel Oil	Litres	1 124 663	1 033 013
Copying paper****	Tonnes	326	216

* Estimated energy consumption in rented buildings
** Incl. subsidiaries
*** By electric trains, approx. 81 % in 2003
****Numbers from ErgoGroup not included

WASTE

TYPE	UNIT	2002	2003
Residual waste	Tonnes	4 160	3 898
Paper	Tonnes	987	958
Cardboard	Tonnes	161	435
Cardboard/paper mix	Tonnes	2 187	3 039
Plastic	Tonnes	64	61
Wood	Tonnes	840	1 185
Waste paper	Tonnes	92	67
Metal	Tonnes	97	102
Food	Tonnes	38	46
Tyres	Tonnes	35	108
Building waste	Tonnes	-	4
EE-waste	Tonnes	31	18
Hazardous waste	Tonnes	105	109
Car batteries	Tonnes	7	9
TOTAL WASTE	**TONNES**	**8699***	**10 039***

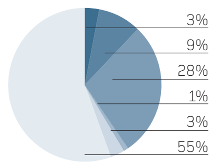
*Waste from rented buildings is estimated

EMISSIONS TO AIR

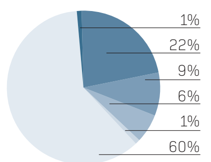
FOSSIL FUELS	CO_2	SO_2	NO_x
TOTAL EMISSIONS 2002	**85467**	**6,4**	**283**
TOTAL EMISSIONS 2003	**89910**	**7,3**	**303**
Change 2002-2003	5 %	14 %	7 %
Norway Post's share of emissions from road traffic in Norway*	0,6%	0,9%	0,6%

*Excluding emissions from CityMail Sweden AB. Estimated based on emission figures from Statistics Norway (2002).

DISTRIBUTION OF CO_2 EMISSIONS



DISTRIBUTION OF NO_x EMISSIONS



Fuel oil (3%)
Hired aircraft (28%)
Business travels (3%)
Hired cars (9%)
Hired trains (1%)
Norway Post vehicles*

* Including emissions from CityMail Sweden AB

A good overview: Norway Post has nearly 22 000 employees spread throughout the country. Mail is distributed to about two million households six days a week, and the quality of the company's delivery services has never been higher. In 2003, 87.7 per cent of all A-priority mail was delivered the next day. This is 2.7 percentage points above the 85 per cent licence requirement.

Notes

GENERAL
On 1 July 2002, Posten Norge AS, established as a statutory company on 1 December 1996, became a joint-stock company with the Norwegian state as sole shareholder, represented by the Ministry of Transport and Communications. Accounting and taxation continuity was maintained during the transition, and consequently, 2002 figures include the total activities of the two companies. Norway Post's annual financial statements are presented in accordance with the Norwegian accounting act and Norwegian generally accepted accounting principles.

SIGNIFICANT EVENTS
Since its establishment in 1996, the group has conducted the following significant transactions:

1996
Posten Norge BA was established at the end of 1996 with Posten SDS AS (100%) as a subsidiary company and Billettservice AS (50%) as an associated company. Subsidiaries of Posten SDS AS included Computas AS, DeltaPro AS and Enet AS.

1997
Posten Norge BA acquired 100 % of Billettservice AS and Forbruker-Kontakt AS and 25 % of NordPack AB, in which the other Nordic postal operators held corresponding interests. Posten SDS AS spun off school administration systems into a separate, wholly owned company, IPOS AS.

1998
At the end of 1998 Posten Norge BA transferred cleaning services to Posten Renhold AS (85 %). The interest in Billettservice AS was reduced to 77 %. NordPack AB changed its name to Pan Nordic Logistics AB (PNL). Posten SDS AS sold some small subsidiaries, including Computas AS.

1999
Posten Norge BA established Posten Escape AS (100 %) and acquired Transport Systems International AS (40%), the latter being treated as a joint venture together with PNL. At the end of 1999 Posten Norge BA financial services were transferred to Postens Økonomitjenester AS, wholly owned by Posten SDS AS. At the beginning of 1999 part of the Professional services division of Posten SDS AS was spun off into Ephorma AS and merged with Telenor Allianse AS. Ephorma was owned 50% by Posten SDS AS. In the autumn of 1999 Posten SDS AS set up the companies Mondex Norge AS and Mondex Norge Originator AS.

2000
With effect from 1 January 2000 Posten Norge AS cafeteria services were transferred to Posten Renhold AS, which changed its name to Postens servicepartner AS. Posten Norge BA retained its 85% ownership interest. Posten Norge BA acquired Oslo Container Stevedore 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 spun off payroll systems and human resources services into a separate company, ErgoBluegarden AS. Corresponding services in Merkantildata and IBM were acquired and placed under Bluegarden. Posten SDS AS acquired 40% of TransWare AB, Gothenburg, which provides solutions for the transport industry, securing a majority interest on the board and an option to acquire additional interest.

2001
On 1 January 2001 Posten SDS AS, including its subsidiaries, changed its name, the new name of the parent company being ErgoGroup AS. Posten Norge BA acquired 95 % of the shares in Itol Factory AS, a subsidiary of the listed company E-Line Group ASA. At the same time E-Line Group ASA took over 100 % of the shares in Posten Escape AS. Billettservice was sold to Ticketmaster UK Limited. ErgoGroup and Telenor established a new company, ZebSign AS, in order to offer electronic ID solutions. Each of the parties owned 50% of the new company. Together with Telenor, DnB and Accenture, ErgoGroup established a company to offer electronic procurement services to their parent companies and the market in general.
In cooperation with Norsk Tipping AS, ErgoGroup set up Buypass AS. ErgoGroup took over operation of IT services in Gjensidige NOR Forsikring and Gjensidige NOR Spareforsikring. ErgoGroup bought 50% of the shares in Ephorma AS, increasing its ownership interest to 100%. In addition, the contents of Ergo Business AS were sold to Adviso AS, in which Ergo Business held a 27% ownership interest. Through its subsidiary Transport Systems International AS (TSI) Posten Norge BA acquired the Danish courier company «De Grønne Bude».

2002
On 1 July 2002, Posten Norge BA became a limited company owned 100% by the Norwegian state, represented by the Ministry of Transport and Communications. Posten Norge BA existing paid-in capital was converted to equity together with a subordinated loan of NOK 400 million from the Norwegian state. In addition, NOK 1 660 million in new equity was supplied. In connection with the change to limited company, the severance pay commitment was transferred from the Norwegian state to Posten Norge AS and NOK 121 million was charged to other equity and transferred to provisions for liabilities and charges.
Accounting and taxation continuity was maintained during the transition from statutory company to limited company. In 2002 Sweden Post sold its 33.3 % interest in Pan Nordic Logistics (PNL). Post Denmark and Posten Norge AS increased their interests to 50 %. PNL bought 99.78 % in AB Expressgods dag och natt. The shares in Postens servicepartner AS were sold to ISS Norge AS. Posten Norge AS further strengthened its market position in Sweden through its acquisition of 57 % of the shares in CityMail Sweden AB. Posten Norge AS increased its ownership interest in TSI from 79.47 % to 100 %. The shares in Netaxept AS and the contents of Nettlast Helgeland AS were sold in 2002. ErgoGroup acquired the operations of Runit AS which continued in the new company ErgoRunit AS. In addition, ErgoGroup increased its interest in Objectware AB from 40% to 70%. ErgoConnect AS was sold to Adviso AS.

2003
In connection with Posten Norge AS coverage of the shortfall in the Norwegian Public Service Fund, the company was supplied NOK 600 million in new equity. Based on the adopted changes to the EU's postal directive, the Storting (Norwegian parliament) decided to limit Posten Norge AS monopoly to the distribution of letters up to 100 grams and reduce the price limit to three times the basic rate for letters in the first weight category. At the same time, the market for mail sent out of Norway was fully deregulated. The Storting also decided that no value added tax is to be charged on bulk mail to other countries, which will place Posten Norge AS services on an equal footing with other direct transport of goods to international destinations. The activities of Posten Forbruker-kontakt AS were wound up. ErgoGroup sold its shares in ErgoBluegarden AS and the contents of ErgoEnet AS. Oslo Container Stevedore AS acquired the logistics operations of Fellestransport AS, and Wajens AS bought Arntsen Tungtransport.

2004
In March, Posten Norge AS signed an agreement to buy Nor-Cargo Holding ASA.

ACCOUNTING PRINCIPLES
Consolidation
The consolidated financial statements present the financial position and result of operations of the parent company Posten Norge AS and companies in which it is a controlling interest. All consolidated financial statements are presented according to uniform accounting and valuation principles and all income statement and balance sheet items are classified using uniform classification definitions. All significant intercompany transactions and balances have been eliminated.

Shares in subsidiaries have been eliminated according to the acquisition method of accounting. The difference between the purchase price of the shares and the group's share of the acquired company's book value of net assets at the time of purchase is analysed and included in the balance sheet item to which the excess/reduced value relates. Any excess value that cannot be included in specific balance sheet items is classified as goodwill. Goodwill is depreciated on a straight-line basis over its useful economic life. Companies acquired during the year are included in the accounts from the date of their acquisition, while companies sold are included in the accounts until their date of sale. Subsidiaries are consolidated from the date the group achieves control.

Companies are defined as joint ventures when the group has entered into agreements with other co-venturers for shared control. Ownership interests in joint ventures are recognised based on the straight-line method of depreciation, meaning that the group's proportion of revenues, costs, assets and liabilities are consolidated line by line in the consolidated financial statements.

Associated companies are defined as companies in which the group has significant influence. Interests in associated companies are accounted for under the equity method, with share of the associated company's net income for the year being offset against the cost price of the interest and included under financial income or financial expenses.

The minority interest's share of net income after tax is shown in the income statement, meaning that all income statement items include the minority interest's share. The minority interest's share of equity is shown as a separate item under group equity.

The balance sheets of foreign companies are translated using exchange rates at the balance sheet date, whereas income statements are translated using average exchange rates for the year. Translation differences are dealt with in reserves.

Accrual, classification and valuation principles
The annual financial statements are prepared in accordance with the Norwegian accounting act and Norwegian generally accepted accounting principles.

All assets relating to the flow of goods, receivables payable within one year and assets not intended for permanent ownership or use in the activity are classified as current assets. Other assets are classified as fixed assets.

All liabilities relating directly to the flow of goods are classified as current liabilities, even if some of the liabilities are due for payment after one year.

Current assets are valued at the lower of their historical cost and market value. Fixed assets are valued at their cost price less depreciation, if any. If the market value of the fixed assets is lower than the balance sheet value and the decline in value is not considered to be temporary, the fixed assets are written down. If the basis for the write-down no longer exists, it is reversed.

Revenues
Revenues from stamp sales are classified as advance payment of postal services sold. Revenues from other services are recognised when delivered. Revenues from long-term projects are recognised on the basis of current settlement according to the degree of completion.

Pensions
Net pension cost consists of the period's earned pensions including future salary increases and interest expense on the estimated pension obligation, less contributions from employees and expected return on pension scheme assets. Prepaid pensions correspond to the difference between estimated pension scheme assets and the present value of estimated pension obligations less changes in estimates and pension schemes not recognised in the income statement. Prepaid pensions are classified as a long-term asset in the balance sheet provided that it is likely that the excess value can be utilised or repaid. Similarly, when pension obligations exceed pension scheme assets, the difference is classified as a long-term liability. Net pension cost is recognised as payroll expenses in the income statement. Changes in the pension obligation due to changes in pension schemes are amortised on a straight line basis over the average expected remaining service lives of the current employees.

Any changes in pension obligation and pension scheme assets due to changes in and deviations from estimates exceeding 10 per cent of the higher of the pension obligations or pension scheme assets at the beginning of the year, are amortised on a straight line over the average expected remaining service lives of the current employees ("corridor solution"). Non-amortised deviations in estimates and changes in pension schemes appear from note 3. Pension scheme assets are classified as non-interest bearing long-term receivables because the interest element is recognised as payroll expenses together with pension costs.

Other revenues and expenses
Other revenues and expenses include for example cost of restructuring, gains and losses from sale of fixed assets, and gains and losses from sale of subsidiaries in the group.

Taxes
Taxes include payable taxes for the period and changes in deferred tax/tax assets. Payable taxes are calculated based on earnings before tax (EBT). Net deferred tax/tax assets is calculated based on temporary differences between accounting and tax values and tax losses carried forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that are reversed or can be reversed, are equalised. Recognition of deferred tax assets on net tax-reducing differences that are not equalised and losses carried forward is based on the assumption of future earnings. Deferred tax and deferred tax assets that can be carried forward are netted in the balance sheet.

Tangible fixed assets and depreciation
Tangible fixed assets are recorded at their historical cost after deduction of accumulated depreciation and write-downs. For large investments with a long manufacturing period, interest is capitalised as part of the acquisition

cost. Tangible fixed assets are valued at the lower of their book value and market value. If the market value is assumed to be lower than the book value and the decline is not assumed to be temporary, the tangible assets are written down to their market value. Any write-down of a tangible asset is considered individually. If the basis for the write-down no longer exists, the write-down is reversed. Tangible assets are depreciated on a straight-line basis over their useful economic life. Ordinary depreciation starts when the tangible fixed asset is put into normal operation. This means that no depreciation is made of facilities under construction. Costs relating to normal maintenance and repairs are expensed when incurred. Costs of replacements and renewals which significantly increase the standard of the assets are capitalised.

Development costs
The group's development costs mainly relate to the development of IT systems intended for use in the group's services and to some extent for sale and licensing. The cost of developing new solutions or further development resulting in new functionality is capitalised and depreciated on a straight-line basis over assumed useful economic life. The time of capitalisation is determined individually for each project based on its status and progress and estimated future earnings. Expenses relating to current adjustments of existing systems are recognised as maintenance expenses. Other development costs incurred by the group in order to develop new and further develop existing products, production processes, etc. are expensed as incurred.

Shares and long-term investments
In Posten Norge AS financial statements the cost method is used for all assets in limited companies, including subsidiaries. Long-term strategic share investments in subsidiaries, joint ventures and associated companies are classified as fixed assets. Other strategic share investments are also classified as fixed assets. The cost also includes transaction costs relating to the acquisition. Write-downs are made individually provided that the decline in value is not of a temporary nature.

Inventories
Inventories are recognised in the balance sheet at the lower of their cost and estimated net market value.

Accounts receivable
Accounts receivable are recognised in the balance sheet at their nominal value less deductions for bad debts.

Contingent liabilities
Contingent liabilities are recognised when it is more likely than not that they will be settled and their value can be fairly estimated. Best estimate is used when calculating settlement value.

Restructuring costs and severance pay
Restructuring is defined as a planned programme which significantly changes the scope of the activity or the way in which it is run.
Provisions for restructuring are expensed when the programme has been adopted and the costs are identifiable, quantifiable and not covered by corresponding revenues.
Severance pay is paid to redundant employees for a period until they get new jobs. The severance pay commitment is calculated on a best estimate basis.

Leases
Lease agreements are recognised as ordinary leases or financial leases depending on their actual contents. In case of financial leases, the asset is capitalised at its historical cost on the date the asset is transferred. The asset is depreciated using the same method that is used for corresponding fixed assets. The interest expense is recognised as a financial expense.

Foreign currency transactions
Current receivables and liabilities denominated in foreign currencies are converted using exchange rates on the balance sheet date. Exchange gains and losses are recognised as financial income and expenses, respectively with the exception of exchange gains and losses on certain international mail exchange transactions which are recorded as operating revenues and operating expenses, respectively.

Translation differences relating to financial instruments designated as and proved effective in hedging net investment in foreign companies, are recognised as translation differences under group equity. In the company's annual financial statements foreign currency loans used for hedging purposes are recognised at their historical exchange rates. The hedging is accounted for by capitalising realised exchange gains and losses. Goodwill relating to acquired foreign companies is recognised in the group's financial statements at the exchange rate used for the transaction.

Cash flow statement
The cash flow statement is prepared based on the indirect method. Cash and cash equivalents consist of liquid assets, including liquid assets relating to the sales network.

IFRS
By 2005, all EU listed companies must apply international financial reporting standards (IFRS). This requirement does not apply to Norway Post, but preparations are nevertheless being made for a possible transfer to IFRS in 2005 or in the subsequent year.

In 2003, Norway Post worked to clarify possible differences between its accounting principles and current international financial reporting standards. According to preliminary analyses, there does not seem to be many significant differences between the company's accounting principles and IFRS. The financial reporting of Norway Post activities is not complicated. Within certain areas, however, the effects of a possible change to IFRS are regarded as relatively large. Examples of such areas are pensions, financial instruments, leases and acquisitions.

NOTE 1 | OPERATING REVENUES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
8 813	8 278	8 484	Communications products	8 874	8 473	8 805
2 115	2 305	2 505	Logistics operations	3 744	3 470	3 152
1 364	1 361	1 151	Consumer	1 151	1 358	1 387
			IT services	1 742	1 767	1 460
194	39	53	Other, including eliminations	48	38	204
12 486	**11 983**	**12 193**	**Operating revenues**	**15 559**	**15 106**	**15 008**

Operating revenues and expenses relating to internal deliveries have been reclassified. Corresponding adjustments have been made to comparable figures.

The proportion of the group's operating revenues relating to activity abroad was 7.2 per cent in 2002 and 8.7 per cent in 2003.

NOTE 2 | PAYROLL EXPENSES AND OTHER REMUNERATION

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
5 854	5 596	5 319	Salaries	6 640	6 825	6 952
803	755	720	National insurance contributions	962	968	957
359	348	335	Pension costs	403	446	420
310	207	188	Other benefits	212	246	299
7 326	**6 906**	**6 562**	**Payroll expenses**	**8 217**	**8 485**	**8 628**
1 056 920	1 246 428	1 332 692	Board of Directors			
225 982			Corporate assembly			
1 300 000	1 350 000	1 390 000	Auditor's fee for audit of annual fin. statements	6 093 823	6 389 485	4 440 510
1 715 750	1 388 050	1 838 204	Auditor's fee for other fin. audit	3 997 994	4 711 923	6 379 589
518 000	138 624	483 924	Auditor's fee for other services	2 171 999	3 671 454	518 000
21 211	19 407	18 158	No. of full-time positions/full-time equivalents	21 640	23 509	24 506
25 126	22 807	21 132	No. of employees at 31 Dec.	24 544	26 886	29 563
26 861	27 198	26 774	No. in pension scheme at 31 Dec.	28 512	29 442	29 643

Remuneration and fees
The Board of Directors neither has pension schemes nor any other arrangements other than directors' fees. Remuneration of the Board of Directors and the corporate assembly is expensed. The corporate assembly was dissolved in 2001.

The Chief Executive Officer has an annual salary of NOK 2 070 000. Salary and other remuneration for 2003 of NOK 2 323 733 includes NOK 100 000 in director's fee in ErgoGroup. The CEO's pension agreement stipulates a retirement age of 65, but includes a right to retire at the age of 60 with a supplementary pension which will give him a total pension amounting to 66 per cent of his salary at the time of retirement. Pension premium paid in 2003 was NOK 1 057 523.

In 2002, Norway Post introduced a bonus scheme for the CEO and the group management, making it possible for them to achieve a bonus of up to 25 per cent of their salary. Payments under the bonus scheme are conditional upon positive pre-tax results. Positive pre-tax results also open up for payment of individual, performance-based bonuses. The final decision to pay bonuses is made by the Board of Directors (the CEO for the group management). If an employee leaves the company before the bonus payment date, no bonus is paid. For 2003, provisions made for bonuses to the group management amount to NOK 2.4 million.

Of NOK 12.3 million in total auditors' fees of in 2003, NOK 8.8 million were fees to the group auditor. Group auditor fees included NOK 4.2 million in auditing fees, NOK 3 million in payment for other financial auditing and NOK 1.6 million for other services. Payment for other services mainly concerned assistance in connection with taxes and duties.

NOTE 3 | PENSIONS

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
			Net pension cost			
480	461	492	Present value of pensions earned for the year	546	532	537
560	606	634	Interest expenses of pension obligation	653	625	583
(528)	(567)	(659)	Return on pension funds	(677)	(585)	(552)
(116)	(116)	(111)	Employee contribution 2%	(111)	(117)	(116)
	2	11	Changes in and deviations from estimates	13	5	
10	10	11	Pension scheme changes	9	9	12
406	**396**	**378**	**Net pension cost**	**433**	**469**	**464**
			Net pension obligation			
(10 243)	(11 064)	(11 442)	Estimated accrued obligation	(11 726)	(11 445)	(10 720)
9 365	10 114	12 418	Estimated value of pension funds	12 643	10 433	9 807
(878)	**(950)**	**976**	**Net estimated pension obligation**	**917**	**(1 012)**	**(913)**
147	136	126	Unrecorded changes in pension schemes	92	118	146
609	1 047	1 152	Unrecorded estimate changes	1 197	1 095	626
(122)	**233**	**2 254**	**Net scheme assets/ (obligations)**	**2 206**	**201**	**(141)**

Posten Norge AS
Posten Norge AS provides a group pension scheme for its employees through the Norwegian Public Service Pension Fund (SPK), including the following benefits pursuant to the Act relating to the Norwegian Public Service Pension Fund:

Retirement pension:
- 66% of salary at retirement, from the age of 70 with the right to retire at the age of 67

Disability pension:
- 66% of salary at the time of disability

Spouse pension:
- 9% of final salary

Child's pension:
-15 % of final salary

Posten Norge AS has entered into an agreement with its employees for contractual pension (AFP). This scheme means that employees may choose to retire at the age of 62. The AFP scheme is part of the SPK scheme, and pension payments are covered by the ordinary premiums. Scheme financing commences at the time of employment.

The SPK pension scheme, however, is not based on funds, but fund asset management is simulated ("fictive fund") as if the assets were invested in long-term government bonds. Return on the initial fund, from 1 December 1996, is 6.46 per cent, while the return on changes in the pension scheme assets corresponds to the development in the bond yield. Pension payments are guaranteed by the Norwegian state.

Posten Norge AS pension obligation also includes a pension scheme in Storebrand for employees in management positions. Pension costs and pension obligations are recognised in accordance with Norwegian accounting standards for pension costs. Posten Norge AS pension cost for 2003 is estimated based on the following financial and actuarial assumptions:

Discount rate in %	6,0
Salary increase in %	3,3
Increase in National Insurance Fund's base amount (G) in %	2,9
Pension indexation in %	2,9
Return on scheme assets in %	6,1
Voluntary retirement (under 50 years) in %	8,0
Voluntary retirement (over 50 years) in %	2,5

From and including 2002, estimated voluntary retirement under the SPK scheme was increased to 8 per cent for employees under 50 and 2.5 per cent for employees over 50. The disability rate K1963 was increased by 140 per cent because of the development in number of people on disability benefit in the company. Long-term financial assumptions were not changed in 2003.

Unrecognised deviations from estimates (corridor) increased by NOK 105 million for Posten Norge AS from 2002 to 2003. In accordance with Norwegian accounting standards for pension costs, deviations in estimates are charged to the "corridor", with the excess amount being amortised on a straight line over an average expected remaining service period of 10 years in 2003, compared with 15 years up to and including 2002. Changes in the pension obligation due to changes in the pension schemes are amortised on a straight line basis over the average expected remaining service lives of the current employees. The above figures do not include employers' national insurance contributions.

Net pension assets at 31 December 2003 were NOK 2 254 million. Posten Norge AS has not recognised changes in scheme, estimates and deviations of in all NOK 1 278 million. Actual pension scheme assets according to Norwegian accounting standards therefore amounted to NOK 976 million. The pension premium payment which increases scheme assets is based on Norwegian Public Service Pension Fund estimates, which require the pension scheme to be actuarially balanced. This means that obligations should correspond to scheme assets without using the accounting principle of corridor and scheme changes. Based on the assumptions used by the Norwegian Public Service Pension Fund for premium calculation, Posten Norge AS in 2003 paid an ordinary premium of NOK 733 million. In addition, NOK 1 475 million was paid to cover the shortfall as decided in the government budget for 2003. The government budget also decided to compensate for its payment of the shortfall by supplying Posten Norge AS with NOK 600 million in new equity on 1 July 2003. The company's pension schemes are currently being reviewed.

Norway Post Group
Most subsidiaries have pension schemes. Some companies have benefit schemes entitling the employees to certain future pension benefits. Other subsidiaries offer contribution schemes where the premium is expensed as incurred. The companies in the group mainly base themselves on the same long-term financial assumptions as Posten Norge AS.

NOTE 4 | OTHER OPERATING EXPENSES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
943	988	974	Cost of premises	1 141	1 129	845
229	260	218	Other rental expenses	165	175	173
328	277	284	Accounting and payroll services	139	139	27
520	597	719	IT services	40	41	51
351	414	308	Other external services	238	200	262
225	118	99	Travel expenses	167	199	303
90	126	151	Marketing	194	162	119
657	457	390	Other expenses	567	575	828
3 343	**3 237**	**3 143**	**Operating expenses**	**2 651**	**2 620**	**2 608**

IT services in Posten Norge AS included intercompany purchases of NOK 469 million in 2001, NOK 559 million in 2002 and NOK 697 million in 2003.

NOTE 5 | OTHER REVENUES AND EXPENSES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
	105	43	Restructuring	61	110	
		111	Severance pay	111		
(458)	(105)	4	Net loss (gain) on fixed assets	1	(116)	(447)
			Gain on sale of subsidiaries	(231)	(18)	(78)
(458)	**0**	**158**	**Other revenues and expenses**	**(58)**	**(24)**	**(525)**

Restructuring costs and severance pay
Restructuring expenses include personnel measures and rental of vacated premises. Provisions have been made for severance pay to personnel dismissed in 2003, or expected to be dismissed as a result of the restructuring programme adopted in 2003. Severance pay provisions are made where other personnel measures turn out not to be possible. See note 17.

Sale of fixed assets
In 2001 Posten Norge AS sold most of its post buildings and the Norway Post building, the group's current main office. In connection with the sale of the Norway Post building, an agreement was entered into whereby the buyer would pay an additional fee per square metre for an approved plan for additions to the property. The additional fee was paid in 2002. Net gains on sale of fixed assets in 2002 amounted to NOK 105 million. This includes NOK 46 million in additional fee. In 2002, Posten Norge AS sold 5 other post buildings, 3 postal terminals, 2 studio apartment buildings and two sites.

Sale of subsidiaries
In 2003, ErgoGroup sold ErgoBluegarden AS and the contents of ErgoEnet AS.

Notes

NOTE 6 | FINANCIAL INCOME AND EXPENSES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
44	90	76	Interest income from group companies			
68	68	40	Other interest income	50	88	93
24	5		Gains on sale of subsidiaries			
6	9	26	Gains on financial investments	29	3	8
28		212	Group contribution and dividend received			
4	22	39	Other financial income	41	23	4
174	**194**	**393**	**Financial income**	**120**	**114**	**105**
4	2	11	Intercompany interest expenses			
164	137	87	Other interest expenses	97	158	181
5	33		Losses on sale of subsidiaries			
15	5	6	Losses on financial investments	7	6	37
27	32	65	Other financial expenses	72	23	12
215	**209**	**169**	**Financial expenses**	**176**	**187**	**230**

NOTE 7 | TAXES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
(145)	(198)	(106)	Diff. rel. to current balance sheet items	(157)	(225)	(208)
(226)	38	(104)	Diff. rel. to long-term balance sheet items	(170)	(37)	(199)
(20)	(647)	(2 009)	Losses carried forward	(2 233)	(847)	(157)
(86)	265	2 271	Net pension obligation	2 223	231	(109)
			No basis for capitalisation	229	142	82
(477)	**(542)**	**52**	**Basis for deferred taxes/(tax assets)**	**(108)**	**(736)**	**(591)**
(134)	(152)	15	Deferred taxes/(tax assets)	(30)	(206)	(165)
(2)	(2)	(2)	Payment on dividend/other	(2)	(2)	12
(136)	**(154)**	**13**	**Deferred taxes/(tax assets)**	**(32)**	**(208)**	**(153)**
639	(61)	570	Earnings before tax			
(639)	61	(570)	Accounting/tax differences			
0	0	0	Basis for payable taxes			
0	**0**	**0**	**Payable taxes**			
			Payable taxes	6	62	42
178	(18)	168	Change in deferred taxes/(tax assets)	176	(58)	196
178	**(18)**	**168**	**Taxes**	**182**	**4**	**238**
179	(17)	160	28% tax on earnings before tax (EBT)			
2	1	3	Tax on permanent differences			
(3)	(2)	5	Too much/little provided in previous years			
178	**(18)**	**168**	**Taxes for the year**			

Net deferred tax asset is capitalised as it is assumed that it may be utilised in connection with future earnings.

Losses carried forward arose in the years 2001-2003. Classification of deferred taxes and deferred tax assets in the annual financial statements is accounted for in notes 17 and 8, while payable taxes are included in note 19.

NOTE 8 | INTANGIBLE ASSETS

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
234	22	23	IT development, rights, etc.	411	474	330
136	154		Deferred tax assets	32	208	153
	9	10	Goodwill	839	957	818
370	**185**	**33**	**Intangible assets**	**1 282**	**1 639**	**1 301**

POSTEN NORGE AS	IT develop-ment, rights	Facilities under construction	Total	Goodwill
Cost 1 January	83	10	93	11
Additions in 2003		7	7	3
Transfers 2003	1	(1)	0	
Disposals 2003		(2)	(2)	
Accum. depr. and write-downs 31 Dec.	(75)		(75)	(4)
Book value 31 Dec.2003	**9**	**14**	**23**	**10**
Depreciation 2003	4		4	2
Write-downs 2003				
Economic life	2 - 6 years			5 years

NORWAY POST GROUP	IT develop-ment, rights	Facilities under construction	Total	Goodwill
Cost 1 January	617	103	720	1 193
Additions in 2003	92	65	157	38
Transfers 2003	4	(1)	3	
Translation difference				25
Disposals 2003	(64)	(37)	(101)	(36)
Accum. depr. and write-downs 31 Dec.	(368)	0	(368)	(381)
Book value 31 Dec.2003	**281**	**130**	**411**	**839**
Depreciation 2003	134		134	134
Write-downs 2003	41		41	10
Economic life	2 - 6 years			

IT development, rights, etc.
The group's development costs mainly relate to the development of IT systems. In 2002 Posten Norge AS sold IT systems to ErgoGroup at a total market value of NOK 257 million.

The period of depreciation is 2 – 6 years, depending on the individually estimated economic life of each system.

NOTE 8 | INTANGIBLE ASSETS CONTINUED

NORWAY POST GROUP

	Cost	Book value 1 Jan.	Translation differences	Disposals 2003	Additions 2003	Depreciation/ write-downs	Book value 31 Dec.	Depreciation period
Goodwill in the group:								
Box Group AS	133	105				12	93	10 years
Wajens AS	28	20				3	17	10 years
Oslo Container Stevedore AS	95	67				9	58	10 years
KortProsess AS	1	1		1		2	0	4-5 years
CityMail AB	71	65			2	5	58	10 years
Goodwill in the companies:								
Posten Norge AS	11	9		3		2	10	5 years
ErgoGroup konsern	600	491		-2	33	75	381	10 years
Box Group konsern	181	143	14	30	1	17	169	12 years
PNL konsern	14	7	4			4	7	5 years
Wajens AS	4	4		4		1	7	10 years
CityMail AB	55	45	7			14	38	6 years
Oslo Container Stevedore AS				2			2	10 years
Total goodwill group	**1 193**	**957**	**25**	**38**	**36**	**145**	**839**	

Goodwill acquired through the purchase of 57 per cent of the shares in CityMail Sweden AB in 2001 amounted to NOK 71 million. Based on profitability assessments made at the time of purchase, earnings are expected to span minimum 10 years. Goodwill is depreciated on a straight-line basis over this period.

Goodwill achieved through the acquisition of a 100 per cent interest in Box Group AS (previously TSI AS) is depreciated over an expected economic life of 10 years. Being the leading courier service in the Nordic countries, the company's profitability remains high and its market position strong, from which Posten Norge AS will be able to benefit for a long time to come. Box Group AS' business concept provides the basis for positive transfer of expertise and experience to other parts of Norway Post's business operations, and for added long-term value to the group.

In 2001 the Box Group acquired activity in Sweden and Denmark. Acquired goodwill is depreciated over 10 years based on expected earnings.

Acquired goodwill of NOK 381 million in ErgoGroup relates to acquisition of activity in ErgoIntegration AS in 2000 and Gjensidige NOR's computer operations in 2001. Estimated earnings from the acquisitions are expected to span minimum 10 years, and the goodwill is depreciated on a straight line over this period.

Oslo Container Stevedore AS and Wajens AS are financially sound companies with earnings among the best in their fields. Both companies are considered strong brand names in their respective fields (third-party logistics and distribution/pick-up and delivery services). Posten Norge AS therefore assumes to make a long-term commercial profit on these investments, and for this reason has chosen to depreciate the goodwill in these companies over a period of ten years.

NOTE 9 | TANGIBLE ASSETS

POSTEN NORGE AS

	Machinery	Vehicles, fixtures and fittings	Buildings, fixed property	Machinery under construction	Buildings under construction	Total
Cost 1 January	946	2 353	2 711	97	36	6 143
Additions in 2003	11	79	3	65	11	169
Transfers 2003	22	136	30	(160)	(28)	0
Disposals 2003	(4)	(296)	(128)			(428)
Accum. depr. and write-downs 31 Dec.	(609)	(1 350)	(821)			(2 780)
Book value 31 Dec.2003	**366**	**922**	**1 795**	**2**	**19**	**3 104**
Depreciation 2003	90	269	83			442
Write-downs 2003			8			8
Economic life	4 - 8 år	4 - 10 år	15 - 40 år			

NORWAY POST GROUP

	Machinery	Vehicles, fixtures and fittings	Buildings, fixed property	Machinery under construction	Buildings under construction	Total
Cost 1 January	946	3 448	2 808	97	37	7 336
Additions in 2003	11	171	3	65	10	260
Transfers 2003	22	136	30	(160)	(28)	0
Disposals 2003	(4)	(468)	(129)			(601)
Accum. depr. and write-downs 31 Dec.	(609)	(2 016)	(854)			(3 479)
Book value 31 Dec.2003	**366**	**1 271**	**1 858**	**2**	**19**	**3 516**
Depreciation 2003	90	498	88			676
Write-downs 2003			9			9
Economic life	4 - 8 år	3 - 10 år	15 - 40 år			

Posten Norge AS ordinary depreciation and write-downs for the year, including depreciation of IT development costs, were NOK 456 million. The group's depreciation for the year was NOK 1 004 million. Capitalised IT development costs and goodwill appear from note 8.

In the group, addition of internally produced fixed assets amounted to NOK 111 million, recognised net in the income statement under cost of goods, payroll expenses and other operating expenses.

NOTE 10 | INVESTMENT IN SHARES

POSTEN NORGE AS	Acquired	Address	Ownership/ voting interest at 31.12.2003	Book value at 31.12.2003
Subsidiaries				
ErgoGroup AS	01.12.1996	Oslo	100 %	431
Oslo Container Stevedore AS	12.04.2000	Oslo	100 %	107
Box Group AS (formerly TSI AS)	01.01.1999	Oslo	100 %	167
Wajens AS	12.04.2000	Oslo	100 %	36
Nettlast AS	15.11.2000	Oslo	100 %	30
Nettlast Hadeland AS	15.11.2000	Jaren	100 %	5
Nettlast Helgeland AS	15.11.2000	Mosjøen	100 %	3
Posten Forbruker-Kontakt AS	01.10.1997	Oslo	100 %	0
Kort Prosess AS	26.06.2000	Oslo	100 %	1
CityMail Sweden AB	01.05.2002	Sweden	57 %	138
Joint ventures				
Pan Nordic Logistics AB (PNL)				28
The remaining interests consist of small sharehol-		Sweden	50 %	
dings held directly by Norway Post.				5
TOTAL				**951**

NORWAY POST GROUP	Address	Ownership	Book value
Group's investment in shares			
Transportinvest AS	Oslo	9 %	55
Adviso AS	Oslo	27 %	68
Atento AS	Oslo	29 %	4
Gecko AS	Kristiansand	34 %	2
Interprice Consulting AS	Denmark	34 %	2
OptiMail AB	Sweden	12 %	12
Other interests			9
TOTAL			**152**

Joint ventures	PNL	Zebsign	Buypass	NITS
Share of operating revenues	480	16	16	
Share of operating expenses	495	32	24	2
Share of taxes	(6)			(1)
Share of net income	**(9)**	**(16)**	**(8)**	**(1)**
Share of fixed assets	37	10	24	
Share of current assets	104	11	24	1
Total assets	**141**	**21**	**48**	**1**
Share of long-term liabilities	34	16	29	2
Share of short-term liabilities	109	5	13	6
Total liabilities	**143**	**21**	**42**	**8**
Ownership interest	**50 %**	**50 %**	**45 %**	**50 %**

Posten Norge AS has an obligation to buy the remaining 43 per cent of the shares in CityMail Sweden AB from the two other owners by the end of the first quarter of 2006. The wholly owned subsidiaries Oslo Container Stevedore AS (OCS) and 1to1 Factory AS were merged in 2003, with OCS as the takeover company. In 2003, shares in the subsidiaries Posten Forbruker-Kontakt AS and Kort Prosess AS were written down by NOK 3 million each.
Posten Norge AS holds 50 per cent of the shares in Pan Nordic Logistics AB (PNL). The remaining 50 per cent are held by Post Denmark. ErgoGroup AS has ownership interests in Zebsign AS, Buypass AS and Norwegian IT Solutions AS (NITS).

NOTE 11 | NON-INTEREST BEARING LONG-TERM RECEIVABLES

POSTEN NORGE AS 2001	2002	2003		POSTEN NORGE GROUP 2003	2002	2001
	233	2 254	Pension scheme assets	2 206	201	
10	12	9	Receivable from employees	9	14	12
28	14	26	Other long-term receivables	20	21	48
38	**259**	**2 289**	**Non-interest bearing long-term receivables**	**2 235**	**236**	**60**

Posten Norge AS in 2003 made an extraordinary payment of NOK 1 475 million to the Norwegian Public Service Fund. Information about net pension scheme assets is found in note 3. Pension scheme assets are classified as non-interest bearing long-term receivables as the interest element is presented together with pension costs under payroll expenses.

NOTE 12 | INTEREST BEARING LONG-TERM RECEIVABLES

POSTEN NORGE AS 2001	2002	2003		POSTEN NORGE GROUP 2003	2002	2001
	10	10	Other long-term receivables	45	58	
721	1 174	794	Loans to subsidiaries			
721	**1 184**	**804**	**Interest bearing long-term receivables**	**45**	**58**	
		237	Repayments 2004			
		233	Repayments 2005			
		190	Repayments 2006			
		69	Repayments 2007			
		27	Repayments 2008			
		38	2008+			
		794	**Loans to subsidiaries**			

NOTE 13 | INVENTORIES

POSTEN NORGE AS 2001	2002	2003		POSTEN NORGE GROUP 2003	2002	2001
58	80	71	Cost	75	81	60
(9)	(16)	(11)	Write-downs	(11)	(16)	(9)
49	**64**	**60**	**Inventories**	**64**	**65**	**51**

Inventories mainly consist of postage stamps and other goods sold through the sales network.

NOTE 14 | NON-INTEREST BEARING SHORT-TERM RECEIVABLES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
1 561	1 397	1 192	Accounts receivable	1 703	1 917	2 018
3	2	2	Receivable from employees	4	6	8
80	253	599	Receivable from companies in the group			
48	50	60	Prepaid expenses	158	133	108
286	144	109	Other receivables	201	231	384
1 978	**1 846**	**1 962**	**Non-interest bearing short-term receivables**	**2 066**	**2 287**	**2 518**
11	17	18	Provision for bad debts	40	40	36
4	25	28	Bad debts	30	30	9

From 2003, settlements with Postbanken relating to bank transactions in the postal network are classified as non-interest bearing short-term receivables. Liquid assets under transport have been reclassified as cash and cash equivalents. Advance payments to and from foreign postal operators have been reclassified. Corresponding adjustments have been made to comparable figures.

Accounts receivable have been reduced by provisions for bad debts.

NOTE 15 | CASH AND CASH EQUIVALENTS

POSTEN NORGE AS				NORWAY POST GROUP		
2001	**2002**	**2003**		**2003**	**2002**	**2001**
24	111	135	Cash and cash equivalents	254	242	232
			Bonds		8	11
609	595	424	Restricted assets	438	608	629
633	**706**	**559**	**Cash and cash equivalents**	**692**	**858**	**872**

From 2003, settlements with Postbanken relating to bank transactions in the postal network are classified as non-interest bearing short-term receivables. Liquid assets under transport have been reclassified from non-interest bearing short-term receivables to cash and cash equivalents. Corresponding adjustments have been made to comparable figures.

A significant share of cash and cash equivalents relates to the sales network's requirements for liquid assets. Posten Norge AS restricted assets consist of the cash holding for Postbanken. Remuneration for these services is included in operating revenues, while interest on the cash holding is recognised as financial income.

Posten Norge AS has obtained a bank guarantee as security for advance tax payments of NOK 350 million for employees. The group has established a group account system with Posten Norge AS as group account holder. Banks may offset withdrawals against deposits, with the net position representing the outstanding balance between the bank and the group account holder.

Notes

NOTE 16 | EQUITY

	Share capital	Share premium account	Other equity	Equity parent company	Group reserve	Equity group
Equity 1 January 2001	**1 515**	**505**	**(32)**	**1 988**	**24**	**2 012**
Net income, parent company after dividend			161	161	(161)	
Net income, group after dividend					180	180
Translation differences, etc.						1
Equity 31 December 2001	**1 515**	**505**	**129**	**2 149**	**43**	**2 193**
Supply of equity capital	1 545	515	(121)	1 939		1 939
Equity after supply of equity capital	3 060	1 020	8	4 088	43	4 132
Net income, parent company after dividend			(43)	(43)	43	
Net income, group after dividend					(110)	(110)
Translation differences, etc.					12	12
Equity 31 December 2002	**3 060**	**1 020**	**(35)**	**4 045**	**(12)**	**4 034**
Supply of equity capital	60	540		600		600
Equity after supply of equity capital	3 120	1 560	(35)	4 645	(12)	4 634
Net income, parent company after dividend			280	280	(280)	
Net income, group after dividend					153	153
Translation differences, etc.					(10)	(10)
Equity 31 December 2003	**3 120**	**1 560**	**245**	**4 925**	**(149)**	**4 776**

Unrestricted equity:

2001	**2002**	**2003**	
129	(35)	245	Other equity
	(9)	(10)	Capitalised goodwill
(136)	(154)		Deferred tax assets
(7)	**(198)**	**235**	**Unrestricted equity after dividend**

Minority's share of equity at 31 December was NOK 18 million (2003), NOK 48 million (2002) and NOK 35 million (2001).

In connection with the change from statutory company to limited company on 1 December 1996, the Norwegian state, represented by the Ministry of Transport and Communications, in addition to the equity at 31 December 2001 paid in NOK 2 060 million. At the same time severance pay obligations estimated at NOK 121 million were transferred to Posten Norge AS and charged to other equity.

In connection with the payment of the shortfall in the Norwegian Public Service Pension Fund, the government budget for 2003 supplied Posten Norge AS with NOK 600 million in new equity. The supply of equity was carried out on 1 July 2003. The share capital was increased by NOK 60 million with NOK 540 million being added to the share premium fund. The called up and fully paid share capital of Posten Norge AS after this supply of equity is NOK 4 680 million.

On 31 December 2003 the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000 each. All of the companies' shares are held by the Norwegian state, represented by the Ministry of Transport and Communications.

The requirement of the Norwegian act relating to limited companies that distribution of dividend must not result in an equity ratio lower than 10 per cent, and that the company must not distribute more than is agreeable with prudent and generally accepted accounting principles, has been met.

NOTE 17 | PROVISIONS FOR LIABILITIES AND CHARGES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
122			Net pension obligation			141
578	282	134	Restructuring obligation	153	294	578
	121	220	Severance pay obligation	220	121	
		13	Deferred taxes			
2			Other obligations	58	31	77
702	**403**	**367**	**Provisions for liabilities and charges**	**431**	**446**	**796**

See note 3.

Specification of restructuring obligation

2001	2002	2003		2003	2002	2001
914	578	282	Provisions 1 Jan.	294	578	915
	105	43	Provisions in 2003	61	119	
(336)	(401)	(191)	Payments	(202)	(403)	(337)
578	**282**	**134**	**Provisions 31 Dec.**	**153**	**294**	**578**

See note 5.

Specification of severance pay obligation

2001	2002	2003		2003	2002	2001
		121	Provisions 1 Jan.	121		
	121		Obligation transferred		121	
		111	Provisions in 2003	111		
		(12)	Payments	(12)		
	121	**220**	**Provisions 31 Dec.**	**220**	**121**	

Restructuring
Provisions at 31 December 2003 of NOK 134 million correspond to estimated obligations. Anticipated use is as follows:

Personnel measures NOK 85 million
Rent, vacated premises NOK 49 million

Most of the payments will be made during 2004 and 2005. Provisions for personnel measures relate to expenses in connection with staff reduction to be implemented in 2004, shutdown of three terminal units and staff reductions at post offices, post in shops and business centres.

Other restructuring expenses in the group relate to provisons for severance pay in ErgoGroup.

Severance pay
Severance pay is paid to redundant state employees for a period until they get new jobs. For employees in Posten Norge AS the arrangement applies to dismissals made up to and including 31 December 2004. When Posten Norge AS became a limited company on 1 July 2002, the Norwegian government determined that the company itself should cover severance pay expenses relating to dismissals made during the period 1 July 2002 to 31 December 2004. Payments in 2003 amounted to NOK 12 million. Provisions at 31 December 2003 were NOK 220 million.

NOTE 18 | INTEREST-BEARING LONG-TERM AND SHORT-TERM LIABILITIES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
481	403	799	Amounts owed to credit institutions	801	409	490
	193	242	Foreign currency loans	254	189	
167	155	106	Other long-term liabilities	197	248	243
400			Subordinated loan	14		400
1 048	**751**	**1 147**	**Interest-bearing long-term liabilities**	**1 266**	**846**	**1 133**
		14	Repayments 2004	34		
		239	Repayments 2005	259		
		15	Repayments 2006	21		
		13	Repayments 2007	18		
		10	Repayments 2008	14		
		856	2008+	920		
		1 147	**Long-term liabilities**	**1 266**		
		800	Amounts owed to credit institutions	800	6	
105	68	56	Other long-term liabilities	106	118	159
			Subordinated loan	14		
105	**68**	**856**	**Liabilities maturing after 5 years**	**920**	**124**	**159**
600	300	100	Loan certificates	100	300	600
232			Amounts owed to credit institutions	1	4	241
832	**300**	**100**	**Interest-bearing short-term liabilities**	**101**	**304**	**841**

On 31 December 2003, total unused drawing rights valid until 30 November 2005 amounted to NOK 1 559 million. In addition to this comes EUR 325 million in unused drawing rights valid until 10 June 2008. When Posten Norge BA became a limited company on 1 July 2002, a NOK 400 million subordinated loan from the Norwegian state was converted to equity. Average interest rate until 30 June 2002 was 8.2 per cent.

Other long-term liabilities include obligations relating to financial leases, which are reduced by regular payments of loan instalments. See note 21.
Posten Norge AS takes out foreign currency loans to hedge investments in foreign subsidiaries. In the consolidated financial statements all foreign currency loans have been recognised using current exchange rates. In the company's annual financial statements a foreign currency loan of SEK 150 million has been used for hedging purposes, and therefore has been recognised at its historical exchange rate.
The weighted average interest rate for total long-term liabilities in 2003 was 5.6 per cent. At 31 December 2003, fixed-interest rate agreements had been entered into for NOK 500 million at an interest rate of 5.2 per cent, valid until 17 December 2008.

NOTE 19 | INTEREST-FREE SHORT-TERM LIABILITIES

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
1 751	1 629	1 589	Provisions for payroll expenses and public fees	1 858	1 864	1 974
345	433	317	Provisions for accrued expenses	464	542	437
300	0	121	Provisions for dividend	121	1	307
0	0	0	Payable taxes	7	65	41
231	243	277	Deferred income	333	274	278
383	471	345	Accounts payable	533	703	651
394	374	539	Debt to group companies	0	0	0
35	14	35	Other liabilities	162	248	224
3 439	**3 164**	**3 223**	**Interest-free short-term liabilities**	**3 478**	**3 697**	**3 912**

Advance payments to and from foreign postal operators have been reclassified. In the group's financial statements public fees, accounts payable and other liabilities have been reclassified. Corresponding adjustments have been made to comparable figures.
See note 7 for details on payable taxes.

Notes

NOTE 20 | GUARANTEES/COLLATERALS AND SIMILAR OBLIGATIONS

Posten Norge AS has provided a parent company guarantee to DnB NOR ASA of 37 per cent of the annual contractual value of IT services delivery. In 2003 the guarantee amounted to NOK 28.9 million. A parent company guarantee has also been provided for rent on behalf of activity in ErgoGroup AS. This guarantee amounts to NOK 35.5 million. Another parent company guarantee has been provided to Oslo Kemnerkontor (municipal treasurer) of NOK 4.8 million, also on behalf of ErgoGroup AS.

The company has provided a guarantee to Den norske Bank ASA for the cash system in Post in Shops. The guarantee amounts to NOK 150 million. In addition, the company has provided a guarantee to Den norske Bank ASA for employee loans for purchase of vehicles for use in their jobs. At 31 December 2003 the total loans were NOK 1.1 million (NOK 17.7 million in 2002). A guarantee has been provided to Nord Pool ASA for purchase of electric power. At 31 December 2003 this guarantee amounted to NOK 12.1 million.

At 31 December 2003 the company's total guarantee commitment was NOK 232.4 million, compared with NOK 117 million one year earlier. Some of Norway Post's loan agreements contain negative pledge clauses, committing the group to maintain defined levels for financial key ratios. At the end of 2003 the group was well within the defined limits.

The group's total guarantee commitment at 31 December 2003 was NOK 350 million.

NOTE 21 | RENTAL COMMITMENTS

POSTEN NORGE AS				NORWAY POST GROUP		
2001	2002	2003		2003	2002	2001
			Financial leases			
160	152	104	Book value buildings	160	212	223
78	86	60	Accumulated depreciation	89	89	81
163	151	98	Commitments, buildings	161	217	232
			Book value, computer equipment	3	4	
			Commitment, computer equipment	3	4	
			Operational leases			
518	550	552	Annual rent, buildings	691	682	625
100	109	112	Annual rent, vehicles	120	109	100
			Annual rent, computer equipment	74	52	58
			Number of			
5	5	4	Financial leases, buildings at 31 Dec.	5	6	6
1 192	1 071	884	Operational leases, buildings at 31 Dec.	948	1 215	1 258
4 243	4 348	4 590	Operational leases, vehicles at 31 Dec.	4 660	4 348	4 243

Financial leases
Buildings are classified as buildings and other fixed property, while corresponding obligations are classified as interest-bearing long-term liabilities and included in note 18.

ErgoRunit AS has entered into lease agreements for various computer equipment, with commitment until 31 December 2006. The commitment is included in note 18.

Operational leases
Posten Norge AS has entered into lease agreements for most of its offices.
The above survey shows how many buildings are rented and associated rent.

In June 2001 an agreement was entered into with LeasePlan Norge As for lease of vans, whereby new individual contracts may be entered into until 26 June 2004. Normally, the contract period for the individual vehicle is 2 to 5 years.

ErgoIntegration AS has a lease agreement for computer equipment. The lease agreements expire on 31 December 2005.

NOTE 22 | FINANCIAL RISK

Finances
Posten Norge AS employs financial instruments to manage its exposure to changes in foreign exchange rates and electric power prices. Various financial instruments are employed in connection with large purchases from foreign suppliers, mainly forward contracts. Options and forward contracts are used to manage price risk associated with expected future electric power consumption.

Financial instruments are used to reduce the risk of financial exposure, and therefore are normally classified as hedges for accounting purposes when there is a clear connection with underlying assets or liabilities. Options and forward contracts have been entered into to hedge part of the power consumption. Existing contracts at 31 December 2003 cover 65 per cent of expected consumption in 2004. At 31 December 2003, unrealised gains amounted to NOK 5.2 million. No contracts have been entered into for the period beyond 2004. At 31 December 2003, Posten Norge AS had entered into fixed-interest agreements for NOK 500 million, maturing on 17 December 2008. The agreements cover 40 per cent of total interest-bearing liabilities.

No currency hedging agreements have been entered into for the period beyond 2003, and thus there were no outstanding hedging amounts at 31 December 2003. Consequently, no unrealised gains or losses on such agreements were recognised at 31 December 2003. In connection with the acquisition of activities abroad, foreign currency loans were taken out. This will help to neutralise any currency effect of these investments. At 31 December 2003, total interest-bearing foreign currency loans amounted to SEK 260 million and DKK 14 million.

Pension scheme assets
Posten Norge AS has significant future pension obligations and assets managed through the pension scheme of the Norwegian Public Service Pension Fund (see note 3). Assets are built up by the annual net premium to the Norwegian Public Pension Fund fictively being invested in Norwegian government bonds with the longest remaining time to maturity at any given time (10 years).

The bonds are recognised as fixed government bonds, meaning that they are not subject to any market value assessment in Norway Post's financial statements. The current system was established on 1 December 1996, with the initial fund of NOK 4 479 million being fictively invested in NST467 with a yield of 6.46 per cent, maturing on 15 January 2007. Average return on the total portfolio was approx. 6.1 per cent in 2003. The current situation in the Norwegian interest-rate market means that net premium to the Norwegian Public Pension Fund is invested at a lower interest rate than the yield on the total portfolio, thus reducing future average yield. Continued low interest rates ahead will involve a risk of a negative effect when the initial fund is to be refinanced in 2007. Norway Post has initiated efforts to reduce this risk to a minimum.

Based on an overall assessment of the risk associated with future pension benefits, we have chosen to use a discount rate of 6 per cent when estimating our pension obligation. Norway Post is making every effort to reduce the risk associated with the obligation and the scheme assets' sensitivity to interest rate changes. Continued low interest rates will mean that Posten Norge AS will have to reconsider the discount rate used when estimating its pension obligation.

Insurance schemes
The company has insured the major part of its activities and tangible assets under traditional insurance schemes. For the company's vehicles only the statutory third-party insurance is taken out. The company itself covers accidental damage.

As an insurance policy holder the company is entitled to manage agreed parts of the risk exposure of the activity under the insurance companies' insurance licence. The financial and risk aspects of this insurance activity are handled separately from the Insurance company's remaining activity by the company using a separate account to handle these risks. Since 1 December 1996 Posten Norge AS has made use of an accounts solution for certain selected coverages.

The extent of damage covered under the accounts system has been positive, with no payments being made in 2003. The credit balance on the account at 31 December 2003 was approximately NOK 70 million.

NOTE 23 | OTHER

Disputes
ESA is currently considering a complaint regarding inter alia the prices of the logistics products and the system of government procurement. Posten Norge AS has submitted its opinion on the complaint, rejecting its contents. The complaint does not contain specific claims and therefore no provisions have been made in the company's financial statements.

Posten Norge AS has received a claim for compensation from a supplier of equipment and furnishings.

Posten Norge AS and Den norske Bank ASA/Postbanken disagreed on the financial settlement of their business agreements, and at the end of March 2004 the dispute was settled by arbitration. This will have a positive effect of about NOK 65 million on Posten Norge AS results for the first quarter of 2004.

Significant transactions
Posten Norge AS in 2003 made an extraordinary payment of NOK 1 475 million to the Norwegian Public Service Fund. See note 3.

The Norwegian state
Posten Norge AS is wholly owned by the Norwegian state. The Norwegian state, represented by the Ministry of Transport and Communications, has granted Posten Norge AS an exclusive licence for specific letter post services up to and including 31 December 2005. According to this licence, Posten Norge AS will ensure that statutory services and basic banking services are accessible for the population throughout the country via a nationwide postal network.

With effect from 1 July 2003, Posten Norge AS licence was reduced to 100 grams/3 times the base rate for domestic A-priority letters. At the same time, the market for letter post sent out of Norway was fully deregulated.

The licence requirements entail additional costs for Posten Norge AS compared with commercial operations. The additional costs are covered by any gains from the company's licensed activities and by the government's purchase of unprofitable postal services. Government procurements in 2003 amounted to NOK 305 million. In the government budget for 2004 government procurements are estimated at NOK 316 million. The licence requires Posten Norge AS to document that no illegal cross-subsidising takes place between licensed services and fully liberated services. This documentation is submitted to the Norwegian Post and Telecommunications Authority in the form of special product accounts. The auditor conducts annual audits in accordance with the licence. In accordance with the licence requirements the product accounts for 2003 will be submitted within three months after the company's annual financial statements have been approved.

In 2003 Posten Norge AS was supplied with NOK 600 million in new equity from its owner as partial compensation for the extraordinary payment of NOK 1 475 million to the Norwegian Public Service Fund.

Den Norske Bank ASA
Up until the merger of Postbanken BA and Den norske Bank ASA on 1 December 1999, in accordance with the Act relating to Postbanken, Postbanken had the duty and sole right to offer basic banking services through Posten Norge AS nationwide network. After the merger, Postbanken no longer has this statutory obligation and exclusive right.

The obligation has now been imposed on Posten Norge AS by a special act and by the licence, expiring on 31 December 2005, requiring that Posten Norge AS offer basic banking services throughout the company's nationwide sales network.

The postal network is owned and operated by Posten Norge AS. A cooperation agreement has been entered into with Den norske Bank ASA, giving the bank the exclusive right and duty to offer basic banking services. The agreement also covers sale of other products/services and development of the network. The current agreement, transferred from Postbanken BA, expires on 31 December 2005. It is based entirely on commercial principles.

Post in Shops
In the autumn of 2000, Posten Norge AS entered into a five-year cooperation agreement with Norgesgruppen ASA and AS Norske Shell as main partners for the establishment of Post in Shops. Agreements have also been signed with Coop and Hakon. At the end of 2003, the planned 1 175 Post in Shops were in operation. According to customer satisfaction surveys, the Post in Shop concept is currently developing an operational standard in several areas which the customers consider equal to that of Posten Norge AS operated units.

ERNST & YOUNG

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
Posten Norge AS

Auditor's report for 2003

We have audited the annual financial statements of Posten Norge AS as of 31 December 2003, showing a profit of NOK 402 millions for the parent company and a profit of NOK 274 millions for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the 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 and the Directors' report 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 2003, 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 duty to properly register and document the 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 allocation of the profit is consistent with the financial statements and comply with law and regulations.

Oslo, 25 March 2004
ERNST & YOUNG AS

Jan Wellum Svensen (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

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Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

The year in brief

JANUARY

Norway Post signs an agreement with **Interpress** whereby Norway Post will distribute books and international magazines to about 4 000 kiosks and sales outlets around the country.

ErgoGroup signs an agreement with the **Norwegian National Insurance Administration** for secure transmission of health information via the Internet.

Norway Post's proposal to the **Ministry of Finance** to raise the duty-free limit for private imports from NOK 200 to NOK 1 000 is unsuccessful.

Oppdal municipality launches Norway Post Smartcard pilot project.

FEBRUARY

US and UK parcels revert to Norway Post. USPS and Royal Mail go back to Norway Post after Norway Post lost the contract to Nor-Cargo Pakketrans the previous year.

Pan Nordic Logistics (PNL) signs agreements with the postal companies in Estonia, Latvia and Lithuania, thereby servicing all businesses and households in the Baltic states.

MARCH

Norway Post introduces **volume-based pricing** for logistics products.

DnB Markets presents its **valuation** of Norway Post.

Grieg Logistics chooses Norway Post and signs a framework agreement for the transport of 33 000 items in Norway and abroad.

The miniature sheet issued by Norway Post to commemorate the hundred-year anniversary of the Nobel Peace Prize is chosen as **the world's most beautiful.**

Competition is sharpened by Deutsche Post gathering its express and logistics services under the DHL brand name.

APRIL

Norway Post decides to move the **Postal Museum to Maihaugen** at Lillehammer. The museum will include a philatelic exhibition, a postal exhibition and a separate museum post office.

Having implemented a number of environmental measures, Agder sorting area becomes an **«eco-lighthouse»** certified company.

The collective **wage settlement** is implemented with an acceptable result.

MAY

Norway Post introduces a fee for **redirection of mail** to a permanent, new address after a one-month non-fee period.

The Norwegian state demands MNOK 54 in dividend from Norway Post despite the company showing a deficit for 2002. The claim is later withdrawn.

Norway Post moves its headquarters to the Norway Post building in Oslo, providing 800 employees with new, modern workplaces.

The mail distributors are given **new uniforms.**

1.1 million Norwegian chose to submit their **tax returns electronically** by means of ErgoEphorma's IT solution.

Norway Post signs a sponsor agreement with **Det Norske Teater.**

JUNE

Norway Post streamlines its distribution network, merging letter and parcel distribution.

Norway Post and Visma sign an agreement for **eInvoicing**, giving 25 000 business customers access to Norway Post's eInvoicing system.

The Norwegian government decides to change Norwegian postal services legislation, limiting the monopoly area to letter mail of up to 100 grams from 1 July.

Norway Post signs a **borrowing agreement** limited to EURO 325 million (approx. BNOK 2.6) through an international loan syndicate.

The Norwegian **Post and Telecommunications Authority (PT)** demands that Norway Post increases postage on newspapers and magazines to satisfy the licence requirement for cost-based prices.

The Labour Inspection criticises Norway Post for the lack of risk assessment and safety service involvement in the restructuring process.

Norway Post decides to **liquidate Posten Forbrukerkontakt AS** from 1 September after five years of loss-making operations.

JULY

From 1 July 2003 **Norway Post's monopoly is reduced** to letter mail of up to 100 grams.

According to a survey by ACNielsen **Post in Shop is a profitable concept.** Grocery shops offering postal services experience a higher sales increase than corresponding shops that do not offer such services.

Norway Post **introduces CPR cards,** meaning that one can send genuine postcards via the Internet.

Norges Bank, the central bank of Norway, enters into an agreement with Ergo-Integration for IT operations and management of Norges Bank's settlement and central bank systems.

AUGUST

New prices of cash on delivery (COD) introduced from 1 August.

Scandinavia's largest express company appears under the new name **Box Delivery.** 215 vehicles in Norway change colours. Motorcyclist Pål Anders Ullevålseter is part of the team, sponsored by the Norway Post owned company.

The newspaper **Dagens Næringsliv** criticises Norway Post's tendering practice.

SEPTEMBER

The Labour Inspection is very satisfied with Norway Post's follow-up of its inspection report – and with the action plans presented.

The Ministry of Transport and Communications supports Norway Post's tendering practice after several critical articles in Dagens Næringsliv.

Aetat, the Norwegian public employment service, chooses ErgoEphorma and Norway Post's eInvoicing system to process its more than 60 000 invoices a year.

Norway Post introduces **«Active alert»** for businesses, thereby reducing parcel returns.

Norway Post tests a system for **electronic voting** in three municipalities during the local election. In Bykle municipality almost 50 per cent of the voters voted electronically.

Low local election turnout was explained by the lack of advance voting opportunities at the post offices.

OCTOBER

Norway Post adopts a **new terminal structure** which is intended to result in fewer and larger sorting terminals by 2006.

Norway Post **announces postage increase** for letters from 1 January 2004 after three years of unchanged letter postage.

Norway Post **increases the opening hours** for Post in Shops and post offices by 23 000 hours a week.

Norway Post **launches 25 new Post in Shops** in 2003, the total number now being 1175 such units.

Norway Post decides to **increase newspaper postage rates** by an average of 17 per cent from the new year after unsuccessful negotiations with the newspaper publishers.

Norway Post's letter terminal in Oslo is subject to an **armed robbery,** nobody is seriously hurt.

Norway Post signs a cooperation agreement whereby 13 companies will work together on a social infrastructure for **electronic signatures.**

Quality figures for northern Norway and Finnmark show an A-priority quality below the national average.

Norway Post and Telenor merge their operational HSE departments, establishing HMS Norge AS.

NOVEMBER

The Office of the Auditor General claims that in some cases when contracts have been awarded ErgoGroup, Norway Post has not observed public procurement regulations.

Aftenposten, Orkla Media and A-pressen establishes «Mediapost». The new company will compete with Norway Post for distribution of newspapers, magazines and books.

The annual employee survey shows that job satisfaction among Norway Post employees is even higher this year than in the preceding year.

Over 8 500 Norway Post mail distributors and couriers get **new uniforms.**

Local **election is carried out electronically** at Longyearbyen, Svalbard based on a solution supplied by ErgoEphorma.

DECEMBER

Post in Shop no 1175 is opened at Kiwi Ikenberget, Alversund outside of Bergen.

For the first time Norway Post **opens post offices on Sundays** in the hectic weeks before Christmas.

Norway Post sells ErgoBluegarden AS to the Swedish investment company Ratos for MNOK 355.

90 000 CPR cards are sent during the Christmas season.

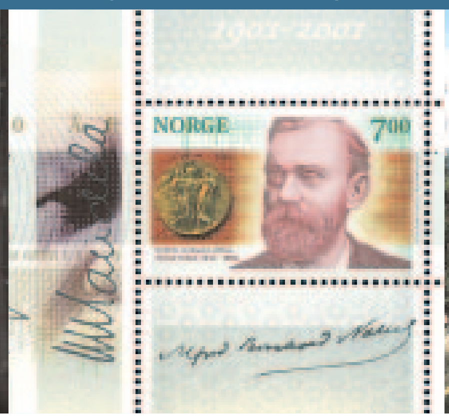
Norway Post delays postage increase for letters between 100 and 350 grams after objections from the Norwegian Post and Telecommunications Authority.

The Civil Aviation Authority delays the introduction of new safety regulations requiring full screening of all air mail.

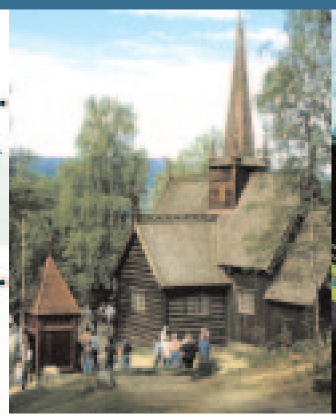
In 2003 the number of customer visits to post offices is record-high, while **queues are significantly reduced.**

» JANUARY » FEBRUARY » MARCH » APRIL » MAY » JUNE » JULY » AUGUST » SEPTEMBER » OCTOBER » NOVEMBER » DECEMBER

Oppdal is the first municipality to introduce Norway Post's Smartcard, which is intended to simplify life in the bureaucracy.



The stamp issued to commemorate the hundred-year anniversary of the Nobel Peace Prize is chosen as the world's most beautiful.

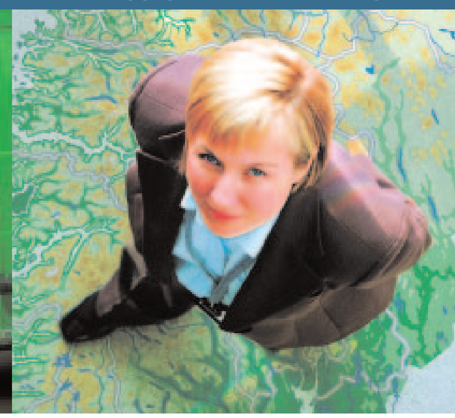


The Postal Museum moves from the capital to idyllic Maihaugen at Lillehammer.

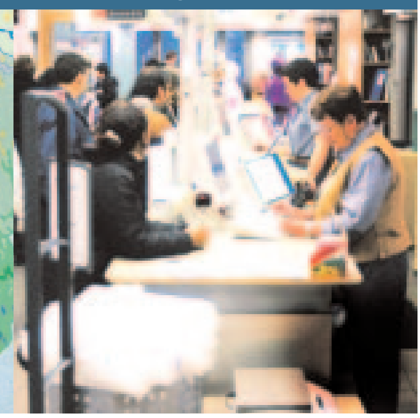
Over 8500 couriers and drivers are given new uniforms, olive and mustard colours being replaced by up-to-date outfits in blue and red.

According to a survey by ACNielsen, shops offering postal services are more profitable than corresponding shops without such services.

215 vehicles in Norway change colours when Scandinavia's largest express company appears under the new name Box Delivery.



The new terminal structure, to be established by 2006, will mean fewer and larger sorting terminals for letters and parcels. The result will be increased profitability and higher quality.



2003 became a year with a record-high number of customer visits to post offices. Another positive feature was the strong reduction in queues during the year.

Production: Corporate Information, Norway Post • Design: Dinamo PR • Photography: Øivind Haug • Printing: Folkestad & Co AS

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