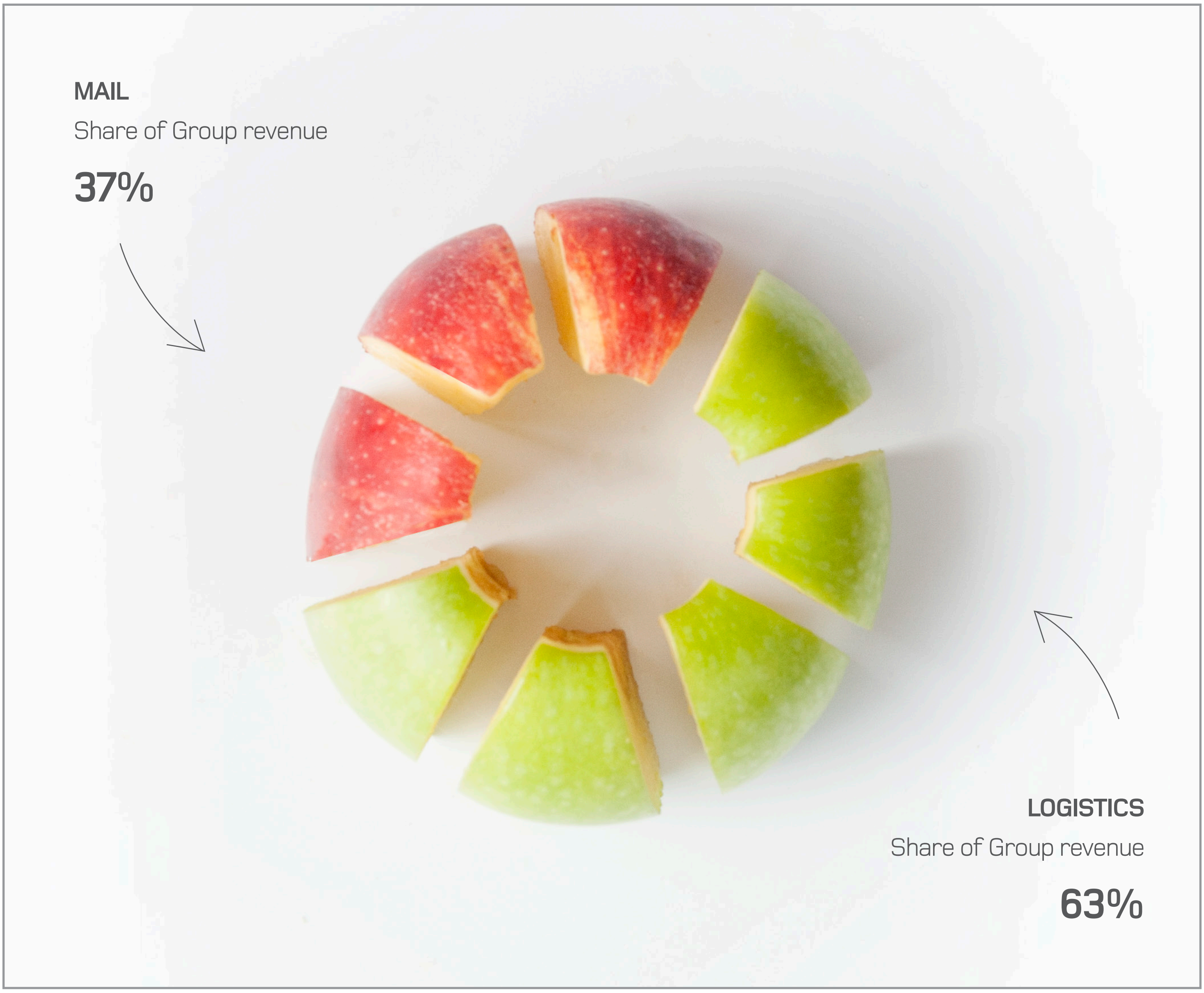
FINANCIAL REPORT 2016



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Financial key figures

Revenue,
MNOK

24 772

Revenue, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
23 940	22 613	22 451	22 981	22 925	23 557	24 404	25 074	**24 772**

Operating profit before non-recurring items, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
275	820	952	1 051	1 116	1 125	933	686	**645**

Operating margin (before non-recurring items), per cent

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
1,1%	3,6%	4,2%	4,6%	4,9%	4,8%	3,8%	2,7%	**2,6%**

Operating profit (EBIT), MNOK

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
-14	296	1 638	956	632	641	844	239	**178**

R Profit before tax, MNOK

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
-139	70	1 499	800	547	619	720	151	**230**

Financial key figures

Return on invested capital

(ROIC), per cent

9,0 %

Return on invested capital (ROIC), per cent

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
4,8%	13,2%	15,9%	18,3%	18,3%	17,5%	13,9%	9,9%	**9,0%**

Return on equity after tax (ROE), per cent

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
-4,0%	0,5%	19,0%	6,8%	7,1%	8,7%	7,3%	-1,0%	**0,7%**

Equity ratio, per cent

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
26,4%	25,8%	34,3%	35,9%	37,5%	38,8%	37,9%	36,8%	**38,6%**

Debt ratio

2008	2009	2010	2011	2012	2013	2014	2015	**2016**
0,8	0,6	0,3	0,2	0,2	0,2	0,2	0,0	**0,1**

Revenue from foreign subsidiaries, MNOK

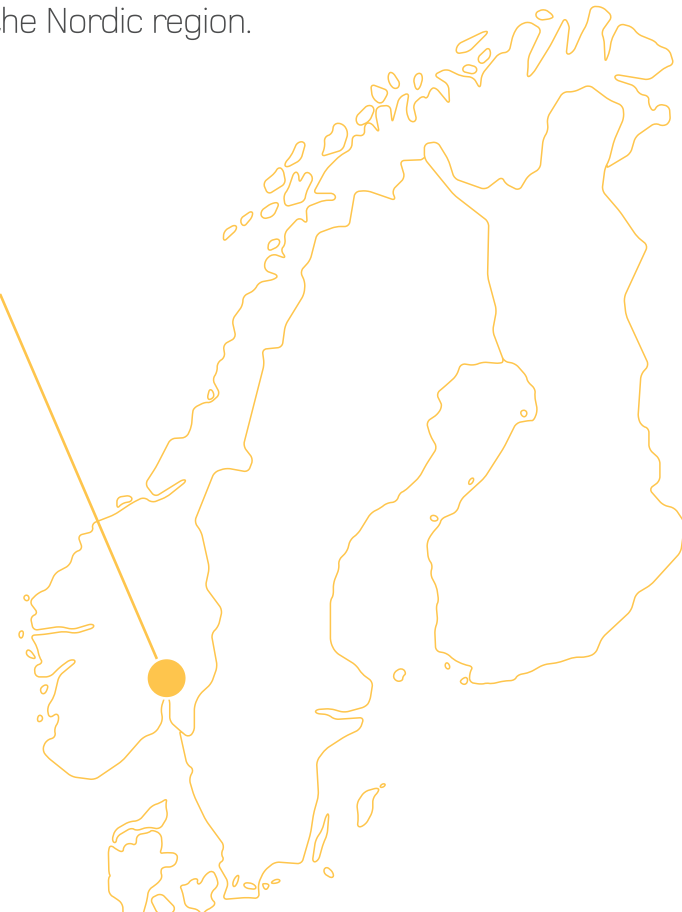
2008	2009	2010	2011	2012	2013	2014	2015	**2016**
6 192	6 066	6 283	6 190	6 911	7 717	8 195	9 623	**9 962**

About Posten and Bring

Posten Norge AS is a Nordic postal and logistics group that develops and delivers integrated solutions in postal services, communications and logistics in the Nordic region.

Posten Norge: Head office in Oslo, Posthuset

Presence: Norway, Sweden, Denmark, Finland, France, Greece, the Netherlands, United Kingdom, Italy, Belgium, China, Germany, Russia, Slovakia, and the United States.



PERMANENT EMPLOYEES IN THE GROUP

16 992

Vision

Posten Norge will be the world's most future-oriented postal and logistics group.

Business concept

Posten Norge develops and delivers integrated postal, communications and logistics solutions, with the Nordic region as its home market.

Future developments

In 2017 Posten Norge and Bring will update the strategy for the Group.
Our goals are to focus the business, orient it towards the customer, and improve profitability.

Our values

Through our values, we reflect a group that can be relied upon in all respects, and one for which we can be proud to work. These values help build our common culture and guide us in all our decisions. Established forms of cooperation between managers, employees, management organs, the owner and the authorities will reflect our values:

- Integrity
- Respect
- Cooperation
- Openness
- Courage

Main goals

Our main goals are based on the requirements and goals that have been set for our operations, and are:

- satisfied customers
- leading market positions
- profitable growth and competitive value growth
- attractive workplaces and a good working environment

Group structure

Posten Norge is organised into four divisions and four corporate staff units. Group management consists of the chief executive officer (CEO) and eight executive vice presidents.

Our brands

posten bring

Posten Norge AS has two brands in the market: Posten for the consumer market and Bring for the business market.

Posten provides mail delivery to private customers throughout Norway, and is responsible for the post office network.

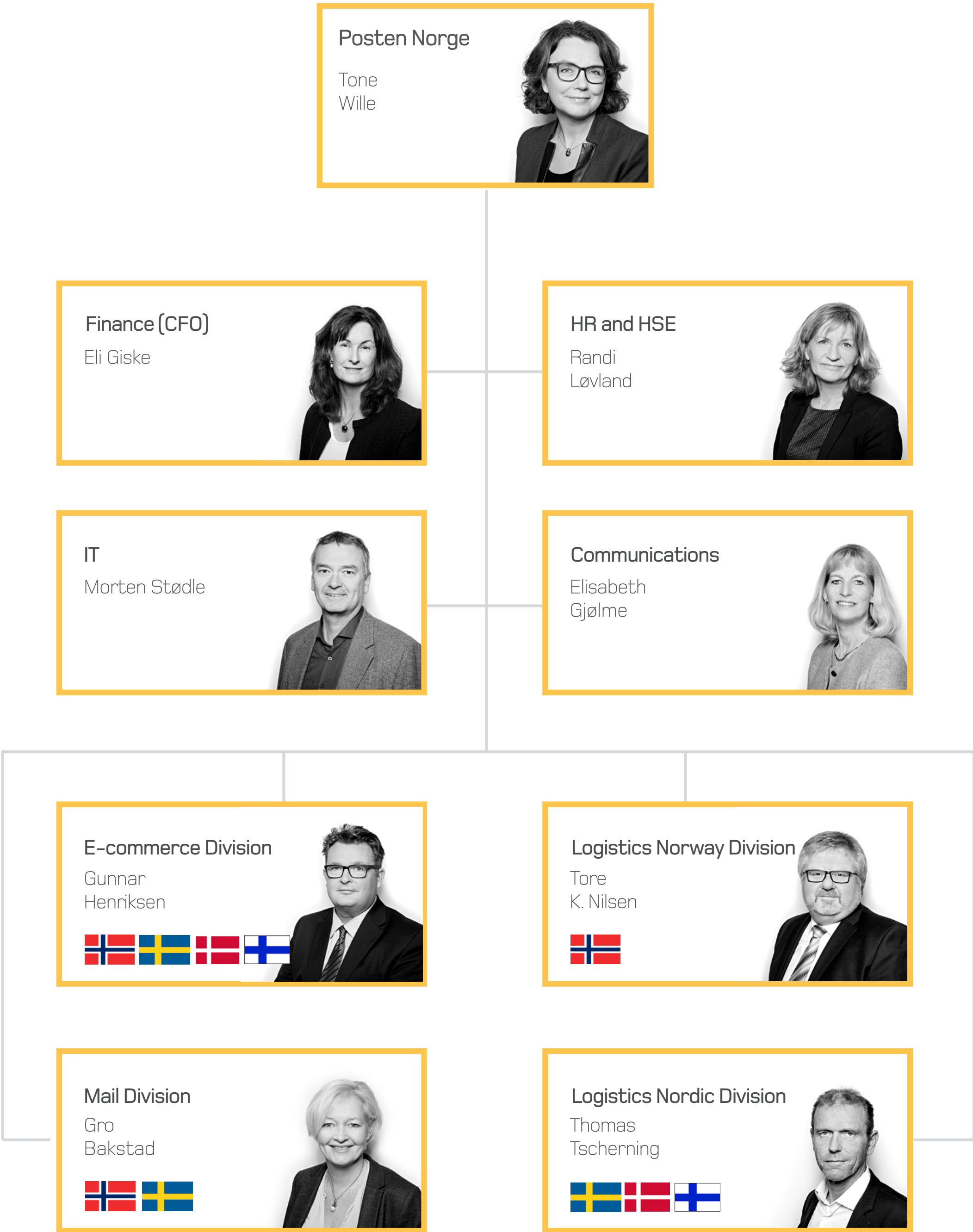
Bring is one of the Nordic region's largest suppliers of postal and logistics services.

Get to know us even better at **postennorge.no**

Group structure

Posten Norge is organised into four divisions and four corporate staff units. Group management consists of the chief executive officer (CEO) and eight executive vice presidents.

Group management deals with matters and decisions relating to the Group's strategy, goals, follow-up of results, major investments, pricing strategies, and important issues relating to public relations, the market and customers, as well as issues of a fundamental and strategic nature. The executive vice presidents head divisions or corporate staff units, and report to the CEO.



Line responsibility

The four divisions are: Mail, Logistics Norway, Logistics Nordic and E-commerce. The divisions are central to the management of the Group and develop and implement business strategies that support the corporate strategy within their business areas. The divisions are responsible for developing and delivering services with the applicable level of service and quality.

Professional responsibility

The Group has established corporate staff units with responsibility for governance, joint functions and professional development within the areas of human resources, communications, finance and information technology. The corporate staffs develop and professionalise the various disciplines in the Group, serve as driving forces, and contribute to implementing business strategies.

The corporate staffs have a special responsibility to facilitate cooperation across the Group and the development of guidelines and best practices. Certain professional functions are centralised at the Group level and provide services to the divisions and business areas.

Two segments

For financial reporting, the Group has chosen to split the business into two segments, Mail and Logistics, in accordance with international financial reporting standards (IFRS) and best practice. The Mail segment consists of the Mail Division, while the Logistics segment consists of two logistics divisions and the E-commerce Division.

The Mail Division is responsible for traditional postal services in Norway (including universal service obligations) and Bring Citymail in Sweden. The division is also responsible for running dialogue services and the digital mail system Digipost. The Mail Division is restructuring and streamlining traditional postal services and developing new physical and digital services and infrastructure.

The Logistics Norway Division develops and delivers the Group's services within the Logistics segment in Norway. The division operates the domestic parcel and freight terminals and transports mail, parcels and freight. The division focuses particularly on realising economies of scale in its network, ensuring effective cooperation with the Mail, Logistics Nordic and E-commerce divisions, and developing integrated solutions to meet customers' needs. From 1 April 2017 the temperature-controlled transport business will be integrated with the logistics network in Norway to strengthen profitability and competitiveness.

The Logistics Nordic Division is responsible for the Group's logistics operations in Sweden, Denmark and Finland. The division focuses on parcels, home delivery, freight and temperature-controlled transport. The E-commerce Division represents an important growth area.

E-commerce Division: The division is tasked with supporting the Group's focus on online shopping and developing special expertise and new customised solutions for customers. The division serves the Group's largest customers in the B2C segment and is also responsible for services and concept development targeted at all e-commerce customers, as well as home delivery. The E-commerce Division has no production itself, but is responsible for ensuring an efficient interface with other divisions that provide services.

Corporate governance

Each year the Board of Posten Norge AS submits a report on Posten Norge AS's compliance with the Norwegian Code of Practice for Corporate Governance (NUES recommendation).

An account of how sections 1-15 of the NUES recommendation have been complied with in Posten Norge is provided below. This includes both details of how the principles have been met, the reason for any non-compliance, if applicable, and how Posten Norge has rectified any non-compliance issues. The statement below complies with the NUES recommendation's structure.

The Norwegian state is the company's sole owner. Consequently, Posten Norge's corporate governance deviates from section 4 of the NUES recommendation on the equal treatment of shareholders and transactions with close associates, section 5 on freely negotiable shares, section 6 on general meetings, section 7 on nomination committees and section 14 on takeovers.

From 1 January 2017, responsibility for managing the state's ownership rests with the Ministry of Trade, Industry and Fisheries.

The Board shall, in accordance with the Norwegian Accounting Act, Section 3-3b also provide information on corporate governance. Section 16 contains a summary of where the information required by section 3-3b of the Accounting Act can be found.

Section 1 Statement of Corporate Governance

The Board considers it important to establish and further develop a high standard for corporate governance, equivalent to Norwegian standards for best practice, including the NUES recommendation (see nues.no).

Posten Norge is a limited liability company wholly-owned by the Norwegian state. The Group's corporate governance is based on and in accordance with Norwegian law and the Norwegian state's ownership policy in force at any given time.

Good corporate governance is a prerequisite for a profitable and vigorous company. The Board of Posten Norge believes there is a clear link between good corporate governance and creating value for the company's owner.

Through its operations, Posten Norge is a prominent social actor and has been given an important social mission with its licence from the Ministry of Transport and Communications – that of ensuring nationwide, high-quality and cost-effective postal services. This social mission also entails a particular responsibility with regard to how this mission is carried out.

The Group's shared core values thus create an important premise for its activities and the work of its board with regard to its employees and its operating environment, such as its customers, suppliers and business partners. The Group's shared values are integrity, respect, cooperation, openness and courage. In addition to this platform of shared values, ethical guidelines and management principles have been established.

Posten Norge considers it important to take responsibility for how its activities impact people, the environment and society. This is achieved by reducing the impact of its activities on the external environment, as well as developing the Group as an attractive workplace with a diverse and inclusive working environment. In the opinion of the Board, fulfilling its social responsibilities contributes to Posten Norge's good reputation and positive value growth for the Group. The Group's attitude towards corporate social responsibility is described in the Board of Directors' report and in the Group's sustainability report, in accordance with section 3-3b of the Norwegian Accounting Act. The documents are available on the Group's website postennorge.no.

Posten Norge's activities are labour-intensive. In total the Group employs around 17 000 full-time equivalents. Health, safety and the environment (HSE) is therefore a high priority within the Group's corporate responsibilities. The Group's ambition is to ensure that nobody is injured or becomes sick as a result of working in or for Posten Norge or Bring. The Group works continuously in a goal-oriented manner with preventative programmes that promote good health to reduce sickness absence, the number of employees who become unfit for work, and to avoid lost-time injuries.

The Group has developed ethical guidelines that are included in the Group's integrity programme. The aim of the integrity programme is to increase awareness and knowledge about how to handle ethical dilemmas. This will help to ensure that the Group is always aware of human rights, anti-corruption, working conditions, HSE, anti-discrimination and environmental conditions. The Group's integrity work is further described in the sustainability report.

Section 2 Operations

Posten Norge's universal service obligation is to ensure the provision of nationwide, high-quality and cost-effective postal services in Norway. This universal service obligation is described in the Postal Act and Posten Norge's licence issued by the Ministry for Transport and Communications. The current licence is valid from 1 January 2016 and until it is succeeded by agreements or decisions concerning the universal service obligations pursuant to section 6 of the Postal Act.

The Group operates postal and logistic operations on a commercial basis, as well as other activities directly related thereto.

All of these conditions are stated in section 3 of Posten Norge's articles of association. The complete articles of association are available on postennorge.no.

As well as meeting its universal service obligations, the Group shall also operate profitably on commercial terms, meet its owner's required rate of return and adapt its activities to the structural changes that take place in the market. This also means that unprofitable services that are part of the universal service obligations are to be financially compensated by the service requester.

Within this framework, Posten Norge has developed over the past decades into an industrial group that operates in the mail and logistics business areas with the Nordic region as its home market. The markets in which the Group operates are characterised by fierce competition and major technological and structural changes. These changes present Posten Norge with significant challenges with regard to adapting to new customer requirements, competitiveness, market position and profitability.

The Board establishes goals and strategies, both on a group-wide level and for each segment, which support the Group's goals related to mail and logistics operations. Goals and strategies are set based on regular assessments and processes that are intended to ensure that the Group has a well-founded and operational strategy at all times.

The following fundamental principles form the basis

for the development of the Group:

- Posten Norge shall develop strong, profitable and sustainable market positions within the areas in which the Group operates.
- Posten Norge shall ensure a satisfactory return on all investments and competitive value growth over time.
- Posten Norge shall perform its social mission in accordance with the adopted licence requirements.
- Posten Norge's business shall be customer-oriented, effectively serve customers' requirements and be available where customers are located.
- Posten Norge shall have a balanced portfolio of activities that strengthens its capacity to serve customers' needs.
- Posten Norge shall be a trusted third party for its customers.
- Posten Norge shall ensure a unified corporate culture based on shared values, which also provide room for diversity.
- Posten Norge shall work to achieve cost advantages through efficiency measures, coordination of value chains, industrialisation, and continuously improving processes, as well as transparent and integrated governance.
- Posten Norge shall be an environmental leader and work actively to reduce the company's impact on the external environment.
- Posten Norge shall develop good, attractive workplaces.

Continuous improvement is an important common denominator in the development of the Group. This entails continuously working on product and services portfolios, structures, processes and systems to increase overall value to customers and reduce the use of resources.

Section 3 Equity and dividends

Equity

The Group's equity as at 31.12.2016 was NOK 5 912 million, which results in a return on equity of 38.6 per cent of the Group's total assets. This level is deemed adequate with regard to the solidity the Group requires to implement its goals and strategies within an acceptable risk profile.

Dividends

Posten Norge's general meeting is not bound by the Board's proposal for the distribution of dividends, cf. section 20-4 (4) of the Limited Liability Companies Act, and the company is thus subject to the Norwegian state's dividend policy in force at any given time. The Norwegian state has a dividend policy whereby 50 per cent of Group profit after tax can be distributed as dividends. However, before the annual dividend is determined, an independent assessment of the Group's equity and liquidity must be carried out to ensure a prudent dividend level based on the risks associated with, and the scope of, the Group's activities.

Section 4 Equal treatment of shareholders and transactions with close associates

Posten Norge has only one share class. All shares are owned by the Norwegian state.

Posten Norge and the state have regular ownership meetings. The articles of association also state that Posten Norge is obliged to present to the owner all matters deemed to be of major social or fundamental significance.

Posten Norge deviates from this section of the NUES recommendation. Due to the state ownership of

Posten Norge, the NUES recommendation on different share classes and share issues is not deemed to be relevant for Posten Norge.

Information regarding transactions with close associates is provided in the annual report; see note 24.

Section 5 Freely negotiable shares

All shares are owned by the Norwegian state. In accordance with section 3 of its articles of association, Posten Norge must operate as a limited liability company wholly-owned by the Norwegian state.

Posten Norge deviates from this section of the NUES recommendation. Due to state ownership, this section in the NUES recommendation is not deemed to be relevant for Posten Norge.

Section 6 General meeting

The Norwegian state, represented by the Minister of Trade and Industry, serves as the company's general meeting.

In accordance with the company's articles of association, the Annual General Meeting is to be held by the end of June each year.

Posten Norge deviates from this section of the NUES recommendation because section 20-5 (1) of the Limited Liability Companies Act states that the Ministry of Trade, Industry and Fisheries is responsible for issuing notification of both annual and extraordinary general meetings and for deciding the method of notification.

The Board, CEO, company auditor and the Office of the Auditor General are invited to the general meeting. The minutes from the Annual General Meeting are available from the company`s website.

Section 7 Nomination committee

The Norwegian state is the sole shareholder, and the company therefore has no nomination committee. The Board is appointed by the general meeting in accordance with section 20-4 (1) of the Limited Liability Companies Act. Posten Norge deviates from this section of the NUES recommendation.

Four members of the Board are chosen by and from the Group's employees in Norway. A group-wide process exists for the election of employee representatives to the Board of Posten Norge. This means that all employees in the Norwegian part of the Group can be elected and have voting rights.

Section 8 Corporate assembly and board of directors – composition and independence

Corporate assembly

Posten Norge is subject to the main rule of the Limited Liability Companies Act that a corporate assembly must be appointed if a company has more than 200 employees. However, in accordance with section 6-35 of the Limited Liability Companies Act, an agreement has been entered into between the employees and the company that there is to be no corporate assembly in Posten Norge. The same agreement gives the right to expand employee representation on the Board from three to four representatives.

Board composition

In accordance with the articles of association, the Board shall consist of seven to ten members. Up to six of these are appointed by the general meeting. As the sole shareholder, the Norwegian state designates and selects all the shareholder-appointed board members. There are currently six shareholder-appointed board members. There are no deputies for the shareholder's representatives on the Board.

By virtue of the agreement, the employees have the right to elect up to four members to the Board.

Board members are elected for terms of two years at a time. Continuity in the management of the company is ensured by only half of board members standing for election simultaneously.

The board members' backgrounds are described in the annual report and on the Group's website.

In 2016 the Board consisted of five men and five women. One employee representative board member was replaced in 2016. Both genders were represented by 50 per cent in both the shareholder-appointed and employee-elected groups of board members throughout the year.

Board's independence

The Board continually assesses the independence of its members. All the shareholder-appointed representatives as at 31 December 2016 were deemed to be independent board members, since they were not considered to have commercial, family or other relationships that could be deemed to affect their evaluations or decisions as board members of Posten Norge.

Section 9 The work of the Board of Directors

The Board's duties

The Board is responsible for the overall management of the Posten Group and supervises the Group's activities in general.

This overall responsibility is described in detail in the adopted instructions for the Board and in the Board's plan for its own work. Both these documents are revised on an annual basis.

The guidelines for the CEO's work form part of the instructions to the Board.

Together these documents clarify the tasks and responsibilities of the Board and the CEO, including which matters shall, can and should be handled by the Board. This also includes the limits of the CEO's authority. Matters that regularly appear on the agenda of board meetings are the preparation and implementation of the Group's strategies, the processing and approval of quarterly and annual reports, monthly performance reports, HSE issues, investments and related follow-up work, evaluation of the Group's risks and internal control as well as HR and organisational issues.

The Board's responsibility for reviewing and reporting risk management and internal control is described in more detail under section 10.

The Board's work and its meetings are led by the Board Chair and based on presentations by the CEO. The company expects these presentations to provide a good and satisfactory basis for considering matters. The Board has appointed a Vice Chair who functions as chair if the Board Chair cannot or ought not lead the work of the Board in specific matters.

The Board held eleven board meetings in 2016, of which five were extraordinary board meetings.

The Board conducts an annual evaluation of its work and its expertise. The Board is also evaluated by the company's owner.

The Board's audit committee

The Board has established an audit committee consisting of two board members. The audit committee meets at least five times per year. The audit committee shall prepare matters for consideration by the Board and support the Board in carrying out its responsibility for financial reporting, risk management, internal control and external auditing. The committee's main duties are to prepare the Board's follow-up work on reporting processes for the financial accounts (including ongoing contact with the company's external auditor regarding the audit of the annual financial statements), to supervise the systems for internal control and risk management and to supervise the work and independence of the external auditor.

The audit committee met six times in 2016.

The external auditor is present for all relevant points on the agenda in meetings of the audit committee.

Board's remuneration committee

A remuneration committee has been established which consists of three board members and is led by the Board Chair. The remuneration committee holds regular meetings throughout the year. The committee prepares and recommends proposals to the Board related to remuneration of the CEO. The committee otherwise contributes to the thorough and independent handling of remuneration issues for executive management.

The audit committee met five times in 2016.

Section 10 Risk management and internal control

The Board emphasises the importance of a good and efficient control environment in addition to good control processes. The Board takes an active role in the work on risk management and internal control in the Group. This work is rooted in the company's articles of association, the board instructions and other internal governing documents, as well as through general laws and clear recommendations based on best practice.

The Group's governing documentation establishes how the management and control of the Group shall be carried out. The documents set out group-wide requirements with regard to conduct in important areas and processes, including how the Group shall ensure ethical behaviour and fulfilment of corporate social responsibility.

Risk management and internal control depend on people. Managers on all levels are responsible for ensuring that risk management and good internal control systems are established within their own area, that these have the necessary effect, and that they are put into operation in an expedient manner. The Board ensures that risk management and internal controls are integrated into the core and support processes of the Group, and follows this up regularly.

An overall assessment of the Group's risk is conducted each year. This risk analysis is based on the Group' strategy, business plans and goals. The process is based on COSO's framework for risk management. The aim is to evaluate risks affecting strategy, finance, operations and reputation. The results of this process are consolidated to form an assessment of the main risks to which the Group is exposed. The Group also makes an annual assessment of risk appetite and risk capacity, which is described in the Group's risk analysis. Risk is managed in the Group partly through the operational management, partly through preventive measures from central control functions, and partly through independent, external supervision. The annual risk assessment is followed up with measures to reduce the probability of and consequences from the individual risk factors and avoid events that can adversely affect the Group's operations and reputation.

The Group also has a process for internal control that was established to help ensure that there is adequate and effective internal control for specified risk areas. Annual internal control reviews are conducted of priority areas. The reviews result in proposals concerning specific measures aimed at improving internal control. The implementation of proposed measures is the responsibility of line management.

Posten Norge's consolidated financial statements are presented in accordance with the applicable IFRS regulations. The Group's financial reporting process for the financial accounts is described in the Group's governing documentation, which includes procedures and rules for monthly, quarterly and annual reporting. The Group's accounting principles are described in more detail in the Group's accounting manual. The reporting and consolidation of financial accounting information is carried out in a common reporting system. The Group utilises a common group account plan and the group accounting department uses both built- in system controls and manual controls to ensure complete and consistent accounting information. The consolidation of accounting information takes place at multiple levels within the Group. Subsidiaries are responsible for their group/company accounts being reported in accordance with the Group's principles and routines.

The Group has established an advisory investment committee which handles all matters entailing investments and sales, in accordance with specified authorisation limits.

A common ethical standard applies to all of the Group's employees. This is continually promoted. This standard is a part of the Group's integrity programme which shall help to ensure a high ethical standard when dealing with anti-corruption efforts, competitive practices, social dumping and the handling of information. Group suppliers and partners must sign the group's Ethical standard for suppliers upon signing any contract, and thus commit themselves to comply with the same ethical standards. In addition to this, suppliers are specifically assessed for risk and controls and audits are conducted.

Openness is one of the Group's core values and a significant element in the company's general risk management and internal control. Openness is especially important for the prevention and rectification of non-compliance. All employees and business partners are therefore encouraged to report any questionable and/or illegal matters as soon as possible. This is a part of the individual's responsibility.

A reporting channel for misconduct (whistleblowing) has been established to ensure safe receipt and follow-up of reports. The reporting channel shall ensure that the reports are not met with negative reactions or sanctions. The Board's audit committee reviews the report from the Group's reporting channel every six months.

Section 11 Remuneration of the Board of Directors

The board members' fees are set at the general meeting each year. Remuneration is not dependent on profits or losses and none of the shareholder-appointed board members have a pension scheme or severance pay agreement with the company. Details of the remuneration for the board members in 2016 are presented in note 2 in the annual financial statements.

Section 12 Remuneration of the executive management

The Board has prepared a statement concerning the determination of salaries and other benefits for the CEO and other members of executive management. This statement is prepared in accordance with section 8 of the articles of association and builds upon the principles in the Government's guidelines for state ownership on this subject. The declaration has two main parts. Part one concerns the management remuneration policy that has been followed in the preceding fiscal year, while part two contains guidelines for determining management salaries for the coming fiscal year.

The statement shall be presented to the Annual General Meeting.

The Board considers incentive systems to be an important tool for focusing management on increasing value creation in the company in line with the owner's interests. It is against this background that a bonus scheme was established for executive management in the Group. Payment under these schemes will be covered by the company's business.

Information about total remuneration and the Board's statement concerning the determination of salaries and other benefits for executive management are included in note 2 of the annual financial statements.

Section 13 Information and communication

The Group follows an open and proactive communications strategy to support the Group's business strategies, goals and values. Good communication shall contribute to a good reputation, strong brands, satisfied customers and proud employees. Guidelines for a code of conduct have been established to ensure that Posten Norge acts professionally and uniformly in its communications.

Financial information is reported quarterly at stipulated times as set out on the company's website in accordance with Oslo Børs' information requirements.

These reports are made available on postennorge.no in both Norwegian and English.

The Board also emphasises the importance of good communication with the company's owner outside the general meeting. Please see section 4 for a more detailed description of this communication.

Section 14 Takeovers

Posten Norge deviates from this section of the NUES recommendation. Posten Norge's articles of association state that the company shall operate as a limited liability company wholly-owned by the Norwegian state, and the Board therefore deems this section of the NUES recommendation not to be relevant for Posten Norge.

Section 15 Auditor

Posten Norge has an independent external auditor selected by the general meeting on the recommendation of the Board.

The auditor takes part in board meetings that discuss the annual financial statements in order to improve the Board's basis for making decisions. In the same or a separate meeting the auditor presents the audit and gives its view on the Group's accounting principles, risk areas, internal control procedures and the

Group's bookkeeping. The conclusions are presented in an annual, numbered letter to the Board.

The Group's policy allows the auditor to be used for other audit-related tasks in addition to the statutory audit. The Board informs the general meeting of the remuneration to the auditor.

Section 16 Requirements pursuant to section 3-3b of the Norwegian Accounting Act

The Board shall, in accordance with the Norwegian Accounting Act, section 3-3b provide information on corporate governance. Below is an overview of where this information is described above in this report.

1. "details of the recommendations and rules on corporate governance which cover the enterprise or which the enterprise otherwise decides to follow": See the report's section 1 Implementation and reporting on corporate governance.

2. "information about where the recommendations and rules mentioned in no. 1 are publicly available": See the report's section 1 Implementation and reporting on corporate governance.

3. "reasons for any non-compliance with the recommendations and rules mentioned in no. 1":
   There are five instances of non-compliance described in detail in section 4 Equal treatment of shareholders and transactions with close associates, section 5 Freely negotiable shares, section 6 General meetings, section 7 Nomination committee, and section 14 Takeovers.

4. "a description of the main elements in the company's – and in the Group's if consolidated accounts are also prepared – systems for internal control and risk management related to the accounts reporting process":
   See the report's section 10 Risk management and internal control.

5. "provisions of the articles of association which fully or partly expand or exclude provisions of chapter 5 of the Public Limited Companies Act":
   See the report's section 6 General meeting.

6. "the composition of the board of directors, corporate assembly, committee of shareholders' representatives and control committee; if applicable any working committee for these bodies, as well as a description of the main elements in the applicable instructions and guidelines for the bodies' and, if applicable, the committees' work":

See the report's section 8 Corporate assembly and board of directors, composition and independence, and section 9 The work of the board of directors.

7. "provisions of the articles of association which regulate the appointment and replacement of board members":
   See the report's section 8 Corporate assembly and board of directors, composition and independence

8. "provisions of the articles of association and powers of attorney which give the Board the power to decide that the company shall buy back or issue shares or equity certificates":
   Posten Norge does not have articles of association or powers of attorney which give the Board the power to decide that the company shall buy back or issue shares or equity certificates. See the report's section 3 Equity and dividends and section 4 Equal treatment of shareholders and transactions with close associates.

Key Events

Posten Norge and Bring were official suppliers of postal and logistics services to the Youth Olympic Games in Lillehammer.

First quarter

- Statoil renews its agreement with Bring for transport and shipping services throughout Norway and internationally.
- In Sweden Bring Citymail enters into partnership with NTM Distribution to distribute mail and parcels together with morning newspapers.
- Posten Norge and Bring strengthen their Nordic and international offering of distribution and delivery of parcels under agreements with DHL and Posti.
- Posten Norge signs new agreements for 845 in-store post offices. Most of them continue to operate in the same locations, but some are taken over by new management.
- Posten Norge is the first postal company in the world to adopt RFID technology for tracking parcels that are sent together with regular letter mail. Online shoppers can now track their goods from the point of purchase until they arrive in the mailbox.
- Posten Norge and Bring are official suppliers of postal and logistics services to the Youth Olympic Games in Lillehammer.
- Posten Norge reduces mail deliveries to five days a week. The final date for Saturday deliveries is 27 February.
- A mail plane from West Atlantic, which operates the plane for Posten Norge, crashes on its way from Oslo to Tromsø. Two pilots die.

Posten Norge ranks 4th in the RepTrak reputation survey; a marked improvement on the previous year when it was ranked 20th.

Second quarter

- Elkjøp chooses Bring as its Nordic supplier of postal and logistics services.
- Posten Norge climbs 52 places on the Norwegian Customer Satisfaction Barometer, from 113th in 2015 to 61st in 2016.
- Bring Dialog and Netlife Research merge, with Posten Norge as majority owner.
- Posten Norge buys Espeland Transport in Alvdal. This complements the logistics operation and strengthens Bring's position in Hedmark.
- Posten Norge ranks 4th in the RepTrak reputation survey; a marked improvement on the previous year when it was ranked 20th. Posten Norge shows the best improvement of all the enterprises covered in this year's survey.
- The Government presents the white paper dealing with changes in the postal sector, and is ready to consider merging priority mail and non-priority mail into one class of mail with a two-day delivery time.
- Posten Norge is opening a new terminal in Mo i Rana to gather mail and parcel operations together.

Building work begins on Posten Norge and Bring's logistics centre in Sandnes. From the left: Martin Mæland (foreman in Risa), Arne Skrettingland (site manager in Risa), Siri Tansø (district manager in Posten Norge) and Jan Magne Fotland (construction manager in Prosjektil).

Third quarter

- Both Posten Norge and Bring rank among the top 15 in the Ipsos reputation survey. Posten ranks 14th (out of 100), climbing up eight places from 22nd last year. Bring, which is included in the survey for the first time, ranks 13th.
- Posten Norge wins two gold prizes in the Farmand Awards in the categories for Unlisted Companies and Best Web Publishing. This makes Posten Norge the company to have won the most awards in the history of the Farmand Awards.
- Building work begins on Posten Norge's new logistics centre in Sandnes.
- Posten Norge buys a plot of land in Kokstad in Bergen, where it plans to build a postal and logistics centre, the biggest of its kind in the region.
- Parts of the operations in Bring Freight Forwarding (formerly Bring Cargo Inrikes) in Sweden are discontinued.

Dag Mejdell resigns in October, after almost 11 years as CEO of Posten Norge.

Fourth quarter

- Black Friday results in a record number of parcels for Posten Norge and Bring. More than 100 additional staff are called in to work at the terminals in Norway. Three times as many trucks as normal arrive at Posten Norge's freight terminal in Oslo, and over 200 000 parcels are processed in the space of 24 hours.
- Never before have Norwegians sent so many Christmas parcels. Posten Norge and Bring distribute 3.7 million parcels in December.
- The number of Digipost users reaches 1.34 million in 2016. Most Norwegians choose Posten Norge's solution when they register for a secure digital mailbox.
- Posten Norge fails to win the competition for Saturday newspaper delivery in remote areas and discontinues Saturday newspaper deliveries from November.
- Posten Norge and Bring employees enjoy working in the company and are proud of their workplace. 93 per cent of the Group's employees complete the employee satisfaction survey. The level of overall satisfaction has risen steadily over many years, and rises again by one point from 80 in 2015 to 81 in 2016.
- The Storting (Norwegian parliament) considers the white paper on "the postal sector".
- Responsibility for Posten Norge will be transferred to the Ministry of Trade, Industry and Fisheries from 2017. The Ministry of Transport and Communications will continue to manage regulatory issues.
- Posten Norge is proud sponsor of the Norwegian women's handball team, winners of the 2016 European Women's Handball Championship.
- Bring buys 250 trucks, which will take to the roads in the course of 2017. The trucks are installed with Euro 6 engines.
- Bring orders the Nordic region's first large electric commercial vans, which will provide emission-free transportation of goods to businesses located in Oslo city centre.
- Dag Mejdell resigns after almost 11 years as CEO of Posten Norge.
- Tone Wille is appointed as the new CEO. She has worked in Posten Norge for 10 years, for the past five as executive vice president/CFO for accounting, finance, strategy and IT.
- Eli Giske is appointed CFO of Posten Norge.

A simpler life

Posten Norge has always been relevant and reliable, so the Group needs to change.

The year Tone Wille took over as CEO will be remembered as the year when mail volumes began to decline dramatically. Digitalisation of society is the well-known reason why people are choosing to communicate by methods other than letter mail. Estimates show that a further 95 per cent of the current mail volume can be digitalised. There is little the CEO of Posten Norge can do about that other than prepare the Group for a new era.

"We have unique presence, experience and expertise. Posten Norge has been important for communication and trade between people for 370 years. We bring these strengths with us to meet whatever awaits us in the new, digital age," says Tone Wille.

"

No one likes to make mistakes, but we must be prepared to take more risks

And that is quite a lot, according to the relatively newly appointed CEO. The first few months in her new job have largely been spent forming a new strategy for the Group. As part of that process, the CEO is looking at what Posten Norge is doing today, what it should do in the future, and what can be left to others who might do it better. The plans are not yet ready, but Wille leaves no doubt that changes are in the air.

And those changes will focus sharply on customers. She hints at a simpler organisation that can more easily try out new offerings and adapt faster to a continuously changing market. This entails more pilot versions of services and greater tolerance for trial and error.

"No one likes to make mistakes, but we must be prepared to take more risks. We must create flexible and time-saving solutions for recipients, and find out whether or not they are willing to pay for those solutions. We must continue to be relevant," says Wille.

She wants more services to be developed that meet people's needs. What she is looking for is not simply a single brilliant idea, but rather an entire shift of focus towards the recipient perspective. Her view reflects an acknowledgement that so far the Group has been more concerned with the sender than with the recipient.

"There's a time for everything. Focusing on those who pay for the services has been the right thing to do, and we will continue to look after senders. But at the same time we see that consumer preferences and recipient control are becoming increasingly important. We must understand the wants and needs of recipients, and how to make life easier for them," she emphasises.

Right from day one, Wille has made it clear that digitalisation will be even more important for Posten Norge moving forward. Like leaders of most small and medium-sized companies, she is concerned with digital transformation. Posten Norge must keep pace with this trend and take advantage of new technology.

In her first interviews as CEO, she described digitalisation as both a threat and an opportunity for Posten Norge. She now sees many opportunities. She has personally found talking to the robot Siri very useful in her working day. She only has to say "Hello Siri!" and the female voice on her iPhone is at her service. Wille envisions that Posten Norge may also benefit from similar technology in the future.

Posten Norge already has good digital solutions such as tracking services and digital route books. The latter of these is a tool for mail carriers that replaces paper-based route books with an iPhone installed with a specially developed app on which all information is continuously updated. Another new app recently developed means that delivery staff no longer need to use PDAs when delivering parcels. Wille wants the organisation to develop even more solutions.

"

We must understand the needs and wants of recipients, and how to make life easier for them.

"We have a lot of great ideas, but we must improve our digital execution. We need to become more effective at creating new services which our customers find useful," she says.

The Group also wants to engage in productive dialogue with relevant authorities about what future postal services should look like and how they will be financed. Posten Norge acquired a new owner at the turn of the year: the Ministry of Trade, Industry and Fisheries. The Ministry of Transport and Communications will continue to act as the regulatory authority.

The change entails no major changes for the Group. Wille met the Minister of Trade, Industry and Fisheries, the new owner, and discussed issues including future challenges and opportunities. The trend in mail volumes will not reverse, and estimates show that in 2019 every household in Norway will receive an average of three letters weekly.

"My impression is that knowledge about the dramatic changes in mail operations is not that widespread, but they form an important backdrop for defining what a universal service obligation should look like in the future. Market dynamics change fast, while political processes take time. We can't wait six years to make critical decisions, as in the past. We want to be an important and relevant business for a hundred years to come," says the CEO.

This requires continuous restructuring, and flexibility on the part of Posten Norge to adapt. The strategy that is currently being laid out will not be carved in stone; it will be adapted to the market. If the market changes, the strategy will too. Everything is founded on experience, expertise and trust as well as on modern terminals and a distribution network with the best coverage in Norway.

Most important of all is our dedicated and engaged employees. The Group has a low rate of sickness absence and proud employees who are used to changes. In future, changes will occur more frequently than ever before. Although the CEO is concerned with implementing changes in an appropriate way, she points out that there will be less time to execute them than in the past. And that the Group may face some surprises, no matter how well it prepares.

"When I took over as CEO, I already had long experience of the Group and of working life. I talked to many people who offered me words of caution and advice before I began. All the same, it was quite a transition, but I've always enjoyed challenges. You almost have to if you want to work in Posten Norge in the coming years," says Tone Wille.

"

We can't wait six years to make critical decisions, as in the past.

Directors' report 2016

In 2016 the Norwegian postal market was liberalised. Posten Norge achieved a relatively positive result, despite the impact on the logistics market from the continued decline in mail volumes, weak economic growth and reduced activity in the oil sector.

Posten Norge's revenue in 2016 amounted to NOK 24 772 million, which is NOK 302 million lower than the previous year. Profit before tax was NOK 230 million in 2016, representing an improvement of NOK 79 million on the previous year.

Operating profit was NOK 178 million, which is NOK 61 million lower than the previous year. Adjusted profit* amounted to NOK 645 million, representing a decrease of NOK 41 million on the previous year.

*(EBITE: operating profit adjusted for other income and expenses, income from associated companies and impairment)

Digitalisation in society is accelerating the decline in physical mail volumes. Weak economic growth, declining activity in the oil sector and strong price competition are challenging profitability in parts of the logistics operation. In Sweden, the domestic freight operation contributed negatively while the parcels operation contributed positively to the profit in 2016. E-commerce volumes showed solid growth of 15 per cent on the previous year. Online shopping from abroad showed the biggest increase.

Declining revenue in the logistics operation and an extensive need for restructuring in the mail operation place considerable pressure on Group profitability moving forward. The Board wants work to continue on restructuring and constant market adaptation in order to boost profitability.

The Group has begun work on formulating a strategy by, among other things, reviewing the Group's portfolio to focus the business, orient it towards the customer, and improve profitability. The logistics segment holds high potential in the e-commerce area, which is driving growth in parcels, freight and home deliveries.

In the Mail segment, addressed mail volumes have fallen by 54 per cent since 2000 and are expected to fall even faster in coming years. Posten Norge has adopted a proactive approach to this trend. Major restructuring and efficiency measures have been implemented, but scope for further adaptations is highly limited without making changes to the service offering. Going forward, Posten Norge will need greater flexibility to adapt its offering to meet current demand. At the same time, the Norwegian state must compensate for additional costs incurred for providing universal service obligations.

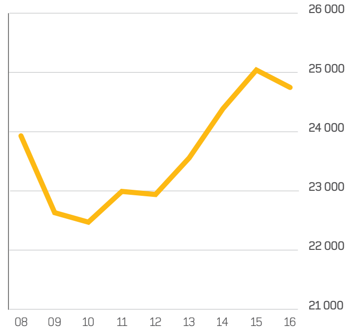
Delivery quality was high in 2016, and customer satisfaction levels improved. Efforts in the area of health, safety and working environment continued, and contributed to healthy, more satisfied employees. The Group's reputation was enhanced, and the focus on social responsibility supported sustainable development.

New regulatory framework

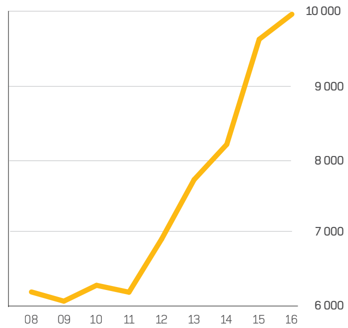
In 2016 the Storting (Norwegian parliament) considered the white paper dealing with the changes in the postal sector. The Storting is ready to consider a transition to one class of mail.

Management of the state's ownership in Posten Norge AS was transferred from the Ministry of Transport and Communications to the Ministry of Trade, Industry and Fisheries with effect from 1 January 2017. As the sectoral authority, the Ministry of Transport and Communications will continue to have a close relationship with Posten Norge through its management of postal legislation and public procurement of universal service obligations which are not commercially profitable.

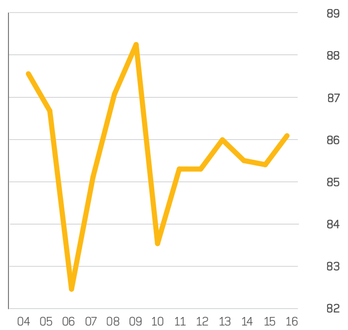
REVENUE
MNOK
24 772



Revenue
outside Norway
MNOK
9 962



DELIVERY QUALITY
PRIORITY MAIL
per cent
86.1%



Achievement of the profitability targets set by the owner assumes the state's willingness to pay for commercially unprofitable universal service obligations.

MARKET TRENDS

Posten Norge's business consists of two segments: Mail and Logistics.

Of the Group's total operating revenue in 2016 of NOK 24 777 million, operations outside Norway accounted for NOK 9 962 million, which is NOK 339 million (3.5 per cent) higher than the previous year. Revenue outside Norway accounted for 40 per cent of total Group revenue, compared with 38 per cent in 2015.

Logistics is the largest segment

Logistics is the Group's largest segment, and accounted for 63 per cent of revenue in 2016 with revenue of NOK 16 525 million, which is NOK 252 million lower than the previous year.

Growth challenges are related to the weak economic trend in Norway, challenges in the oil sector, a negative volume trend for temperature-controlled transport in Norway, and weak growth for parcels in the domestic market. The parcels operation in Sweden showed increases in revenue and volume, while revenue for discontinued operations outside Norway decreased. Growth in private online shopping continued in 2016 and contributed to 15 per cent growth in the Group's total e-commerce volumes.

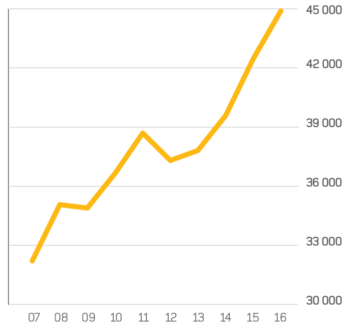
The company Espeland Transport AS was acquired to strengthen the freight offering in inland Norway.

Decline in mail volumes

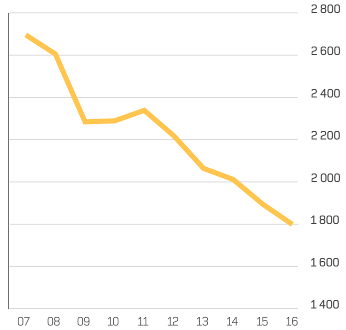
Revenue for the Mail segment in 2016 was NOK 9 839 million, which is NOK 230 million lower than the previous year. The Mail segment accounted for 37 per cent of Group revenue.

Digitalisation is leading to a sharp and accelerating decline in addressed mail volumes. In 2016 they fell by 10.9 per cent in Norway. The removal of Posten Norge's formerly exclusive right had no significant impact on the decline in volume. This trend is driven by digitalisation among our customers, and the largest decline occurred in the banking, insurance and public sectors. The volume of unaddressed deliveries showed a marginal decrease in 2016. In Sweden, Bring Citymail showed volume growth of 15.4 per cent in 2016.

PARCEL VOLUME
millions
44 967



MAIL VOLUME
millions
1 808



More Digipost users

Digipost, Posten Norge's secure digital mailbox, showed a strong growth in 2016. The number of registered users increased to 1.34 million at year end from 0.6 million in the previous year. Simultaneously, 4 900 private enterprises and 300 public enterprises signed agreements to send digital mail. Around 10 million digital letters were sent in 2016. The solution was further developed with a secure digital signature feature and an invoicing system.

Strong networks

Posten Norge plays a prominent role in Norwegian society, and fulfils an important social responsibility through a nationwide, high-quality distribution network. The licence requirement for the overnight delivery of priority mail is 85 per cent per quarter. In 2016, 86.1 per cent of priority mail was delivered overnight. The other licence requirements for delivery quality were also met by good margins.

Posten Norge discontinued mail distribution on Saturdays from March 2016. The Ministry of Transport and Communications repealed Posten Norge's temporary delivery obligation to distribute newspapers on Saturdays from 1 November 2016.

Posten Norge has the distribution network with the best coverage in Norway which at year end comprised around 3 000 delivery outlets, including 1 318 in-store post offices, 33 regular post offices, 23 business centres and around 1 500 rural postal routes. In 2017 a further three regular post offices will be transformed into in-store post offices.

New agreements for in-store post offices were signed for 845 shops in 2016, a small number of which entailed relocating to new premises.

To strengthen the offering to online shoppers, Posten Norge adopted RFID technology for tracking small parcels sent in the mail network. This service allows online shoppers to track their goods all the way to their mailbox.

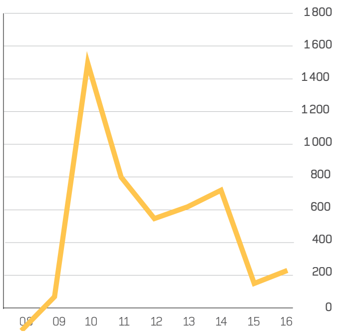
High levels of customer trust and satisfaction

Posten Norge enjoys a high level of trust in Norwegian society. Its good reputation was further enhanced in 2016. In RepTrak's reputation survey Posten Norge ranked 4th and showed the best improvement of all the enterprises covered in the survey. According to Ipsos, the Norwegian population has an increasingly positive perception of the Posten and Bring brands. Bring ranked 13th and Posten Norge 14th of approximately 100 of the largest enterprises surveyed in 2016.

PROFIT (LOSS) BEFORE TAX

MNOK

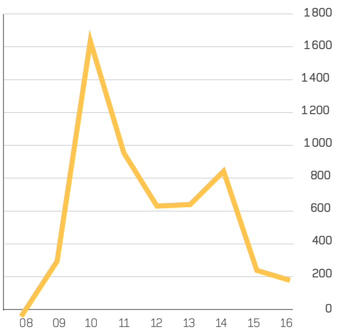
230



OPERATING PROFIT (LOSS) (EBIT)

MNOK

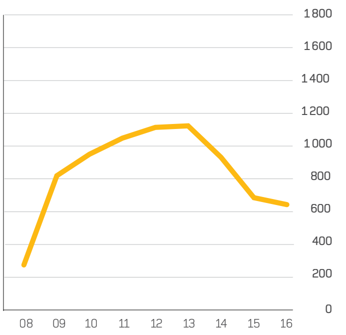
178



OPERATING PROFIT before non-recurring items

MNOK

645



Customer relations are good. According to the Norwegian Customer Satisfaction Barometer's 2016 survey, Posten Norge showed the best improvement in customer satisfaction and loyalty.

PROFITABILITY

Financial performance trend

Operating profit in 2016 amounted to NOK 178 million, which is NOK 61 million lower than the previous year. Impairment of NOK 313 million was recognised in 2016, and other expenses of NOK 169 million. Impairment was largely related to goodwill, and other expenses related largely to provisions for losses associated with lease agreements and restructuring expenses. Adjusted profit (EBITE*) in 2016 was NOK 645 million, which is NOK 41 million (or 6 per cent) lower than the previous year. Despite major restructuring and cost-efficiency measures, weak economic growth and reduced activity in the oil sector had a significantly negative impact on the logistics segment. In Sweden, the domestic freight operation negatively affected the result, whereas the parcels operation contributed positively.

Profitability challenges in Logistics

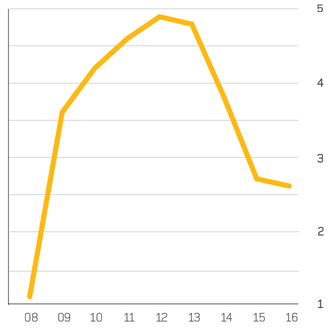
In 2016 the logistics segment showed an operating loss of NOK 334 million. Adjusted profit (EBITE) was NOK 49 million, which is NOK 22 million lower than in the previous year. Parcel and freight volumes increased, but the Group is facing heavy price pressures in the market due to increased competition. Several cost-efficiency measures were implemented to improve profitability. The winding up of the former Ekdahls in Sweden will contribute positively to profitability in 2017.

Investment in new logistics centres will support more cost-effective operations and improved profitability in the logistics segment. In 2016 a new logistics centre in Mosjøen and part of the new logistics centre in Alnabru in Oslo were opened. The logistics centre in Oslo will be completed in 2017, and new logistics centres will be opened in Trondheim and Narvik. In Sweden, Bring will open a joint terminal in Mölnlycke in Göteborg to strengthen the logistics offering.

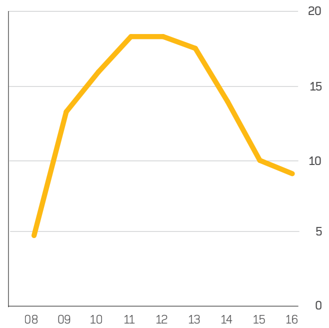
Effective cost control in Mail

In 2016 the Mail segment showed an operating profit of NOK 724 million. Adjusted profit (EBITE) of NOK 800 million was NOK 16 million lower than in the previous year. The Board is satisfied that cost-efficiency measures were implemented that compensated for much of the decline in volume.

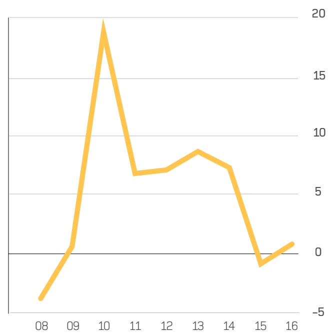
OPERATING MARGIN
before non-recurring items
per cent
2.6%



RETURN ON
INVESTED CAPITAL (ROIC*)
per cent
9.0%



RETURN ON
EQUITY
after tax, per cent
0.7%



The most important measure was the discontinuation of Saturday deliveries, but measures were continuously implemented to improve and rationalise operations in the entire value chain.

The Norwegian state covers any additional costs incurred by Posten Norge for providing commercially unprofitable services under the universal service obligation. In 2016 the Storting appropriated NOK 403 million to this purpose, including NOK 40 million for Saturday delivery of newspapers, which was NOK 160 million lower than the estimated need.

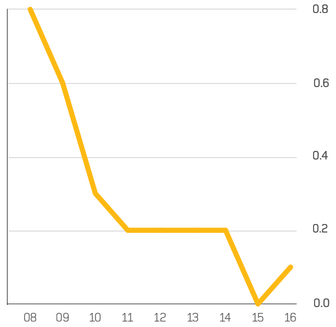
Investments

Investments as a whole in 2016, excluding acquisitions, totalled NOK 1 243 million compared to NOK 1 159 million in 2015. The largest investments were related to new logistics centres in Oslo, Trondheim and Narvik.

Cash flow from operating activities in 2016 was NOK 945 million. The decrease from 2016 of NOK 268 million was mainly due to accelerated repayment of operating debt. Net cash flow from investing activities in 2016 was NOK -1 210 million. The investments were mainly related to ongoing operational investments and new logistics centres. Investments were also made in the business by acquiring the digital design agency Netlife Research and the logistics company Espeland Transport. In 2015, cash flow from investing activities included payments of NOK 1.7 billion from the sale of Posten Norge's shares in EVRY ASA.

Debt ratio

0.1



Financial capacity

In 2016 the Group had net financial income of NOK 52 million compared with net financial expenses of NOK 88 million the previous year. The Group had long-term liquidity reserves on 31 December 2016 of NOK 5.3 billion compared with NOK 6.4 billion the previous year. These reserves consisted of invested funds and available credit facilities. The Group places importance on financial flexibility and the ability to take advantage of opportunities in the market.

The Group's equity is NOK 5 912 million. The Group has the capacity to undertake strategically important investments, and the Group's investment capacity is naturally dependent on future financial results. Posten Norge continued to implement measures in 2016 to reduce financial risk and increase its room to manoeuvre. There is a greater focus on capital management.

Credit and counterparty risk on the placement of surplus liquidity is deemed to be limited as Posten Norge's counterparties generally have high ratings.

Debt covenants

Some of Posten Norge's loan agreements contain debt covenants that include limits in relation to key economic indicators (see notes 18 and 19 in the annual financial statements).

Risk

Risk management and internal control are integrated into the Group's business processes and are central elements of Posten Norge's corporate governance. When developing goals, strategies and business plans, the aim is to create value by balancing growth against profitability targets and risks to Posten Norge's activities.

As part of its corporate governance, the Board of Directors emphasises good risk management and internal control. The Board of Directors reviews risk analyses of the Group's total risk every six months. Risk analysis is included in the Group's business processes. Emphasis is placed on a quantitative risk approach. Risk-mitigating measures are implemented to ensure that the company achieves its goals, and are regularly evaluated to ensure that they are having the desired effect and to identify any new risk factors. The Board and management actively follow up on the company's risk exposure within the areas of strategic, operating, financial and corporate reputation risk. The monitoring of information security and integrity has been strengthened.

Risk management and internal control processes are described in more detail in the company's corporate governance reporting.

Allocation of current year profit

In 2016 Posten Norge AS had a profit after tax of NOK 180 million and the Group a profit after tax of NOK 39 million.

The Norwegian state has a dividend policy whereby 50 per cent of Group profit after tax can be distributed as dividends. Before the annual dividend is determined, an independent assessment of the Group's financial situation and future prospects must be carried out.

The Board proposes that a dividend of NOK 19 million be distributed for 2016. This year's profit will be transferred to other equity.

The final dividend amount will be determined at the 2017 Annual General Meeting. The annual financial statements have been prepared under the assumption that the business is a going concern.

The Board of Directors confirms that this assumption applies.

CORPORATE SOCIAL RESPONSIBILITY

Posten Norge is committed to long-term value creation through the sustainable and responsible management of the company's most important resources while meeting the owner's requirements and expectations.

The Board is proud of the good work the Group does in the area of CSR. The work has high priority and efforts are systematic and long-term in accordance with clear goals and plans. The efforts are achieving good results.

In the sustainability report for 2016, the Group has defined the concept of sustainability as long-term viability. The Group's most important resources to create value and thus ensure this viability are our employees, our relationships and partnerships, our networks and expertise, our adaptability and our financial capital. The sustainability report shows what value we have created in recent years and what footprint we have left in society. The report evaluates our work and provides direction for the future.

Good working environment

One of the Group's principal goals is to have attractive workplaces and a good working environment. Employees represent our most important resource. Activities promoting health are therefore a high priority and the Group's vision is for nobody to be injured or become sick as a result of working in Posten Norge.

The organisation survey in 2016 showed that employee satisfaction is at record levels and has risen to 81 (on a scale of 1-100) from 80 the year before. The factors that score highest are a focus on customers and results, and an attractive workplace.

After ten years of sustained decline in sickness absence, the Group had in 2016 a sickness absence rate of 6.1 per cent, which was 0.1 percentage points higher than the year before. Sickness absence in Posten Norge is still below the average in the Norwegian labour market.

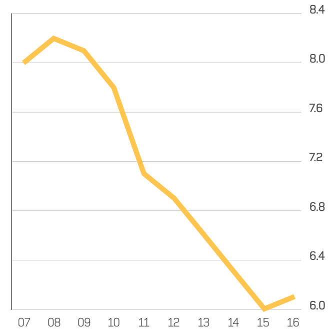
The number of injuries fell sharply in 2016. There was a total of 278 injuries compared with 331 the year before. The injury frequency rate, expressed as the H2 value or the number of injuries per million hours worked, was 9.2 in 2016, compared to 10.9 in 2015.

The Board is satisfied that the Group still puts health-promoting activities high on the agenda, and works in a long-term and systematic manner. The good results come from management's prioritisation of HSE and the excellent cooperation between management and employee representatives.

The Group's workforce was reduced by 845 full-time equivalents from 2015 to 2016. The Mail segment was reduced by 508 full-time

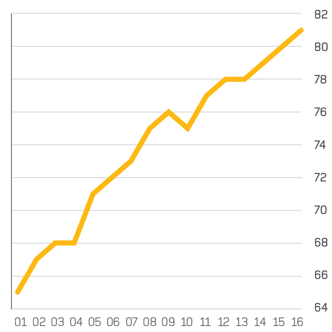
SICKNESS ABSENCE
Group per cent

6.1%



EMPLOYEE SATISFACTION
scale from 1 to 100, where 100 is best

81



equivalents, mainly within mail sorting and production. The Logistics segment saw a reduction of 376 full-time equivalents, mostly in operations outside Norway.

Diversity

The Group reflects demographic trends in society with more than 70 nationalities represented among its employees. We have a goal to promote integration and increase the proportion of employees with immigrant background in staff units and management positions. Language training is a vital part of this work. A development and internship programme is offered to selected employees.

Pay and equality

The Group subscribes to the main principle that management pay should be competitive but not amongst the highest when compared to similar companies. Posten Norge AS is well within government guidelines for salary policies in state-owned enterprises. There are no significant pay differences between men and women that can be attributed to gender.

Salaries, other remuneration and accrued pensions for Group management of Posten Norge AS totalled NOK 33.6 million in 2016, compared with NOK 31.5 million the previous year.

Posten Norge is concerned with equality at all levels. Posten Norge employed its first female CEO in 2016. The proportion of women in Posten Norge's Group management was 56 per cent at the end of 2016. The proportion of women among employees in the Group is 35 per cent, and among the Group's managers 29 per cent.

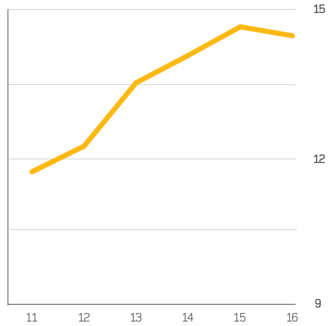
Employee and management development

Skills development is a major focus area through internal and external course offerings and workplace-based training. The Group has made a major investment in e-learning combined with other types of learning formats, including an introduction to HSE, information security, the Group's principles and environmental efforts. As a supplement to other internal training opportunities, courses are offered in Norwegian reading, writing and oral skills, as well as online apprentice courses to increase the number of employees with an apprenticeship certificate. In 2016 approximately 1 100 employees earned an apprenticeship certificate. There were a total of 76 apprentices in Posten Norge and Bring at the beginning of 2017, most of them in driving and logistics apprenticeships. Through the Group's scholarship programme, employees receive support to upgrade their formal qualifications.

Employees with immigrant background

per cent

14.47%



The Group works systematically on management development in order to strengthen its implementation ability and goal achievement. Using employee reviews and management evaluations as a basis, managers are objectively evaluated on their performance and potential. In parallel, work is carried out on succession planning and talent development, which the Board reviews annually.

Integrity

The Group sets strict standards of integrity for its own managers and employees and works to raise awareness and provide training. The same requirements apply to subcontractors and partners. The Integrity Programme, which was established in 2011, is based on the Group's ethical guidelines.

Prevention of criminal activity

The risk of criminal activity directed against Posten Norge is considered to be moderate. The Group has a zero-tolerance policy for internal fraud.

In 2016, eight employees were dismissed or summarily dismissed for internal fraud. There have been several roadside robberies of freight transports and burglaries in containers in railway areas. This type of crime affects customers and poses a threat to the trust placed in the Group and to its reputation.

In 2016 there were two robberies, one involving an in-store post office and the other a rural mail carrier. Posten Norge has prepared a risk analysis related to violence and threats against employees, in accordance with government requirements. The scope of ID fraud in the community is huge, and Posten Norge is active in prevention work.

In recent years, the Group has increased its focus on overall crisis management capability and operational readiness, including carrying out drills.

The Group works actively to prevent all types of crime and to solve cases. The level of security and contingency plans are viewed in the context of, among other things, the government's threat assessments and international efforts and prioritisations, for example under the auspices of the Universal Postal Union (UPU) and the International Civil Aviation Organization (ICAO).

Information security

The Group has not identified any serious security incidents in 2016 resulting from external attacks. We have registered a significant increase in phishing attacks and attempts at e-mail fraud against our employees. Based on this, Posten Norge has focused heavily on topics related to social manipulation and fraud attempts via e-mail through internal awareness programs. So far we have not had any serious incidents as a result of this threat. Work on measuring safety culture has begun, and developments will be highlighted in the coming year.

Customers and supervisory authorities are placing increasingly stringent demands on control of information security, and Posten Norway acts accordingly with respect to our suppliers. Risk analyses and action plans to establish adequate information security in the IT portfolio, as well as testing for potential vulnerabilities, are the pillars of this work in which we cooperate closely with our suppliers.

Information security work is an integral part of the development and management of all IT systems. We work continually to identify, analyse and manage actual and potential incidents. These efforts give us a good foundation to meet the EU's stringent regulatory requirements for data privacy protection coming in 2018.

Environmentally effective operation

As one of the Nordic region's largest transport operators, the Group takes particular responsibility for reducing its environmental impact and works in a focused manner to ensure its operations have a positive environmental effect. Some of the most important measures to reduce climate impact include the use of environmentally friendly vehicles and fuel, transport optimisation, shifting freight from air to ground and from road to rail, efficient use of floor space and building expertise among managers and employees.

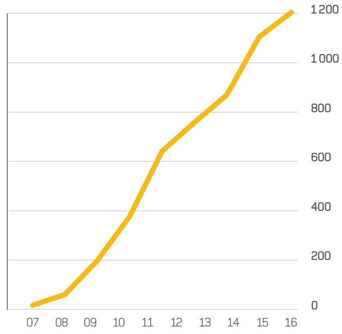
The overall objective is to reduce the Group's CO2e emissions by 40 per cent by 2020, relative to 2008. The carbon footprint for 2016 shows a 10 per cent decrease from 2015, so the target has so far been met. A large proportion of the reduction in 2016, however, is due to the transition from diesel to the biofuel HVO (hydrogenated vegetable oil) for heavy vehicles. Reclassification of raw materials and an increased biofuels sales mandate have resulted in reduced availability and a doubling of the price for HVO in 2017. There is therefore great uncertainty about further investment and phasing out of fossil fuels for heavy vehicles.

Posten Norge is adopting and continuously evaluating new "green" vehicles and fuel solutions. In 2017, the Group will begin using the Nordic region's first large electric vans to deliver goods to companies in central Oslo emission-free. The new logistics centre in Trondheim, which opens in 2017, uses solar panels and a windmill that will provide energy for between 50 and 80 vehicles, and will be Europe's most modern and environmentally friendly terminal.

ELECTRIC VEHICLES

number

1 217



The work of the Board of Directors

The Board places importance on following Norwegian standards and best practices for corporate governance, based on Norwegian law and the government's policy on state ownership in force at any given time.

Each year the Board presents a statement on the company's corporate governance as part of the annual report. The Board of Directors also conducts an annual update of the content of the rules of procedure for the Board.

In addition to being a decision-making and control body, the Board wishes to contribute to the development of the Group by serving as a valuable discussion partner for the company's management and owner, based on good insight into Posten Norge's strategies, business models and value chain. One of the Board's most important tasks is to appoint the CEO. In 2016 CEO Dag Mejdell resigned. After a thorough recruitment process, the Board decided to hire Tone Wille as the new CEO from 10 October 2016. Tone Wille previously held the position of Chief Financial Officer (CFO) of the Group.

The Board carries out an annual evaluation of its work, expertise and working methods, and discusses specific issues that require monitoring as well as the Board's own expertise development.

In 2016 the Board comprised an equal number of men and women. As of 1 January 2017, Siv Ryen Andersen resigned as employee-elected board member and was replaced by first deputy Erling A. Wold. This change reduced the proportion of female board members to 40 per cent.

The Group's head office is located in Oslo, and most of its operations are conducted in Norway, while the largest operations outside of Norway are found in Sweden.

Outlook

The Board expects that 2017 will be a challenging year with continued low economic growth in Norway. Prospects for growth in the rest of the Nordic region are more positive.

At the same time, the Board understands that the pace of technological development is gaining speed. Increased digitalisation is driving an accelerating decline in mail volumes, but also creating new opportunities to develop innovative business models and services, strengthen the dialogue with customers and streamline operations. The group is working on a new strategy to focus the business, orient it towards the customer, and improve profitability.

The Logistics segment will strengthen its competitiveness and profitability through efficiency improvements resulting from the new logistics network in Norway. In addition, work is progressing on new joint IT systems and operating models that will help harmonise services and simplify dialogue with customers. Temperature-controlled transport services will be integrated with the Norwegian logistics network from 2017 and will be an important part of the service offering in the future, with potential for growth. Increased e-commerce will continue to provide substantial opportunities in parcels, freight and home delivery.

Developments in the Mail segment are dramatic. There is no longer a market for the current universal postal service Posten Norge is obligated to provide. Major restructuring and efficiency improvements have been implemented, but there is limited room for further improvements without further changes in the service offering. In 2017 Posten Norge will prepare the transition to a single addressed mail stream from January 2018. To further match the service offering to the demand it is critical for Posten Norge to have a more flexible regulatory framework and more room to manoeuvre, while the state must compensate for the additional costs of meeting the universal service obligations. The Norwegian government has granted NOK 177 million to cover the additional costs for providing commercially unprofitable universal service obligations in 2017.

This is NOK 316 million lower than the estimated need, which will negatively affect the Group's financial performance in 2017. If the allocation is not adjusted in the revised national budget, the consequence will be that the Group will not be compensated for the cost of maintaining two addressed mail streams in 2017.

The Board is committed to raising the Group's capacity for innovation and digital drive to develop new growth areas and solutions to customers, both senders and recipients. Posten Norge has a good starting point with high credibility and digital trust.

The Group will continue to have full focus on the long-term and systematic work in the sustainability areas, focusing particularly on health, safety and the environment (HSE), diversity and the wider environment.

The Board thanks all of the employees of the Group for cooperating in and sharing responsibility for the development of Posten Norge and Bring.

16. mars 2017

Idar Kreutzer (leder)

Randi B. Sætershagen (nestleder)

Tove Andersen

Anne Britt Berentsen

Morten Karlsen Sørby

Terje Wold

Odd Christian Øverland

Ann-Elisabeth Wirgeness

Erling A. Wold

Lars Nilsen

Tone Wille (konsernsjef)

Income statement Posten Norge Group

Income statement

Amounts in MNOK

	Note	2016	2015
Revenue	1	**24 772**	**25 074**
Cost of goods and services		10 086	9 927
Payroll expenses	2	9 749	9 859
Depreciation and amortisation	8,9	694	788
Impairment	8,9	313	385
Other operating expenses	4	3 599	3 814
Operating expenses		**24 440**	**24 773**
Other income and (expenses)	5	(169)	(307)
Share of profit from investments in associated companies and joint ventures	10	15	245
Operating profit		**178**	**239**
Finance income	6	370	551
Finance expenses	6	318	639
Net finance income (expenses)		**52**	**(88)**
Profit before tax		**230**	**151**
Tax expense	7	191	212
Profit/(loss) for the year		**39**	**(61)**
Net income attributable to controlling interests		36	(62)
Net income attributable to non-controlling interests		4	1

Statement of total comprehensive income

Amounts in MNOK

	Note	2016	2015
Profit/(loss) for the year		**39**	**(61)**
Items not to be reclassified to profit or loss			
Pension			
Change in actuarial gains and losses	3	(74)	87
Tax	7	17	(21)
Total items not to be reclassified to profit or loss		**(58)**	**66**
Items to be reclassified to profit or loss			
Translation differences			
Result from hedging of investments in foreign entities	19	173	(140)
Tax	7	(43)	38
Translation differences from investments in foreign entities		(142)	141
Cash flow hedging			
Changes in value	19	10	(6)
Transferred to income statement	19	13	26
Tax	7	(6)	(5)
Total items to be reclassified to profit or loss		**5**	**53**
Share of other comprehensive income/(expenses) of investments in associated companies	10		(41)
Change in tax rate	7	3	1
Other comprehensive income/(expenses)		**(50)**	**79**
Total comprehensive income/(expenses)		**(11)**	**18**
Total comprehensive income/(expenses) is distributed as follows:			
Controlling interests		(15)	17
Non-controlling interests		4	1

Balance sheet

Amounts in MNOK

	Note	31.12. 2016	31.12. 2015
Assets			
Intangible assets	8	2 194	2 339
Deferred tax asset	7	396	379
Tangible fixed assets	9	5 866	5 574
Investments in associated companies and joint ventures	10	377	380
Other financial non-current assets	12,19	231	239
Non-current assets		**9 063**	**8 910**
Inventories		21	24
Interest-free current receivables	12,14,19	4 255	4 278
Interest-bearing current receivables	12,13	85	113
Liquid assets	12,15	1 875	2 773
Current assets		**6 236**	**7 188**
Assets		**15 299**	**16 097**
Equity and liabilities			
Share capital		3 120	3 120
Other equity		2 777	2 808
Non-controlling interests		14	(2)
Equity	20	**5 912**	**5 926**
Provisions for liabilities	11	**1 588**	**1 450**
Interest-bearing non-current liabilities	12,16,19	1 978	2 111
Interest-free non-current liabilities	12,17,19	29	36
Non-current liabilities		**2 007**	**2 147**
Interest-bearing current liabilities	12,16,19	415	896
Interest-free current liabilities	11,12,17,19	5 117	5 520
Tax payable	7	260	158
Current liabilities		**5 793**	**6 574**
Equity and liabilities		**15 299**	**16 097**

16 mars 2017

Idar Kreutzer (leder) | Tone Wille (konsernsjef) | Randi B. Sætershagen (nestleder)

Tove Andersen | Anne Britt Berentsen | Morten Karlsen Sørby

Terje Wold | Odd Christian Øverland | Ann-Elisabeth Wirgeness

Erling A. Wold | Lars Nilsen

POSTEN NORGE • FINANSIELL RAPPORT

Cash flow statement

The Group prepares the cash flow statement according to the indirect method, i.e., cash flows from investments and financing activities are reported gross, whereas the accounting result is reconciled against net cash flows from operating activities.

Amounts in MNOK

	Note	2016	2015
Profit/(loss) before tax		230	151
Tax paid in the period	7	(156)	(190)
Gain from sales of non-current assets and subsidiaries		(6)	(8)
Ordinary depreciation and write-downs	8,9,10	1 007	1 173
Share of net income from associated companies and joint venture	10	(15)	(245)
Financial items with no cash effect		25	(63)
Changes in accounts receivable, inventories and accounts payable		(25)	70
Changes in other working capital		(182)	274
Changes in other current balance sheet items*		70	119
Interest received		65	21
Interest paid		(69)	(89)
Cash flows from operating activities		**945**	**1 213**
Investments in tangible non-current assets	8,9	(1 243)	(1 159)
Investments in shares	23	(112)	(123)
Proceeds from sales of tangible non-current assets		95	67
Proceeds from sale of shares		22	
Proceeds from sale of associated companies	23	5	1 711
Dividend received from associated companies	10	17	3
Changes in non-current receivables and financial assets		6	(14)
Cash flows from/(used in) investing activities		**(1 210)**	**485**
Proceeds from borrowings	16	100	1 000
Repayment of borowings	16	(733)	(1 698)
Group contribution/dividend paid	20		(300)
Cash flows used in financing activities		**(633)**	**(998)**
Total change in cash and cash equivalents during the year		**(898)**	**700**
Cash and cash equivalents at the start of the period		2 773	2 073
Cash and cash equivalents at the end of the period		**1 875**	**2 773**

*This mainly concerns provisions for restructuring, loss contracts and changes in other current balance sheet items

Statement of changes in equity

Amounts in MNOK

	Controlling interests						Non-controlling interests	
	Share capital	Share premium	Hedging reserve	Translation diff.	Retained earnings	Other equity		Total equity
Equity 01.01.2015	**3 120**	992	(31)	156	1 968	**3 086**	(1)	**6 205**
Profit/(loss) for the year					(62)	**(62)**	1	**(61)**
Other comprehensive income			14	39	26	**79**		**79**
Total comprehensive income/ (expenses)			**14**	**39**	**(36)**	**17**	**1**	**18**
Dividend paid					(300)	**(300)**	(2)	**(302)**
Other changes in equity					5	**5**		**5**
Equity 31.12.2015	**3 120**	992	(17)	195	1 637	**2 808**	**(2)**	**5 926**
Equity 01.01.2016	**3 120**	992	(17)	195	1 637	**2 808**	**(2)**	**5 926**
Profit for the year					36	**36**	4	**39**
Other comprehensive income/(expenses)			17	(13)	(55)	**(50)**		**(50)**
Total comprehensive income/ (expenses)			**17**	**(13)**	**(19)**	**(15)**	**4**	**(11)**
Addition non-controlling interests					(13)	**(13)**	13	
Other changes in equity					(3)	**(3)**		**(3)**
Equity 31.12.2016	**3 120**	**992**	**0**	**183**	**1 602**	**2 777**	**14**	**5 912**

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Posten Group

Posten Norge AS was established as a company on 1 December 1996 and is today a Norwegian-registered limited liability company with the Norwegian state, represented by the Ministry of Trade and Fisheries (the Ministry of Transport and Communication until 31 December 2016), as its sole shareholder. Posten Norge AS is a Nordic mail and logistics group developing and delivering overall solutions within mail, communication and logistics in the Nordics. Posten Norge AS' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by IFRS Interpretations Committee (IFRIC), set by the International Accounting Standards Board and approved by the EU.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivatives) that have been measured at fair value.

The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million, if not otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

The table below gives an overview of relevant accounting principles for the Group, with references to the applicable notes and accounting standards.

Accounting principle	Associated note(s)	IFRS/IAS #
1. Changes in accounting principles and disclosures		IAS 8
2. Adopted standards that are not yet effective or lacked approval by the EU		IAS 8
3. Accounting estimates	Note 3 Pensions Note 5 Other income and expenses Note 7 Taxes Note 8 Intangible assets Note 11 Provisions for liabilities	IAS 12, IAS 19, IAS 36, IAS 37
4. Foreign currency translation		IAS 21
5. Consolidation principles	Note 23 Changes to the Group structure	IFRS 3, IFRS 10, IFRS 11, IFRS 12, IAS 28
6. Segment reporting	Note 1 Segments	IFRS 8
7. Revenues	Note 1 Segments	IAS 18
8. Pensions	Note 3 Pensions	IAS 19
9. Taxes	Note 7 Taxes	IAS 12
10. Intangible assets	Note 8 Intangible assets	IAS 38
11. Tangible fixed assets	Note 9 Tangible fixed assets	IAS 16
12. Investments in subsidiaries, associates and joint ventures	Note 10 Investments in subsidiaries, associates and joint ventures	IFRS 10, IFRS 11, IFRS 12, IAS 28
13. Impairment of non-financial assets	Note 8 Intangible assets Note 9 Tangible fixed assets Note 10 Investments in subsidiaries, associates and joint ventures	IAS 36
14. Provisions	Note 5 Other income and expenses Note 11 Provisions for liabilities	IAS 18, IAS 19, IAS 37
15. Contingent liabilities and assets	Note 11 Provisions for liabilities Note 25 Other matters	IAS 37

Accounting principle	Associated note(s)	IFRS/IAS #
16. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial instruments Note 13 Interest-bearing non-current and current receivables Note 14 Interest-free current receivables Note 15 Liquid assets Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities Note 18 Financial risk and Capital management Note 19 Derivatives and hedging	IFRS 7, IFRS 13, IAS 32, IAS 39
17. Accounts receivable	Note 14 Interst-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
18. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 13, IAS 32, IAS 39
19. Loans	Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
20. Equity	Statement of changes in equity Note 20 Equity	IAS 1
21. Leasing	Note 22 Leases	IAS 17
22. Events occurring after the balance sheet date	Note 25 Other matters	IAS 10

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the Group implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2016. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

2. Approved standards that are not yet effective or lacked approval by the EU

The following standards and statements that are relevant for Posten have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2016.

2.1. IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The future classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of each individual instrument. The Group is not expecting any effects on the financial statements of the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value by today's accounting rules will continue to be measured at fair value pursuant to IFRS 9. This concerns derivatives not included in accounting hedge arrangements and loans in foreign currencies, where fair value options have been applied. Other financial assets and liabilities mainly relate to debt instruments and other financial liabilities measured at amortised cost according to the present accounting rules and are expected to be classified in the measurement category "amortised cost" and subsequently measured according to IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. However, the Group's financial assets mainly comprise financial assets without significant financial elements, which according to IFRS 9 allows for a simplified model. This model differs from today's accounting rules, which are based on an incurred loss model, where the expected credit loss over the entire lifetime shall be recognised by using simple methods to estimate the credit loss, as one example. The model under IFRS 9 is not expected to change the provision for losses significantly.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control and gives more room for judgment. Hedge documentation is still required. In the Group's opinion, the financial hedges classified as accounting hedge relations pursuant to IAS 39, will still qualify for this under IFRS 9.

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and associated interpretations*.* The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service and thereby has the opportunity to decide the use and obtain the benefits from the good or service.

The standard will be effective for the accounting year 2018.

The Group has started to consider the effects IFRS 15 can have on the recognition of income in the Group. This is made by applying the five-step model on which the new standard is based. The following areas will be particularly considered by the Group:

- The identification of performance obligations. The Group is delivering mail, parcels and freight and a number of related additional services. It must be considered whether any of the additional services included in a customer contract are individual deliveries (distinct), where the timing of revenue recognition must be considered individually.
- Recognition of revenue when the entity satisfies the performance obligation. According to the preparatory works of IFRS 15 (BC125 et seq.), income from the transport of goods shall be recognised when it takes place, because the customer has an advantage by the fact that the goods are continually getting nearer to the agreed delivery place.

The Group has not fully assessed the impact of the new standard, but no significant effects are expected at the implementation. The effects will be considered during 2017.

2.3 IFRS 16 Leases

In January 2016, IASB (International Accounting Standards Board) published a new leasing standard, IFRS 16 *Leases.* The new standard requires that the *lessee* recognises leasing agreements in the balance sheet, whereby the value in use for an asset and the corresponding lease obligation is disclosed in the balance sheet. Exceptions are made for leases concerning assets of low value ("low value" assets) and short-term leases (where the lease period is 12 months or less). The "right to use" asset and the leasing obligations are measured at the present value of the lease payments. At the subsequent measurement, the "right to use" asset shall be depreciated over the shorter of the lease period and the expected economic life for the underlying asset. The leasing obligation shall be amended for changes like adjusted leasing periods and interest adjustments, and reduced by performed payments.

The *lessors'* accounting requirements are basically unchanged.

The requirements for disclosures are also changed, and extended information is required.

The new standard will be effective for the accounting year 2019 (provided approval by the EU). The standard implies a significant change in the lessees' accounting for lease agreements, with effect both on the balance sheet and the income statement.

In the autumn of 2016, the Group established a project to evaluate and implement the new standard. The first phase has started by identifying relevant contracts in the Group. Significant agreements mainly concern leases related to buildings and terminals in addition to the Group's car fleet. An agreement must meet the definition of a lease to be within the scope of IFRS 16; the asset(s) must be identifiable, and the lessee must have the right to control the use of the asset(s) in a given period. For some agreements, this assessment is complex, and the Group therefore intends to spend the required time to ensure a correct and complete list of the lease agreements in the Group.

In phase two of the project, the Group shall assess the consequences for the financial reporting. The determination of the agreements' lease payment and lease periods will be key in this phase, as the asset and liability are measured at their present value. The Group has not fully considered the impact of the new standard. The initial consideration is that the new standard to a large extent will change the accounting for lease contracts in the Group. It is generally expected that the Group's operating profit before depreciation (EBITDA) and operating profit (EBIT) will be improved. Leasing costs that according to the present accounting rules are included in other operating expenses will according to IFRS 16 be classified as depreciation and financial expenses. The Group's equity ratio will be reduced. The goal is to quantify the effect of IFRS 16 before the end of 2017, in addition to determine a method for implementation.

Phase three and four of the evaluation include the consideration of required system acquisitions and adjustments, together with a review the consequences for strategic and operational decisions, and will basically be carried out in the same period as phase two.

The project's aim is to implement IFRS 16 when it comes into effect, i.e., for the accounting year 2019.

3. Accounting estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. The application of the Group's accounting principles also requires that management must make judgments. Sources of estimation uncertainty and assumptions concerning the future that represent a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets

Impairment exists when the carrying value of an asset or cash generating unit (definition in section 1.13) exceeds its recoverable amount. Calculations of recoverable amounts require the use of estimates. There is uncertainty related to assumptions and parameters in connection with the estimation of future cash flows when evaluating impairment and the choice of discount rate in the calculation of the present value of the cash flows. These estimates are particularly relevant when assessing goodwill and other intangible assets. Details on the key assumptions used to determine the recoverable amount of a cash-generating unit, including sensitivity analyses, are provided in note 8.

3.2 Pensions

There is also uncertainty related to the estimation of pension obligations. The present value of the pension obligations depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in the calculation of net pension cost (income) include the discount rate. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Details are given in note 3.

3.3 Provisions

In determining the fair value of provisions for restructuring expenses and other provisions, assumptions and estimates are made to discount rates, the expected settlement value and settlement date. Additional information is disclosed in note 11.

3.4 Deferred tax assets

Deferred tax assets are recognised when it is probable that the Group will have sufficient profits to utilise the tax benefit. Management's judgment is required to determine the size of the tax benefit to be utilised, based on when future taxable profits can be expected and their value, together with tax planning strategies. Note 7 has more details.

4. Foreign currency translation

4.1 Functional currency and presentation currency

The financial statements of the individual entities in the Group are measured using the currency of the primary economic environment in which the entity primarily operates (functional currency). The Group's presentation currency is Norwegian kroner, which is also the parent company's functional currency.

4.2 Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date.

On the balance sheet date, monetary balances in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Foreign exchange gains and losses resulting from the settlement and translation of monetary items are recognised as finance income and finance costs, respectively. If the currency position is considered to constitute cash flow hedges or the hedging of a net investment in a foreign business, the gain or loss is recognised in other comprehensive income.

Non-monetary items in foreign currencies measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value is determined.

4.3 Group companies

For consolidation purposes, balance sheet figures for subsidiaries that use a different functional currency than the Group's presentation currency are translated at the rate applicable on the balance sheet date, and the income statements are translated at the average monthly exchange rate. Exchange differences are recognised in other comprehensive income and specified separately in the statement of equity (cf. the statement of changes in equity). If a foreign subsidiary is sold, the accumulated translation differences related to the subsidiary are recognised in the income statement.

5. Consolidation principles

The consolidated financial statements present the total financial result and position for the the parent company Posten Norge AS and the companies over which Posten Norge AS has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements have been prepared using uniform accounting principles for similar transactions and other events, provided that the circumstances otherwise are the same. The classification of items in the income statement and balance sheet has been carried out according to uniform definitions. Intercompany transactions and balances, including internal profit and unrealised gains and losses, have been eliminated.

5.1. Consolidation principles: Subsidiaries

Companies where the Group has control (subsidiaries) are fully consolidated line by line in the consolidated financial statements. Subsidiaries are consolidated from the date on which control is achieved and deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration is measured at fair value of assets transferred, liabilities incurred and equity interests issued. Identifiable assets, liabilities and contingent liabilities are initially recognised at fair value. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, and the net identifiable assets acquired and liabilities, is classified as goodwill in the balance sheet. Should negative goodwill arise from a business combination, the identification and measurement of identifiable assets and liabilities is reassessed. Any negative goodwill that arises following this reassessment is recognised in the income statement immediately.

When agreements are made for additional consideration (contingent consideration) in connection with the acquisition of companies, the additional consideration is measured at fair value and included in the acquisition costs at the time of acquisition. The change in value of the additional consideration is only recognised as goodwill if the change is within a "12 months' window" and is a result of new or changed facts and circumstances existing at the time of acquisition. Other changes in value of the additional consideration are recognised in the income statement. The adjustments are measured at the exchange rate on the balance sheet date or at the rate when the adjustment occurred, if this differs from the balance sheet date.

The Group recognises any non-controlling interest in the acquired company for each purchase, either at fair value or at its share of the acquired company's net assets. The proportion of equity related to non-controlling interests is shown on a separate line in the Group's equity. The proportion of profit/loss for the year after tax and total comprehensive income from non-controlling interests is shown in the income statement.

Transactions with non-controlling interests in subsidiaries that do not result in any loss of control are accounted for as equity transactions. In the event of loss of control and consequent deconsolidation of the subsidiary, gain or loss is recognised in the income statement. Any retained investment is measured at fair value at the time of the transaction.

5.2 Consolidation principles: Associated companies and joint venture

An associate is an entity over which the Group has significant influence. Significant influence normally exists when the Group owns 20 to 50% of the voting capital.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Investments in associates and joint ventures are accounted for using the equity method. The investment is initially recognised at cost, and the Group's share of the profit or loss of the investee after the date of acquisition is recognised in the income statement. The Group's share of the result in subsequent periods is classified as operating income or expense.

6. Segment reporting

Reporting segments are aggregated from underlying operating segments on the basis of an assessment of the risks and yields relating to the types of products or services, production processes, customer groups, distribution channels and statutory or other requirements, as well as management reporting. The division of reporting segments has been prepared in accordance with areas whose operating results are reviewed regularly by Posten's Board to enable the Board to make decisions about resources to be allocated to the segment and assess its performance. The Group defines Posten's Board as the chief operating decision maker.

The segments' accounting principles are the same as those used to prepare and present the consolidated financial statements.

7. Revenue

Revenue is recognised when it can be measured reliably, it is likely that the economic benefits will flow to the entity and criteria related to the various forms of income described below are met.

Sales income is measured at the fair value of the consideration received net of value added tax and discounts. In all segments, revenue from the sale of goods and services is recognised at the time when the products or services are delivered to the customer, and when significant risks have been transferred to the customer.

7.1 Revenue: Mail segment

The segment's revenue is generated from the sale of letter products, postage stamps, banking services, sales of goods and dialogue services.

- The sale of stamps is considered to be advance payments for the sale of postal services, and recognised when the delivery of the service takes place.
- Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption.
- Other postage sales are billed and recognised when letter products are delivered.
- Fees for banking services are recognised on the basis of performed banking services.
- International mail within ordinary terminal charge agreements is recognised on the basis of the calculation of volumes and preliminary prices, and adjusted the following year when final prices are received from the International Post Cooperation.
- Dialogue services, including precise target groups, addresses, outsourcing services within sales, customer service and customer-oriented marketing, are recognised at the time of the delivery of the service and significant risks are transferred to the customer.
- Sales of goods are recognised when the goods are delivered and significant risks are transferred to the customer.
- Government payments for unprofitable services are recognised when the allocated funds are received (monthly), limited to an amount equaling the current year's estimated additional expenses regarding licensing requirements.

7.2 Revenue: Logistics segment

The segment's revenue is generated by transportation and warehouse services:

- Transport services cover courier and express services and the transportation of letters, parcels, freight and temperature-controlled deliveries, and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

- Warehouse services comprise storage, handling and picking-up services in addition to the unloading of vehicles, sealing of pallets, installation/repair of equipment and construction of sales pallets, and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

8. Pensions

The Group has both defined contribution and defined benefit pension plans. The net pension expenses for the defined benefit pension plans comprise the pension contributions of the period, including future salary increases and the interest expense on the estimated pension liability, less the contributions from employees and estimated yield on the pension assets. For defined contribution plans, the premium less the employees' contribution is recognised as expenses when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The gross obligation is calculated by independent actuaries applying the projected unit credit method. When pension assets exceed pension liabilities, prepaid pensions are classified as a long-term asset in the balance sheet if it is likely that the excess value can be utilised or repaid. The recognition of pension funds is limited to the present value of all financial benefits that materialise in terms of refunds from the plan or reductions in future contributions to the plan.

Net pension expenses are classified as payroll costs in the income statement, except the interest element, which is classified as finance income/finance expenses. The effect on previously earned rights resulting from changes in the schemes' yields is recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss in future periods.

9. Taxes

The tax expense comprises tax payable for the period and changes in deferred tax liabilities/assets. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax payable is calculated on the basis of the taxable income for the year. The net deferred tax liability/asset is computed on the basis of temporary differences between the carrying amount and tax values of assets and liabilities and tax losses carried forward at the end of the financial year, with the exception of:

- deferred tax liabilities arising from initial recognition of taxable non-depreciable goodwill

- temporary differences relating to investments in subsidiaries, associates and joint ventures and where Group management itself decides when the temporary differences will be reversed, and it is probable that this will not take place in the foreseeable future.

Tax increasing and tax reducing temporary differences that are reversed or can be reversed are offset against each other. Taxes are not counterbalanced across national borders. A deferred tax asset is recognised when it is probable that the company will have sufficient taxable profits to utilise the tax asset. Deferred tax liabilities and deferred tax assets that can be recognised in the balance sheet are stated at their nominal value and netted.

If the authorities are notifying a change in previous year's tax return, the expense will normally be recognised as part of the current year's taxes.

10. Intangible assets

Intangible assets are recognised in the balance sheet if probable future economic benefits can be proven and attributed to the asset, and the cost of the asset can be measured reliably. Intangible assets are recognised in the balance sheet at their acquisition cost net of any accumulated depreciation and impairment. Acquisition costs also include in-house payroll costs if the recognition criteria are met.

Goodwill and other intangible assets with indefinite useful lives are not amortised, but assessed for impairment annually (note 13 "Impairment of assets" has a more detailed description). Intangible assets with finite lives are amortised linearly over their estimated useful economic life. Amortisations start from the date when the intangible asset is available for its intended use. Intangible assets not yet available for use are also tested for impairment.

10.1 Intangible assets: Development costs

The Group's development costs mainly relate to the development of IT systems intended for internal use. Development costs are recognised in the balance sheet if all of the following criteria are met:

- The product or process is clearly defined and cost elements can be identified and measured reliably.
- The product's technical solution has been demonstrated.
- The product or process will be sold or used in the business.
- The asset will generate future economic benefits.
- Adequate technical, financial and other resources are available to complete the project.

Only when all the criteria are met, the expenses relating to development work can be recognised in the balance sheet. Otherwise, the costs will be expensed as incurred.

10.2 Intangible assets: Goodwill

Goodwill arises on acquisitions of businesses (described in more detail under sections 5.1 and 5.2).

11. Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet at their acquisition cost net of accumulated depreciation and impairment. The acquisition cost of fixed assets includes costs directly attributable to the acquisition, construction or installation of the assets. For larger investments involving a long manufacturing period, interest is capitalised as part of the acquisition cost. The acquisition cost of fixed assets is decomposed when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are charged to expenses when incurred. Costs relating to replacements and renewals which significantly increase the useful economic life of the fixed assets are recognised in the balance sheet.

Tangible fixed assets are depreciated linearly to allocate costs to the residual values over their estimated useful economic life. Depreciation starts from the date when the tangible fixed asset is available for its intended use. Land is not depreciated.

The assets' residual values, if any, depreciation method and useful lives are reviewed annually.

12. Investments in subsidiaries, associated companies and joint ventures

Subsidiaries are consolidated into Posten Norge's consolidated financial statements. Investments in associated companies and joint ventures are accounted for using the equity method (details are given under section 5 "Consolidation principles").

13. Impairment of assets

An impairment requirement is recognised if the carrying amount of a valuation unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use, where value in use is the present value of estimated cash flows relating to future use. If cash flows relating to an individual asset are independent of cash flows relating to other assets, the individual asset constitutes a valuation unit. If not, a valuation unit is identified at a higher level and is called a cash-generating unit. A cash-generating unit shall be defined consistently over time. A cash-generating unit is defined as the smallest identifiable group of assets generating incoming cash flows and shall essentially be independent of incoming cash flows from other assets or groups of assets. Incoming cash flows are cash and cash equivalents from parties outside the enterprise.

The Group calculates future cash flows based on estimated results (forecasts and long-term plans) over a period of three years, adjusted for depreciation, investments and changes in working capital. The extrapolation period contains an extrapolation of the cash flows after the forecast period, using a constant growth rate. The present value of future cash flows is calculated using a weighted required rate of return of total capital and is calculated before tax.

With the exception of goodwill, impairment recognised in prior periods is reversed if new information indicates that an impairment requirement no longer exists or has been reduced. However, an impairment is not reversed if it implies that the carrying amount exceeds the value that had been determined if no impairment loss been recognised.

13.1. Impairment: Goodwill and other assets with indefinite useful lives

Goodwill, intangible assets with indefinite useful lives and intangible assets being developed are subject to an impairment test annually, irrespective of whether or not there are any indications of impairment.

13.2. Impairment: Other assets with finite useful lives

An assessment of impairment of other assets with finite useful lives is made when there are indications of impairment.

14. Provisions

Provisions are recognised when the company has a present obligation (legal or actual) as a result of a past event, it is probable (more probable than not) that the liability will result in a financial settlement and the amount can be measured reliably. Provisions are reviewed on each balance sheet date, and their level reflects the best estimate of the liability. When the effect of the time value of money is material, the liability is recognised at the present value of future cash flows. Details on provisions for pension obligations are provided in section 8.

14.1 Provisions: Restructuring

Restructuring expenses are costs incurred by the company based on a decision that entails a significant change in the company's defined business areas, either concerning the scope of the activities or the manner in which the company is operated. Provisions for restructuring are expensed when the program has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenues.

14.2 Provisions: Onerous contracts

Expenses related to onerous contracts concern contracts where the costs of meeting the obligations under the contract exceed the economic benefits expected to be received over the contract period. Onerous contracts are fully provided for at the time when the loss is identified.

15. Contingent liabilities and assets

Contingent liabilities include:

- possible liabilities resulting from past events whose existence depends on future events
- liabilities that have not been recognised because it is not probable that they will result in payments
- liabilities that cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the financial statements unless they have been acquired in a business combination. Such liabilities are provided for. Significant contingent liabilities are disclosed, unless it is unlikely that the liability will result in payments.

Contingent assets are not recognised in the financial statements, but disclosed if it is probable that the Group will benefit from them.

16. Financial instruments

Financial instruments are initially measured at fair value on the settlement date, normally at the transaction price. Financial assets are categorised as fair value through profit or loss, available for sale or loans/receivables. Financial liabilities are categorised as fair value through profit or loss or other liabilities.

- Financial assets and liabilities that are held with the intention of profiting on short-term fluctuations in prices (held for trading purposes) or are recognised according to the fair value option, are classified as fair value through profit or loss.
- All other financial assets, except loans and receivables originally issued by the company and subsequently measured at amortised cost, are classified as available for sale.
- All other financial liabilities subsequently recognised at amortised cost are classified as other liabilities.

Changes in the fair value of financial instruments classified as fair value through profit or loss (held for trading purposes or fair value option) are recognised and presented as finance income/expenses.

Financial instruments are recognised in the balance sheet when the Group has become a party to the instrument's contractual terms. Financial instruments are derecognised when the contractual rights or obligations have been fulfilled, cancelled, expired or transferred. Financial instruments are classified as non-current when their expected realisation date is more than 12 months after the balance sheet date. Other financial instruments are classified as current assets or liabilities.

16.1 Financial instruments: Hedging

Before a hedging transaction is carried out, an assessment is made as to whether the derivative shall be used to a) hedge future cash flows related to an asset, liability or a future transaction, b) hedge a net investment in a foreign entity or c) hedge the fair value of an asset or a liability.

The Group’s criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be very effective in that it offsets changes in the fair value of or cash flows of an identified asset or liability, and hedge effectiveness is expected to be within a range of 80-125%, (2) the effectiveness of the hedge can be measured reliably, (3) there is adequate documentation at the time of the hedging that the hedge is highly effective, (4) for cash flow hedges, the future transaction must be very likely, (5) the hedge is assessed on an ongoing basis and has been determined to be highly effective during the reporting periods for which the hedge was designated.

Hedge accounting ceases when:

(a) the hedging instrument expires, is sold, terminated or exercised, or

(b) the hedge no longer meets the criteria for hedge accounting as described above

16.1.a Hedging: Cash flows

The effective portion of changes in fair value of a hedging instrument in a qualifying cash flow hedge is recognised in other comprehensive income. The ineffective portion of the hedging instrument is recognised directly in the income statement.

If the hedged cash flow results in the recognition of an asset or liability, the gains and losses previously recognised in other comprehensive income are reclassified and recognised together with the asset or liability. For other cash flow hedges, gains and losses previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the same period as the cash flow constituting the hedged item is recognised. When a hedging instrument ceases to be highly effective, hedge accounting is prospectively discontinued. In this case, the accumulated gain or loss on a hedging instrument in equity will not be reversed until the hedged transaction actually occurs. If it is no longer expected that the hedged transaction will occur, previously accumulated gains or losses on the hedging instrument in equity will be reversed and recognised in the income statement.

16.1.b Hedging: Net investment in a foreign entity

Posten Norge uses currency futures to hedge its net investments in foreign entities. Changes in currency futures that are designated as hedging instruments are recognised in other comprehensive income together with translation differences related to the investment until any sale of the investment, whereby the accumulated translation differences are recognised in the income statement. The ineffective portion of the hedge instrument is recognised directly in the income statement.

16.1.c Hedging: Fair value

Derivatives that qualify as fair value hedges are measured at fair value, and changes in fair value are recognised in the income statement. Correspondingly, changes in fair value of the hedged item are recognised in the income statement.

16.2 Financial instruments: Derivatives that are not hedging instruments

Derivatives not classified as hedging instruments are classified as held for trading purposes and assessed at fair value. Changes in fair value of such derivatives are recognised in the income statement.

16.3 Impairment: Financial instruments

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. Impairment of a financial asset or a group of financial assets is recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows that can be measured reliably.

Impairment of financial assets carried at amortised cost is recognised in the income statement. Prior impairments are reversed if the reduced impairment requirement can be objectively related to an event occurring after the impairment was recognised. However, the reversal is only recognised to the extent that it does not exceed the amortised cost that would have been determined, had no impairment been recognised.

For financial assets classified as available for sale, accumulated gains or losses previously recognised in other comprehensive income are reclassified to the income statement for the period providing objective information about impairment. A reversal of a prior impairment is recognised when there is new objective information related to an event occurring after the impairment was recognised. The reversal of a prior impairment is recognised in other comprehensive income for shares classified as available for sale, and is recognised in the income statement for other financial assets.

17. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. Should there be any objective evidence of decline in value, the difference between the recognised value and the present value of future cash flows is recorded as a loss.

18. Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Cash and cash equivalents are short-term liquid investments that can be converted into a known amount in cash within three months and are subject to insignificant risk.

19. Loans

Loans are recognised initially at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest method. Amortised cost is the amount at which the financial obligation is measured initially less repayments (instalments, interest and service charges etc.), including effective interest.

20. Equity

In accordance with IAS 1, Posten presents other comprehensive income and changes in equity for the period in separate statements.

20.1. Equity: Translation differences

Translation differences arise in connection with currency differences in the consolidation of foreign entities. Currency differences relating to monetary items (debts or receivables where settlements are neither planned, nor likely to occur within a short period), and in reality constitute a part of a company’s net investment in a foreign subsidiary, are treated as translation differences. At a sale of a foreign entity, the accumulated translation difference related to the entity is reversed and recognised in the income statement in the same period as the gain or loss of the sale is recognised.

20.2. Equity: Hedge reserve

The hedge reserve includes the total net change in fair value of the hedging instrument in a cash-flow hedge until the hedged cash flow occurs or is no longer expected to occur.

20.3. Equity: Costs relating to equity transactions

Transaction costs directly related to equity transactions are recognised directly in equity net of taxes. Other transaction costs are recognised in the income statement.

21. Leasing

Leases are classified as either operating or finance leases, based on a review of the substance in each individual agreement. A lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the Group is classified as a finance lease.

The Group presents finance leases in the financial statements as assets and liabilities, at the cost of the asset or, if lower, the present value of cash flows in the lease. When calculating the present value of the lease, the interest rate implicit in the lease is used when this can be determined. Alternatively, the company's marginal borrowing rate is used. The asset is depreciated over the shorter of the useful life of the asset and the lease term. Monthly lease payments are divided into an interest element and a repayment element.

Payments concerning operating leases are classified as operating expenses and recognised in the income statement over the term of the lease.

22. Events occurring after the balance sheet date

New information about the company’s positions on the balance sheet date is taken into account in the financial statements. Events taking place after the balance sheet date that do not affect the company’s position on the balance sheet date, but will do so in the future, are disclosed if significant.

Segment information

Note 1 Segments

The reporting of segments in the Group has been prepared in accordance with areas whose operating results are reviewed regularly by Posten's Board to enable the Board to make decisions about resources to be allocated to each segment and assess its earnings. Revenues, assets and investments are also reported on a geographical basis, split between Norway and abroad depending on where the revenue is generated/localised, cf. section 6 "Segment reporting" and 7 "Revenue" in the Group's accounting principles.

The reporting segments contain the following:

Mail: letter products, banking services and dialogue services. The segment includes the Mail Division including its subsidiaries Bring Citymail, Bring Mail and the Netlife Group.

Logistics: bulk and part load, parcels, warehousing, thermo and express. The segment comprises the divisions Logistics Norway, Logistics Norden and E-commerce including operations within the areas Bring Cargo, Bring Linehaul, Bring Warehousing, Bring Frigo, Bring Express, Bring Parcels and Bring Cargo International.

Other/elimination: Group administration and shared functions, together with eliminations, are allocated to segment Other/eliminations.

Internal revenue is turnover between the Group segments. The pricing of transactions with other segments are based on commercial terms and as if the segments were independent parties. Market based financial investments and deferred tax assets are included in non-allocated assets. Interest-bearing debt from bond loans, certificate loans, swaps and other long-term financing are included in non-allocated liabilities.

Result per segment

2016	Mail	Logistics	Other/elim i-nations	Group
External revenue	9 092	15 676	4	24 772
Internal revenue	747	849	(1 595)	
Total revenue	**9 839**	**16 525**	**(1 591)**	**24 772**
External expenses including depreciation	7 673	14 932	1 522	24 128
Internal expenses	1 366	1 544	(2 910)	
Operating expenses	**9 039**	**16 476**	**(1 388)**	**24 128**
Impairment	(2)	(304)	(7)	(313)
Restructuring expenses	(135)	(84)	(2)	(220)
Gains/(losses) on the sale of fixed assets and subsidiaries	6	1		6
Other income (expenses)	63	(17)		45
Share of profit or loss from investments in associated companies and joint ventures	(8)	22		15
Operating profit/(loss)	**724**	**(334)**	**(212)**	**178**
Net finance items	(29)	(56)	137	52
Taxes				(191)
Profit for the year				**39**

2015	Mail	Logistics	Other/elim i-nations	Group
External revenue	9 277	15 795	2	25 074
Internal revenue	792	982	(1 774)	0
Total revenue	**10 069**	**16 777**	**(1 772)**	**25 074**
External expenses including depreciation	7 718	15 189	1 481	24 388
Internal expenses	1 535	1 517	(3 052)	0
Operating expenses	**9 253**	**16 706**	**(1 571)**	**24 388**
Impairment	(3)	(382)		(385)
Restructuring expenses	(46)	(56)	(2)	(104)
Gains/(losses) on the sale of fixed assets and subsidiaries		9		8
Other expenses	(63)	(148)		(211)
Share of profit or loss from investments in associated companies and joint ventures	(7)	13	239	245
Operating profit	**698**	**(495)**	**36**	**239**
Net finance items	(38)	646	(696)	(88)
Taxes				(212)
Loss for the year				**(61)**

Balance sheet per segment

2016	**Mail**	**Logistics**	**Other/eli-minations**	**Group**
Segment assets	3 864	10 815	(2 033)	12 647
Associated companies and joint ventures	23	358		381
Non-allocated assets				2 271
Total assets				**15 299**
Segment liabilities	3 152	4 049	(207)	6 994
Non-allocated liabilities				2 393
Total liabilities				**9 387**

2015	**Mail**	**Logistics**	**Other/eli-minations**	**Group**
Segment assets	4 317	10 996	(2 749)	12 564
Associated companies and joint ventures	20	361		381
Non-allocated assets				3 152
Total assets				**16 097**
Segment liabilities	3 205	4 264	(304)	7 164
Non-allocated liabilities				3 007
Total liabilities				**10 172**

Investments per segment

2016	**Mail**	**Logistics**	**Other/eli-minations**	**Group**
Investments in fixed assets [1)]	111	941	192	1 243
Depreciation	305	381	8	694
Impairment	2	304	7	313

1) Investments in fixed assets include neither the purchase of enterprises nor goodwill

2015	**Mail**	**Logistics**	**Other/eli-minaitons**	**Group**
Investments in fixed assets [1)]	91	965	103	1 159
Depreciation	377	412	(1)	788
Impairment	3	382		385

1) Investments in fixed assets include neither the purchase of enterprises nor goodwill

Geographical figures

	2016	2015
External revenue		
Norway	14 810	15 452
Abroad [1)]	9 962	9 623
Total revenue	**24 772**	**25 074**
Assets		
Norway	12 793	13 223
Abroad [1)]	2 506	2 874
Total assets	**15 299**	**16 097**
Investments during the period		
Norway	1 138	929
Abroad [1)]	105	230
Total investments	**1 243**	**1 159**

1) Abroad mainly compromises other Nordic countries

Income statement items

Note 2 Payroll expenses and other remunerations

The note shows the Group's payroll expenses for employees and expensed remunerations to the Group's Board, executives and auditors. Information about the Group's bonus and pension schemes for executives and the statement on executives' remunerations is also given in the note.

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	2016	2015
Salaries	7 727	7 884
Social secuiry tax	1 222	1 218
Pension expenses	567	518
Other benefits	233	239
Payroll expenses	**9 749**	**9 859**

(All amounts i TNOK)	2016	2015
Board remuneration	**2 531**	**2 515**
Fees for the statutory audit	8 561	8 824
Fees for other assurance services	815	838
Fees for tax advisory services	1 057	692
Fees for other non-audit services	2 910	1 395
Remuneration	**13 343**	**11 748**
Number of full-time equivalent positions	17 344	18 189
Number of employees 31.12 (1)	18 327	19 895

1)The number of employees is the number of permanent and temporary emplyoed individuals that generated salary expenses in December

Social security tax on pensions is classified as pension expenses (details in note 3)

Remunerations and fees

Auditor fees in 2016 mainly concerned the audit firm EY. NOK 1 087 000 of "Fees for other non-audit services" were fees to other firms than EY for services rendered for foreign subsidiaries.

The Board of Directors

External board members do not have pension schemes or other benefits other than board remuneration. Employee representatives only had pension schemes related to their employment in Posten Norge AS. The Annual General Meeting determines the remuneration to the Board of Directors of Posten Norge AS. The board fees for 2016 were approved in the Annual General Meeting on 14 June 2016, and the board members received the following remuneration in 2016:

(All amounts in NOK exclusive of social security tax)

Remuneration	2016	2015
Idar Kreutzer, Chairman of the Board	432 756	420 504
Randi B. Sætershagen, Vice Chairman of the Board	319 503	310 254
Terje Wold	210 000	204 000
Anne Britt Berentsen	248 502	223 002
Tove Andersen (from 12.06.2015)	210 000	103 500
Morten Karlsen Sørby (from 12.06.2015)	215 004	106 002
Gøril Hannås (to 11.06.2015)		119 001
Jørgen Randers (to 11.06.2015)		103 002
Odd Christian Øverland, employee representative [1]	215 004	209 004
Ann Elisabeth Wirgeness, employee representativet [1]	210 000	204 000
Siv Astrid Ryan Andersen, employee representative [1]	210 000	204 000
Tom Sørensen, employee representative (deputy to 31.10.2015, employee representative from 01.11.2015 to 14.06.2016) [1]	94 300	95 500
Lars Nilsen, employee representative (from 15.06.2016) [1]	115 700	
Paul Gamlemshaug, employee representative (to 31.10.2015) [1]		169 500
Petter Torp (deputy)	10 500	
Total	**2 491 269**	**2 471 269**

1) For employee representatives, the amounts only concern compensation for the board position stated.

The Vice Chair of the Board Randi Sætershagen and the board member Anne Britt Berentsen participated in the audit committee in 2016 and received fees amounting to NOK 64 500 and NOK 38 502 for this work. A compensation committee was established in June 2003 for Posten Norge AS. The Chairman of the Board Idar Kreutzer and board members Morten Karlsen Sørby and Odd Christian Øverland were members of the compensation committee in 2016, and received NOK 11 256, NOK 5 004 and NOK 5 004, respectively, in fees. The fees for 2016 are included in the remuneration specified above.

Group management – compensation

Group management is defined as the persons with the authorisation and responsibility for planning and monitoring the enterprise's operations. Unless otherwise stated, the amounts below cover the entire year.

2016

(All amounts in NOK exclusive of social security tax)

Group management	Basic pay 1)	Expensed bonus	Other benefits 2)	Pension cost	Period of notice	Severance pay agreement
Dag Mejdell (to 10.10.2016) 3)	3 989 259	574 856	5 300	2 310 599		
Tone Wille 4)	2 905 653	455 360	6 366	339 325	6 months	No
Gro Bakstad	2 773 305	452 466	6 366	1 380 076	6 months	No
Elisabeth H. Gjølme	2 083 746	285 930	6 366	731 377	6 months	9 months
Randi Løvland	1 948 173	330 682	113 272	278 905	6 months	9 months
Tore K. Nilsen	3 420 885	597 675	6 366	614 534	6 months	9 months
Gunnar Henriksen	2 069 151	422 703	126 042	329 391	6 months	No
Morten Stødle (from 10.10.2016)	434 252	123 975	42 309	24 613	6 months	No
Thomas Tscherning 3)	3 150 900	489 201		882 580	6 months	9 months
Total	**22 775 325**	**3 732 848**	**312 389**	**6 891 401**		

1) Basic pay includes wages, car allowance, holiday pay and pension compensation.

2) Include company cars and electronic communication

3) Group director Thomas Tscherning has received his salary in Swedish kroner. Translated into Norwegian kroner with an average exchange rate for the year 0,9823

4) Tone Wille was in October 2016 hired as the new CEO in the Group. The annual basic pay of the CEO is 4 M NOK. In addition to this, the CEO has free telephone/broadband, car allowance of 274 TNOK per year and parking at the workplace. There is also a contract that gives the CEO a maximum bonus of 500 TNOK per year. Tone is a member of the company's pension and employer's liability insurance in accordance with the existing group schemes at Posten Norge AS.

2015

(All amounts in NOK exclusive of social security tax)

Group management	Basic pay[1)]	Expensed bonus	Other benefits [2)]	Pension cost	Period of notice	Severance pay agreement
Dag Mejdell [3)]	4 087 653	495 102	6 201	3 002 970	6 months	9 months
Tone Wille	2 389 070	220 500	6 201	357 677	6 months	No
Gro Bakstad	2 684 059	310 070	6 201	1 601 055	6 months	No
Elisabeth H. Gjølme	2 030 050	157 538	6 201	690 784	6 months	9 months
Randi Løvland	1 826 912	207 306	185 961	259 025	6 months	9 months
Tore K. Nilsen	3 364 272	339 188	6 201	587 114	6 months	9 months
Gunnar Henriksen	2 015 032	169 092	126 119	309 760	6 months	No
Thomas Tscherning [4)]	2 964 298	208 169	242	839 863	6 months	9 months
Total	**21 361 345**	**2 106 965**	**343 325**	**7 648 247**		

1) Basic pay includes wages, car allowance, holiday pay and pension compensation.

2) Include company cars and electronic communication

3) Cheif Executive Officer Dag Mejdall has a loan with Posten Norge AS with an outstanding balance of NOK 642 858 as of 31December 2015. The loan was repaid in 2016.

4) Group director Thomas Tscherning has received his salary in Swedish kroner. Translated into Norwegian kroner with an average exchange rate for the year 0,9571

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management. The scheme has two parts, one element based on the consolidated Group results and one on individual results. A bonus of up to 25% of the salary can be achieved. For the CEO, there is an upper limit for bonus payments of TNOK 500. The final decision regarding bonuses is made by the Board (the CEO for Group management). Bonuses are as a main rule only paid to persons maintaining their positions as at 31 December.

Posten Norge AS and most of the Group’s subsidiaries have bonus schemes for key personnel in management related to result achievement and/or individual criteria (details in the statement on the determination of salaries and other remuneration to executives below).

Pension schemes

Group management has the same pension schemes and pension terms as other employees in the Group (cf. item 5 under the *Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS’ wholly owned subsidiaries*).

There are exceptions for executives joining Group management before 31 December 2006. They have a defined benefit pension scheme of 66% based on operations with a retirement age of 64 years. This scheme was closed on 31 December 2006.

Individuals employed after the benefit scheme was closed in 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12G, the annual contributions are limited to 25% of the pension basis in excess 12G. This scheme was closed in February 2015 for employees in Posten Norge AS and in October 2015 for employees in Norwegian subsidiaries.

Severance pay

For members of Group management with severance pay arrangements, the agreements include clauses of curtailment against other income.

Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries

(Approved by the Board on 16 February 2017)

This statement is based on Guidelines for salaries and other remuneration to executives in state enterprises and companies (established by the Ministry of Trade and Fisheries effective from 13 February 2015) and has been prepared by the Board in accordance with the Articles of Association section 8, last paragraph, cf. the Public Limited Company Act section 6-16a.

The declaration will be reviewed in Posten Norge's Annual General Meeting. The declaration applies until the Board either repeals it or adopts a new declaration.

The declaration applies to the Group CEO and Group Executive Vice Presidents reporting to the Group CEO (Group management) in Posten Norge AS. The statement correspondingly applies to the CEO and executives reporting to the CEOs in Posten Norge AS' wholly owned subsidiaries. These groups are called "senior employees".

The statement has two main parts. Part I deals with the executive remuneration policy that has been followed in the preceding financial year, cf. the Public Limited Companies Act section 6-16 a, first, third and fourth paragraphs. Part II contains guidelines for determining management salaries for the coming fiscal year, cf. the Public Limited Companies Act section 6-16 a, second paragraph. The guidelines in Part II apply in full when new agreements are made in the coming financial year, and shall otherwise be followed as far as possible within the framework of the agreements concluded upon earlier.

Part I (policy for executive remuneration in the previous year)

1. Posten Norge AS

The remuneration to senior employees in 2016 has been in accordance with Statement of salaries and other remuneration to executives in Posten Norge AS, adopted on 18 February 2016 (in the following, last year's statement).

In 2016, an employment contract was made with a new Group CEO and a new Group director. The terms in both agreements are in accordance with last year's statement.

The Board has not approved any long-term incentive scheme for senior employees in 2016, as the statement allows for.

As mentioned in previous statements, some agreements concluded before 31 March 2011 deviate from the Norwegian state's guidelines.

Notes 2 and 3 to the 2016 financial statements have complete overviews of the remunerations to group management.

2 Posten Norge AS' wholly owned subsidiaries

The remuneration to senior employees in wholly owned subsidiaries in 2016 have been in accordance with the Norwegian state's guidelines, with the two exceptions mentioned below.

Before 13 February 2015, an individual pension agreement was made with one senior employee in a wholly owned Swedish subsidiary. This agreement deviates from the pension terms for the other employees. The agreement ends medio 2017.

Before 13 February 2015, a pension scheme implying that the company's senior employees have benefits deviating from the other employees was established in a wholly owned Norwegian subsidiary. The insurance scheme will be adjusted in 2017 in order to give senior employees and the other employees the same arrangement.

Part II (policy for executive remuneration in the coming year)

The guidelines in this Part II apply to Posten Norge AS. If not specifically stated in the text, the guidelines apply correspondingly for Posten Norge AS' wholly owned subsidiaries.

1. The main principles for the executive remuneration policy

The total remuneration, in the following is referred to as executive pay, shall be competitive, but not leading, compared to similar companies. The Board in each company shall have an overview of the total compensation for each executive.

Posten Norge AS shall be adequately informed and ensure that the statement of salaries is adhered to in all companies for which the statement applies.

2. Elements of executive pay

2.1 Base salary

The main element of executive pay shall be the fixed salary. The objective is to have competitive salaries without being a wage leader for the same type of positions.

To support the ongoing reviews of salary levels, market information about executive compensation shall be collected every other year from a recognised international company with satisfactory statistics from Norway, Sweden and Denmark.

2.2 Variable pay

Individual agreements on variable pay with senior employees can be made on the basis of performance, with an economic framework of up to six months' wages. A system of variable pay (bonus) must be transparent and clearly understandable.

The individual goals shall be set for one year at a time and should always be described and based on objective, definable and measurable criteria on which the manager can have an influence.

The basis for calculating the bonus shall comprise both common Group goals and individual goals for each manager. The objectives shall be linked to the results achieved within the following main categories: economic/financial targets, HSE (Health, Safety and Environment), the external environment, customers, strategy and the individual's professional responsibility.

The category economic /financial targets is calculated after achieving the established budget, and can be a common Group goal as well as an individual goal for each manager. Bonus targets shall always include the Group's ROIC and at least one HSE target.

The corporate goals in Posten Norge AS shall constitute between 60 and 100% of the bonus potential, and the individual targets between 0 and 40%. In wholly owned subsidiaries, the corporate goals shall constitute a minimum of 20% of the bonus potential.

Within the economic framework of six months, the Board in Posten Norge AS can, in addition, establish a long-term incentive plan that measures the added value over time.

2.3 Other benefits

Senior employees may receive benefits in kind customary for comparable positions.

2.4 Insurance

Senior employees shall have the same level of insurance coverage as other employees.

2.5 Severance pay

Advance agreements can be made about a reasonable amount of severance pay for senior employees in Posten Norge AS, taking effect if the employee does not contest the notice.

Total severance compensation on retirement shall not exceed 12 months' salary. Severance pay should be reduced proportionately with new annual income (calculated from the period of notice).

Severance pay is not applicable for voluntary resignations. Severance is not used if there are valid reasons for dismissal or if irregularities or omissions that may lead to liability or prosecution for offenses for the individual are discovered in the period.

3. Share options and programs

Senior employees shall not receive compensation in the form of share options or shares in the parent company or subsidiaries, or a cash bonus linked to an assessed growth in the value of the share.

4. Board remuneration

Senior employees shall not receive special compensation for board positions in other Group companies.

5. Pension benefits

Senior employees shall have the same pension scheme and the same pension terms as other employees in the company. Posten Norge AS and the Norwegian wholly owned subsidiaries shall have defined contribution schemes, where the pension basis shall not exceed 12G. For foreign wholly owned subsidiaries, the individual national rules and practices shall be followed

The employer's payments to the contribution scheme shall be made only in the period of employment, preventing costs to incur after a senior employee has resigned from his/her position in the company.

Note 3 Pensions

The Group has both defined contribution and defined benefit plans. The defined benefit schemes are predictable for the employee by the fact that the payments have been agreed in advance. The premium payments depend on factors like the members' service time, age and salary level. In the contribution schemes, the payments are determined as a percentage of the employee's salary. The size of the pension assets determines how much pension the employee is entitled to, and as a consequence, the employees have the return risk on what has been paid into the scheme. The majority of the Group's pension schemes are based on contribution. More information is available in section 3 «Accounting estimates» and 8 «Pensions» in the Group's accounting principles.

	2016	2015
Pension costs		
Present value of the pensions earned for the year	109	74
Net interest expense on net liabilities	27	27
Gross pension costs incl. social security tax (benefit based)	**136**	**101**
Employee contribution	(1)	(1)
Interest element reclassified to finance expenses	(25)	(24)
Net pension costs incl. social security tax (benefit based)	**111**	**75**
Defined contribution pension schemes	568	556
Employee contributions to defined contribution pension schemes	(112)	(113)
Total pension expenses included in the operating profit for the year	**567**	**518**
Net pension liabilities		
Estimated accrued secured liabilities	(482)	(481)
Estimated value of the pension assets	248	264
Net estimated secured pension liabilities	**(233)**	**(216)**
Estimated accrued unsecured pension liabilities	(818)	(802)
Net estimated pension liabilities in the balance sheet	**(1 051)**	**(1 017)**
Pension funds recognised as financial non-current assets	1	2
Pension liabilities recognised as provisions for liabilities	(1 052)	(1 019)
Changes in liabilities		
Net liabilities at 01.01	(1 017)	(1 150)
Gross pension expenses	(136)	(101)
Premium payments and benefits paid	165	161
Contributions from scheme members	1	1
Adjustment of previous period's pension liabilities		6
Repayment of previously paid-in pension premium	(13)	
Changes in pension estimates recognised in total comprehensive income	(74)	87
Translation differences	23	(21)
Net pension liabilities at 31.12	**(1 051)**	**(1 017)**

	2016	2015
The main categories of pension assets at fair value		
Equity instruments (shares, bonds)	79	124
Debt instruments	115	108
Property	21	22
Other assets	33	11
Total pension assets	**248**	**264**
(Losses)/gains on pension estimates at 01.01.	**582**	**494**
Changes in discount rate, pension liabilities	(47)	29
Changes in other financial assumptions, pension liabilities	1	56
Changes in demographic assumptions, pension liabilities	(50)	(10)
Changes in other factors, pension liabilities	12	14
Changes in other factors, pension assets	9	
Total	**(74)**	**87**
(Losses)/gains on pension total in other comprehensive income at 31.12.	**508**	**582**
Defined contribution pension schemes		
Number of members	20 985	22 474
Share of salary	1-35%	1–30%
Defined benefit pension schemes		
Actuarial assumptions:		
Discount rate	2,25-2,8%	2,5 %
Expected salary regulation	2-2,65%	2,5–3,2%
Expected G regulation	2,25 %	2,25 %
Expected pension regulation	1,5-2,25%	1,5–2,25%
Expected yield	2,25-2,8%	2,5 %
Expected voluntary retirement (below 50 years)	3,5-5%	2–3,5%
Expected voluntary retirement (over 50 years)	1,5-5%	1,5–2%
Expected use of AFP	40-60%	35–50%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

The Group has defined contribution schemes for most of the employees in Norway, Sweden and Denmark, and the premium is expensed when incurred.

Some companies in the Group's Swedish operations had defined benefit schemes, ITP2, which, pursuant to IAS 19, do not qualify for recognition in the balance sheet. In accordance with Swedish rules, the pension liability is covered by a capital insurance and accounted for as a contribution scheme in the consolidated financial statements.

The defined contribution pension plans in Sweden and Denmark had variable contribution rates based on different calculation bases and rate ranges. In Sweden, as an example, the calculation basis for some employees is a so-called "income base amount" (IBB). In 2016, this constituted 59 300 Swedish kroner (58 100 Swedish kroner in 2015.

The contribution amounts were calculated in three intervals with a low rate from an annual salary of 0-7,5 IBB, the next interval 7,5-20 and a high rate of 20-30 IBB. This shall result in yields of 10%, 65% and 32,5%, respectively, of the annual salary.

In 2016, MNOK 15 were charged in administration costs due to new rules for paid-up policies. The amount is included in costs related to the contribution pension plan.

The AFP (early retirement) scheme

On 1 November 2011, the parent company and most of the Norwegian subsidiaries transferred to a new AFP scheme (the joint scheme for AFP in the private sector). The new AFP scheme is a multiple company plan considered to be a defined benefit plan. For the time being, however, there is not adequate information available to measure the pension obligation in a reliable manner, and the scheme is therefore accounted for as a contribution plan.

In 2016, one AFP scheme was terminated, and as a consequence, the Group received MNOK 46, of which MNOK 13 were classified as pension costs.

Some provisions related to AFP were reversed in 2015 and thereby reduced the pension cost for the year.

Defined benefit schemes

The Group has defined benefit pension plans. Some of these schemes are nevertheless presented as contribution plans and expensed on a current basis. Pension funds in the Group basically relate to benefit schemes for companies in the Bring Cargo Group and Bring Frigo AB.

Assumptions

From 2016, changes have been made to the financial assumptions, basically in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge uses covered bonds (OMF) as its basis for the discount rate. Posten has decided that covered bonds (OMF) in 2016 qualify as corporate bonds with adequate credit worthiness and market depth to be the basis for the discount rate under IAS 19.

The subsidiaries have principally applied the same long-term economic assumptions for benefit schemes as the parent company, but they are adjusted for country-specific macro-economic circumstances (cf. note 2 for Posten Norge AS).

The take-up tendency increased by 10-15 percentage points from 2015 to 2016. This is the main reason for this year’s change in actuarial assumptions concerning demography and was made as a consequence of a review of the total and the historical rate of withdrawals.

Sensitivity

The table below shows estimates for possible effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2016 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1 %	+1%	-1 %	+1%	-1 %
Change in pension obligation	-137	163	49	-43	-39	29
Percentage change	-14 %	16 %	5 %	-4 %	-4 %	3 %

Note 4 Other operating expenses

Other operating expenses are cost not directly related to the sale of goods and services, salaries and personnel costs or depreciation/impairment.

	2016	2015
Cost of premises	1 151	1 161
Other rental expenses	352	365
IT services	636	661
Other external services	419	439
Repair and maintenance of equipment	183	188
Tools, fixtures, operating materials	180	187
Marketing	127	118
Travel expenses	119	138
Insurance, guarantee and compensation expenses	107	113
Accounting and payroll services	103	117
Telephone	47	44
Other expenses	175	283
Total operating expenses	**3 599**	**3 814**

In addition to costs related to premises and other rental expenses, the most significant part of the Group's other operating expenses concerns IT services. The decrease in IT services is due to a combination of cost measures and new contracts for operations and management. The decline in other external services was a consequence of reduced use of temporary staff and consultants in the Group. The marketing expenses showed a reduction due to a decline in advertisements and advertising material. Some of the reduction in other expenses was a result of a reclassification of costs related to cars and vehicles to another account group. Focus on cost measures caused a reduction in operating expenses. Other expenses included freight, stationery, membership dues and losses on receivables

Note 5 Other income and expenses

Other income and expenses comprise significant income and costs that are non-recurring, and includes restructuring costs, gains and losses on sales of fixed assets (details in section 3 "Accounting estimates" and 14 "Provisions" in the Groups accounting principles).

	2016	2015
Restructuring expenses	(220)	(104)
Gains on sales of fixed assets and subsidiaries	6	8
Other income/(expenses)	45	(211)
Total other expenses	**(169)**	**(307)**

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2016, the Group made a provision of MNOK 228 for restructuring costs and reversed the previous years' provision of MNOK 8. MNOK 143 of the provision of this year’s provision of MNOK 228 concerned personnel initiatives, MNOK 50 premises and MNOK 35 other measures. The provisions were basically made in connection with the introduction of one mail flow in Posten Norge AS from January 2018 and the winding-up of operations in Bring Freight Forwarding AB (formerly Bring Cargo Inrikes AB). The corresponding provision in 2015 was MNOK 109, and the reversal MNOK 5. Total provisions for restructuring are shown in note 11.

Gains on sales of fixed assets and subsidiaries

Gains/losses on sales of fixed assets and subsidiaries in 2016 mainly concerned the sale of the wholly owned subsidiary Posten Eiendom Skien AS, and in 2015 sales of fixed assets and property.

Other income and expenses

Other income and expenses in 2016 principally concerned income from a settlement in a dispute in the Mail segment, and in 2015 for the most part regarded onerous contracts arising in connection with the market regulation of rental contracts in the Logistics segment. In 2015, other expenses also included costs concerning a settlement in a claim for compensation in the Mail segment.

Note 6 Finance income and finance expenses

The note gives an overview of the Group's finance income and expenses, including income and costs related to the Group's financing, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (cf. also section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Other interest income	82	50
Currency gains	95	321
Gains on derivatives	113	180
Gains on loans at fair value through profit and loss 1)	45	
Other finance income	35	2
Finance income	**370**	**551**
Interest expenses on financial leases	3	3
Other interest expenses	74	98
Currency losses	145	265
Losses on derivatives	56	66
Losses on loans at fair value through profit and loss 1)		158
Other finance expenses	40	50
Finance expenses	**318**	**639**

1) Change in value of loans in Japanese yen, at fair value. This corresponds to the change in value of combined interest-rate/currency swaps that are recorded as "Gains on derivatives". For further information, see note 18.

Other interest income in 2016 included MNOK 59 in net value increase on current market investments.

Other finance income included a repayment of financial income in connection with the termination of a pension scheme amounting to MNOK 33.

Other interest expenses in 2016 included interest costs on net pension obligations constituting MNOK 25 for the Group.

Other finance expenses in the Group were primarily interest costs related to long-term financing.

Note 18 has details on the Group's financial risk and capital management.

Note 7 Taxes

The note accounts for the authorities' taxation of the profit in the Group companies. The tax expense is calculated on the basis of the accounting result and is split into the period's tax payable and change in deferred tax/deferred tax assets. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (cf. also section 3 "Accounting estimates" and section 9 "Taxes" in the Group's accounting principles).

	2016	2015
Income taxes		
Tax payable	257	159
Changes in deferred tax (deferred tax asset)	(67)	53
Tax expense	**191**	**212**
Tax payable for the year	262	160
Adjustments previous years	(3)	(1)
Other	(1)	
Tax payable	**257**	**159**
Effective tax rate	**83 %**	**140%**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit before tax	230	151
25% tax (27% in 2015)	57	41
Impairment of goodwill	46	97
Other non-deductible expenses	26	15
Non-taxable income	1	(75)
Effect from tax rates in other countries	7	18
Effect of changes in tax rate	7	24
Adjustments previous years	(10)	(4)
Not recognised deferred tax asset	54	103
Other	2	(7)
Tax expense	**191**	**212**

	2016	2015
Changes in deferred tax recorded directly in other comprehensive income		
Actuarial gains and losses	(17)	21
Translation differences from hedging of investments in foreign entities	43	(38)
Cash flow hedging	6	5
Effect of change in tax rate	(3)	(1)
Total	**29**	**(12)**

The decline in effective tax rate compared to last year, from 140% to 83% for the Group, is mainly due to a reduction in the impairment of goodwill and a smaller portion of deferred tax assets not recognised in the balance sheet in Swedish subsidiaries. The effect is to some extent offset by an increase in non-deductible expenses and a reduction in tax-free income, and as a consequence of a reduced tax rate, primarily in Norway. The effect of the changed tax rate recognised in the Group result is MNOK 14.

Changes in deferred tax asset

	01.01. 2016	Addition sub-sidiaries	Recog-nised in other compre-hensive income	Recog-nised in income state-ment	Other	Trans-lation differ-ences	Effect of change in tax rate[1)]	31.12. 2016
Tangible fixed assets	1	2		(58)		(2)	(4)	(60)
Retained gains and losses	3						(1)	3
Receivables	(3)			1				(2)
Currency	30			(25)				5
Pensions	(229)		(17)	10		4	6	(226)
Contribution fund	23			(3)			(1)	20
Provisions	(120)			(3)		3	3	(117)
Financial instruments	(43)		49	(2)				4
Other	9			1		(1)		9
Tax losses carried forward	(425)			(43)		26		(442)
Total deferred tax/(tax asset)	**(754)**	**2**	**32**	**(121)**		**31**	**4**	**(807)**
Total not recognised in balance sheet	375			54		(20)		410
Total deferred tax/(tax asset) in balance sheet	**(379)**	**2**	**32**	**(67)**		**10**	**4**	**(396)**

1) The column includes the effect of change in tax rate that is recognised in the income statement and in other comprehensive income, by MNOK and -3 MNOK, respectively.

The ordinary corporate tax for companies domiciled in Norway was reduced from 25% to 24% with effect from 2017. The tax rate of 24% is the basis in the calculation of the value of deferred tax asset for the Group's Norwegian companies. This resulted in a reduction in the deferred tax asset of MNOK 4.

The effect of the changed tax rate is related to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly.

The effect of the changed tax rate recognised in other comprehensive income of – 3 MNOK mainly concerns changes in pension estimates, offset by hedges in foreign subsidiaries.

The deferred tax asset not recognised in the balance sheet mainly concerned losses to carry forward in Sweden and Denmark. The Group had deferred tax assets totalling MNOK 442, mainly related to losses to carry forward as at 31 December 2016. There is no time limit connected with the losses. The losses to carry forward included in the basis for the deferred tax asset recognised in the balance sheet are based on expected future profits and opportunities for group contributions.

Non-financial assets and liabilities

Note 8 Intangible assets

Intangible assets are non-physical assets and mainly concern capitalised IT development, including specially adapted software and goodwill in connection with acquisitions of businesses. Intangible assets and goodwill are subject to significant estimation uncertainty (cf. section 3 "Accounting estimates" and section 10 "Intangible assets" in the Group's accounting principles).

	IT develop-ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2016	2 351	68	3 372	5 790
Accumulated amortisation and impairment 01.01.2016	(1 977)		(1 474)	(3 451)
Carrying amount 01.01.2016	**374**	**68**	**1 898**	**2 339**
Additions	15	176		191
Additions internally developed intangible assets		35		35
Additions through company acquisitions (note 23)	1		79	80
Amortisation for the year	(135)			(135)
Impairment for the year	(1)	(6)	(229)	(236)
Adjustment of cost price/scrapping	(1)			(1)
Translation differences	(2)		(77)	(79)
Transfers from projects in progress	69	(69)		
Carrying amount 31.12.2016	**320**	**203**	**1 671**	**2 194**
Acquisition cost 31.12.2016	2 167	209	3 297	5 673
Accumulated amortisation and impairment 31.12.2016	(1 847)	(6)	(1 626)	(3 479)
Carrying amount 31.12.2016	**320**	**203**	**1 671**	**2 194**

	IT development etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2015	2 076	227	3 020	5 323
Accumulated amortisation and impairment 01.01.2015	(1 736)		(867)	(2 603)
Carrying amount 01.01.2015	**340**	**227**	**2 153**	**2 720**
Additions	93	23		115
Additions internally developed intangible assets	1	1		3
Additions through company acquisitions (note 23)			13	13
Amortisation for the year	(243)			(243)
Impairment for the year			(360)	(360)
Adjustment of cost price/scrapping	(2)			(2)
Translation differences	2		92	93
Transfers from projects in progress	183	(183)		
Carrying amount 31.12.2015	**374**	**68**	**1 898**	**2 339**
Acquisition cost 31.01.2015	2 351	68	3 372	5 790
Accumulated amortisation and impairment 31.01.2015	(1 977)		(1 474)	(3 451)
Carrying amount 31.12.2015	**374**	**68**	**1 898**	**2 339**
Amortisation method	Straight-line			
Useful life	3 - 10 years			

IT development etc.

Total intangible assets related to IT development etc. recognised in the balance sheet at 31 December 2016 constituted MNOK 320, of which MNOK 292 concerned Posten Norge AS. A group-shared IT platform was capitalised by MNOK 56. MNOK 38 concerned Oracle E-business Suite, comprising solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a new route register.

A development platform and shared client software for the use of handheld terminals amounting to MNOK 37 were recognised in the balance sheet, as well as a production support system and several projects concerning web solutions.

As part of Posten Norge's adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,4 million users. The system’s value in the balance sheet at year-end was MNOK 40.

For intangible assets that have a finite useful economic life, the amortisation period for the Group was 3-10 years in 2016 (the same as in 2015), depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2016 amounted to MNOK 203, of which approximately MNOK 188 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the Group's strategic and operating goals. The program comprises group-shared improvement initiatives and IT investments that shall contribute to give the Group an improved basis for its operations.

Impairment of IT development etc. and projects in progress

Impairment costs are presented on the line for impairment in the income statement.

No significant need for impairment was recognised in 2016 or 2015 for IT development etc. or projects in progress.

Goodwill

Goodwill is allocated to cash-generating units based on an assessment of incoming cash flows related to the business or business group (operating segment) to which the goodwill pertains. If the cash flows are independent of cash flows related to other entities, the individual entity comprises the cash-generating unit, and the goodwill is allocated to this entity. If not, goodwill is allocated to a cash-generating unit at a higher level. Goodwill in the Group is summarised below.

Cash-generating units	Carrying amount 01.01.16	Additions	Inter-company transfers	Impair-ment	Trans-lation differ-ences	Carrying amount 31.12.16
Bring Dialog Norge	45		(45)			
Bring Mail Nordic	28				(3)	26
Netlife Gruppen		59	45			104
Total Mail Segment	**73**	**59**			**(3)**	**130**
Posten Norge AS - logistics division	441		114			556
Bring Express Norge	182		(81)			101
Bring Express Norden	94		(94)			
Bring Express Sverige			62		(7)	55
Bring Express Danmark		5	33			38
Bring Warehousing	64					64
Bring Cargo	298		(44)		(1)	253
Bring Frigo Sverige	398	1		(151)	(40)	208
Bring Frigo Norge	60		(19)	(41)		
Bring Linehaul	10		(10)			
Bring Freight Forwarding	42			(37)	(5)	
Bring Cargo International	230				(21)	209
Bring Gudbrandsdalen	6		(6)			
Bring Transportløsninger		13	45			58
Total Logistics Segment	**1 825**	**20**		**(229)**	**(74)**	**1 541**
Total Group	**1 898**	**79**		**(229)**	**(77)**	**1 671**

Additions goodwill

The addition of MNOK 79 concerned the acquisition of Netlife Research AS, operations from Dansk Transport ApS and Espeland Transport AS. A minor adjustment has also been made to the cost for Svebol Logistics AB, acquired in 2015. The additions are allocated to the cash-generating units Netlife Gruppen, Bring Express Danmark and Bring Transportløsninnger, the adjustment relates to the cash-generating unit Bring Frigo Sweden.

The Group has also carried out several internal restructurings, including business transfers, in 2016. If restructurings change one or several cash-generating units to which goodwill is allocated, goodwill is reallocated. In such instances, goodwill has been measured at the relative values of the acquired business against the value of the original cash-flow generating unit. In instances where another method better reflects she share of goodwill connected to the acquired business, such methods have exceptionally been applied.

Purchases and sales of companies, and other changes in the Group’s structure, are described in more detail in note 23.

Impairment of goodwill

Goodwill is subject to annual impairment tests. If there are any indications of impairment during the year, goodwill is tested when these indications occur. The Group uses the value in use as the recoverable amount for goodwill.

Forecasts

Future cash flows are calculated on the basis of estimated results over a period of three years, adjusted for depreciation, investments and changes in working capital. Forecasts and long-term plans for group entities are prepared and approved by management based on the most recent available general economic indicators and market expectations, considered against strategic goals, historical and other factors.

The Mail segment is characterised by a decline in the volume of letters, some increased price pressure and efficiency efforts in production and distribution. Significant cost elements are salaries and external service and operating expenses that are affected by price negotiations and inflation. In the Logistics segment, profit margins are characterised by strong competition and inflation. Significant cost elements are external service costs that are affected by price negotiations and inflation. The Group is sensitive to fluctuations in market trends in Norway and the Nordic countries, especially related to the Logistics segment. This is reflected in the growth rates of the Group entities.

Other assumptions (growth and required rate of return)

The extrapolation period contains a projection of cash flows after the forecast period, using a constant growth rate. The growth rate per segment is stated in the table below. Growth rates do not exceed the long-term average rate in the areas where the Group operates.

The present value of future cash flows is calculated using a weighted required rate of return of total capital for each segment before tax. The required rate of return for equity is calculated by using the capital asset pricing model (CAPM). The required rate of return for debt is estimated on the basis of a long-term risk-free interest with the addition of a credit margin derived from the Group's marginal long-term interest rate on loans. The Group's required rate of return per segment is assessed each year for significant changes in factors that affect the requirement. The Group mainly operates in the Norwegian and Swedish markets with cash flows in Norwegian and Swedish Kroner. The required rate of return per segment is stated in the table below.

Overview of goodwill and key assumptions per segment

		Discount rate before tax (WACC)		Long-term growth rate	
Segment	**Goodwill**	**2016**	**2015**	**2016**	**2015**
Mail	130	8,8 %	8,5 %	0 - 2 %	0 – 2%
Logistics	1 541	9,1 %	9,1 %	2 %	2 %
Total Group	**1 671**				

Results from impairment tests in 2016

Based on the criteria described above, a total impairment of MNOK 229 concerning goodwill in the Logistics segment was written down in 2016 (MNOK 360 in 2015).

The volume development in the Swedish market after the finance crisis in 2008/2009 has been weaker than assumed when the Group acquired the businesses presently being part of Bring Frigo Sverige. In addition, the enterprises are facing a more demanding competitive situation implying challenges of adequate profitability. As a consequence of this, goodwill related to Bring Frigo Sverige was impaired by MSEK 162.

Goodwill of MSEK 40 related to Bring Freight Forwarding, originating from the acquisition of West Cargo Vårgårda in 2014, were written down. The company is expecting weaker profitability in the time to come, mainly as a consequence of an increased cost level.

Goodwill related to Bring Frigo Norge was impaired by MSEK 41. The company lost significant customers in 2016, and the the cost adjustments related to the declines in turnover have been demanding. In addition, the business is characterised by lower turnover on existing customers, driven by lower volumes especially within the fish segment. This implies profitability challenges.

No additional requirements for impairment have been identified and recognised for other goodwill items as at 31 December 2016.

Sensitivity analyses

Sensitivity analyses have been performed in assumptions for those cash generating units where the difference between the carrying amount and value in use is low. This concerns Bring Frigo Sverige, Bring Cargo International and Bring Express Danmark, and for these companies adjustments in key assumptions like growth, required rate of return and margins have been analysed. The result are summarised below.

Sensitivity in growth rates

Changed assumptions	Additional impairment		
Long-term growth rate, initially 2%	**Bring Frigo Sverige**	**Bring Cargo International**	**Bring Express Danmark**
1,0 %	(82)	(31)	(2)
0,0 %	(146)	(55)	(6)

Sensitivity in discount rates

Changed assumptions	Additional impairment		
Discount rate, initially 9,1%	**Bring Frigo Sverige**	**Bring Cargo International**	**Bring Express Danmark**
9,6%	(51)	(20)	(1)
10,1%	(95)	(38)	(3)

Sensitivitet in margins

Changed assumptions	Additional impairment		
Forcasted EBIT	**Bring Frigo Sverige**	**Bring Cargo International**	**Bring Express Danmark**
Decrease of 5%	(42)	(16)	
Decrease of 10%	(85)	(32)	(2)
Decrease of 15%	(127)	(47)	(4)

Note 9 Tangible fixed assets

Tangible fixed assets comprise various types of property and operating equipment needed for the type of business conducted by the Group. The largest values are represented by mail and logistics terminals (cf. section 11 "Tangible fixed assets" in the Group's accounting principles).

	Machi-nery	**Vehicles, fixtures and fittings**	**Buildings, property**	**Machi-nery and facilities under constr.**	**Buildings under constr.**	**Total**
Acquisition cost 01.01.2016	1 441	2 890	4 585	96	757	9 769
Accumulated depreciation and impairment 01.01.2016	(1 036)	(1 600)	(1 560)			(4 195)
Carrying amount 01.01.2016	**405**	**1 290**	**3 025**	**96**	**757**	**5 574**
Additions	23	162	95	170	567	1 017
Disposals	(9)	(81)	(3)	(1)	(1)	(95)
Additions through company acquisitions (Note 23)		41	84		17	141
Disposals through company sales (Note 23)			(16)			(16)
Depreciation for the year	(94)	(320)	(145)			(559)
Impairment for the year		(36)	(41)			(77)
Adjustment of cost price/scrapping	16	(24)	(28)			(36)
Translation differences	(7)	(42)	(35)			(84)
Transfers from assets under construction	14	18	56	(33)	(56)	
Carrying amount 31.12.2016	**348**	**1 008**	**2 992**	**233**	**1 284**	**5 866**
Acquisition cost 31.12.2016	1 385	2 557	4 494	233	1 284	9 954
Accumulated depreciation and impairment 31.12.2016	(1 037)	(1 549)	(1 502)			(4 088)
Carrying amount 31.12.2016	**348**	**1 008**	**2 992**	**233**	**1 284**	**5 866**

Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	4 - 20 years	1 - 15 years	5 - 50 years			

	Machi-nery	Vehicles, fixtures and fittings	Buildings, property	Machin-ery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2015	1 359	2 693	4 291	90	259	8 692
Accumulated depreciation and impairment 01.01.2015	(953)	(1 419)	(1 406)			(3 778)
Carrying amount 01.01.2015	**406**	**1 274**	**2 884**	**90**	**259**	**4 914**
Additions	24	287	107	100	523	1 041
Disposals		(50)	(8)			(59)
Additions through company acquisitions (Note 23)		57	100		35	192
Depreciation for the year	(100)	(305)	(140)			(545)
Impairment for the year		(19)	(6)			(25)
Adjustment of cost price/scrapping		(10)				(10)
Intercompany transfers	12	(12)				
Translation differences	4	33	27		2	66
Transfers from assets under construction	59	34	61	(94)	(60)	
Carrying amount 31.12.2015	**405**	**1 290**	**3 025**	**96**	**757**	**5 574**
Acquisition cost 31.12.2015	1 441	2 890	4 585	96	757	9 769
Accumulated depreciation and impairment 31.12.2015	(1 036)	(1 600)	(1 560)			(4 195)
Carrying amount 31.12.2015	**405**	**1 290**	**3 025**	**96**	**757**	**5 574**
Depreciation method	Straight-line	Straight-line	Straight-line			
Useful life	4 - 20 years	1 - 15 years	5 - 50 years			

Additions of tangible fixed asset

Total additions of MNOK 1 017 in 2016 mainly concerned investments in buildings and property. The largest projects were the building of new logistics centres at Alnabru in Oslo and in Trondheim.

The Alnabru project is a co-location of the services parcels and freight and refrigerated and frozen transport. This involves the construction of a new production building for parcels, purchase of production equipment for parcels and freight as well as a new building and production facilities for thermo activities. In addition, the freight centre (Postens Godssenter) shall be rebuilt and united with the new logistics centre at Alnabru. Total investments including land and production equipment are estimated to MNOK 1

670. The centre will be finalised in 2017. The remaining obligation at 31 December 2016 amounted to MNOK 92.

In purchasing Posten Eiendom Trondheim AS (prev. Kvenild Eiendom IV AS) in October 2015, the Group acquired a site to be used for developing Posten and Bring's logistics centre in Trondheim. The estimate for the project is MNOK 530, and the centre shall be finalised in the first half-year of 2017.

In January 2016, Posten Eiendom Narvik AS (prev. Medby Næringspark AS), the owner of a site in Narvik, was acquired. The site shall be used for building a new logistics centre to be finalised in the first half-year of 2017.

Information on additions/sales of businesses is provided in note 23.

Impairment

This year’s impairment was primarily carried out in the Logistics segment, of which MNOK 37 concerned buildings and property and MNOK 32 vehicles. The reason for the impairment was restructurings in parts of the Swedish operations.

Other matters

Interest on building loans

Tangible fixed assets in the Group include capitalised building loan interest amounting to MNOK 86 at 31 December 2016 (MNOK 74 at 31 December 2015). The balance at 31 December 2016 was mainly related to the terminal at Robsrud and the new logistics centre at Alnabru in Oslo.

Insurance

The Group has secured significant parts of the business and property by traditional insurance coverage. For cars, the Group has only statutory liability coverage. The Group is self-insured for the part concerning hull insurance.

Finance lease contracts

Information on finance leases is provided in note 22.

Note 10 Investments in subsidiaries, associates and joint ventures

Investments in associated companies and joint ventures are accounted for according to the equity method in the consolidated financial statements (cf. also section 12 "Investments in subsidiaries, associated companies and joint ventures" in the Group's accounting principles).

Investments in associated companies and joint ventures

Entity	Country/ city	Owner-ship share	Book value 01.01.16	Share of profit/ (loss) 2016	Dividend 2016	Other adjust-ments	Book value 31.12.16
Danske Fragtmænd A/S	Denmark	34 %	345	17	(15)		347
Svensk Adressändring AB	Sweden	15 %	16	2	(2)	1	17
AdressPoint AB	Sweden	15 %	2			1	3
Bring Citymail Stockholm KB[1)]	Sweden	50 %	1	(10)		10	1
Materiallageret AS	Spits-bergen	34 %	8	1			9
Euroterminal- Blue Water /Frigoscandia ApS	Denmark	0 %	6			(6)	
Other			1				
Associated companies and joint ventures			**380**	**10**	**(17)**	**4**	**377**
Gains from sale of associated companies				4			
Total group			**380**	**15**	**(17)**	**4**	**377**

1) Since the company is a limited partnership, the share of the loss is recorded even though the equity is negative. This is classified as a contribution liability.

In 2016, the joint venture Euroterminal- Blue Water /Frigoscandia ApS was sold, with a gain of MNOK 4 for the Group.

Danske Fragtmænd A/S

Danske Fragtmænd A/S is the largest logistics company for domestic transport of goods in Denmark. The ownership in Danske Fragtmænd is part of the Group's strategy to develop a leading position in the Nordic logistics market.

Posten Norge AS's ownership in Danske Fragtmænd A/S of 34% was acquired in July 2013. The remaining shares in Danske Fragtmænd A/S are owned by Fragtmænd Holding A/S, which in turn are owned by individuals operating as transport subcontractors for Danske Fragtmænd A/S. Posten Norge AS' ownership in Danske Fragtmænd A/S was recognised in the Group's balance sheet at the following values:

Year	Book value 01.01	Profit share	Dividend	Other adjustments	Book value 31.12
2016	345	17	(15)		347
2015	332	12			345

Condensed financial information about associated companies and joint ventures (100% basis)

Entity	Assets	Liabilities	Equity	Revenue	Profit/ (loss) for the year
Danske Fragtmænd A/S	1 420	868	552	3 520	56
Svensk Adressändring AB	91	78	13	7	10
AdressPoint AB	8	3	5	2	3
Bring Citymail Stockholm KB[1)]	122	145	(23)	833	(18)
Materiallageret AS	29	12	17	7	2
Total	**1 670**	**1 106**	**564**	**4 369**	**53**

1) Figures from 2015

Note 11 Provisions for liabilities

The Group's provisions mainly comprise provisions related to restructuring, pensions and other types of provisions (cf. also section 3 "Accounting estimates", section 14 "Provisions" and section 15 "Contingent liabilities and assets" in the Group's accounting principles

	Reorgani-sation	Pensions	Other	Total
Balance 01.01.2015	**147**		**250**	**1 549**
Provisions recorded during the year	109		146	255
Reversal of previous year's provisions	(5)		(3)	(8)
Effect from discounting	2		4	6
Translation differences	3	22	27	51
Provisions utilised during the year	(101)		(17)	(117)
Change in pension liabilities during the year		(155)		(155)
Balance 31.12.2015	**155**	**1 019**	**406**	**1 579**
Provisions recorded during the year	228		22	250
Reversal of previous year's provisions	(8)		(25)	(33)
Effect from discounting	1		3	4
Translation differences	(2)	(23)	(25)	(50)
Provisions utilised during the year	(79)		(16)	(95)
Change in pension liabilities during the year		57		57
Balance 31.12.2016	**295**	**1 052**	**365**	**1 712**
Current provisions	88		37	125
Non-current provisions	207	1 052	328	1 588

Restructuring

In 2016, the Group made provisions for restructuring costs amounting to MNOK 228, of which MNOK 143 concerned personnel related measure, MNOK 50 premises and MNOK 35 other measures

The liabilities as at 31 December are specified below:

	2016	2015
Personnel related	198	136
Property	56	4
Other measures	32	
Severance pay	8	15
Total reorganisation	**295**	**155**

The disbursements in the Group are expected to be MNOK 88 in 2017 and MNOK 207 in later years. Note 5 has more information

Pensions

Pensions are described in note 3.

Other

Other provisions in the Group as of 31 December 2016 mainly relate to onerous contracts concerning thermo warehouses in the Bring Frigo Sverige Group. The provisions are a consequence of reduced levels in the rental market for thermo warehouses in the remaining period for the lease agreements (2024-2026). Future reversals of the provisions will be made with approximately identical annual amounts.

Disputes

No disputes with any significant risk exposure for the Group has been noted.

FINANCIAL ASSETS AND LIABILITIES

Note 12 Overview of financial assets and liabilities

The note gives an overview of the classification of the Group's financial assets and liabilities and their carrying amounts (cf. section 16 "Financial instruments" in the Group's accounting principles.

			At fair value			At amortised cost		
2016	**Note**	**Value hiear-chy level**	**FVO - Fair value through profit or loss**	**Deriva-tives at fair value through profit or loss**	**Deriva-tives at fair value through compre-hensive income**	**Recei-vables**	**Other financial lia-bilities**	**Total 2016**
Assets								
Interest-bearing non-current receivables	13					8		8
Other financial assets	19	2		194		28		223
Interest-free current receivables	14, 19	2		12	39	4 203		4 255
Interest-bearing current receivables	13					85		85
Liquid assets	15							1 875
Total financial assets								**6 446**
Liabilities								
Interest-bearing non-current liabilities	16, 19	2	635				1 344	1 978
Interest-free non-current liabilities	17, 19	2		24	2		2	29
Interest-bearing current liabilities	16, 19						415	415
Interest-free current liabilities incl. tax payable	17, 19	2		8	8		5 362	5 378
Total financial liabilities								**7 800**
Total value hierarchy level 1								
Total value hierarchy level 2			(635)	175	29			(431)

			At fair value			At amortised cost		
2015	**Note**	**Value hierar-chy level**	**FVO - Fair value through profit or loss**	**Deriva-tives at fair value through profit or loss**	**Deriva-tives at fair value through compre-hensive income**	**Recei-vables**	**Other financial lia-bilities**	**Total 2015**
Assets								
Interest-bearing non-current receivables	13					7		7
Other financial assets	19	2		198		32		232
Interest-free current receivables	14,19	2		42		4 236		4 278
Interest-bearing current receivables	13					113		113
Liquid assets	15							2 773
Total financial assets								**7 399**
Liabilities								
Interest-bearing non-current liabilities	16,19	2	639				1 472	2 111
Interest-free non-current liabilities	17,19	2		30	6			36
Interest-bearing current liabilities	16,19	2	370				526	896
Interest-free current liabilities incl. tax payable	17,19	2		32	110		5 536	5 678
Total financial liabilities								**8 721**
Total value hierarchy level 1								
Total value hierarchy level 2			(1 010)	178	(116)			(948)
Total value hierarchy level 3								

The table above is the basis for further information about financial assets and liabilities with references to the subsequent notes. In addition, the classification in categories pursuant to IAS 39 is shown, and at which level the Group's financial instruments at fair value have been assessed to be in the valuation hierarchy.

Information on fair value

Applied methods for determining fair value are defined in three categories reflecting varying levels of valuation uncertainty, based on the measurement method's objectivity:

Level 1: Use of listed prices in active markets

Level 2: Use of valuation methods with observable market data as input

Level 3: Use of valuation methods where input is based on a significant degree of non-observable market data

No financial assets or liabilities have been reclassified in 2016 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2016, and no registrations of financial assets or liabilities in or out of level 3.

Fair value of financial instruments measured at fair value in the balance sheet

The fair value of the Group's derivatives and loans in foreign currency (Japanese yen), where the fair value option (FVO) pursuant to IAS 39 has been applied, was measured on the basis of sources described in level 2. Note 19 has details.

Fair value of financial instruments measured at amortised cost in the balance sheet

Information about fair value is provided in accordance with the disclosure requirements in IFRS 7, even though the assets or liabilities are not measured at fair value in the balance sheet.

The fair value of receivables and other financial liabilities at 31 December 2016 was approximately the same as book value (amoritised cost).

Note 13 Interest-bearing non-current and current receivables

Non-current receivables mainly comprise prepayments (cf. section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Other non-current receivables	8	7
Interest-bearing non-current receivables	**8**	**7**
Other current receivables	85	113
Interest-bearing current receivables	**85**	**113**

The Group's other current interest-bearing receivables mainly comprise prepayments to deposit fund and premium fund in DNB Liv for Posten Norge AS, amounting to MNOK 81 in 2016. The change is mostly due to changes in the premium fund and minor changes in subsidiaries.

Note 14 Interest-free current receivables

The note gives an overview of the Group's interest-free current receivables, including trade receivables, together with the ageing of receivables and the provision for losses (cf. section 17 "Accounts receivable" in the Group's accounting principles).

	2016	2015
Accounts receivable	2 912	2 980
Outstanding balance with customer for third party logistics services	502	463
Accrued income	339	329
Prepaid expenses	249	286
Short-term derivatives	51	42
Receivables from employees	3	4
Other receivables	199	174
Interest-free current receivables	**4 255**	**4 278**
Accounts receivable by due date		
Not due	2 439	2 429
0 - 30 days	383	471
30 - 60 days	61	51
60 - 90 days	15	18
Over 90 days	55	53
Provisions for bad debt	(40)	(41)
Total receivables	**2 913**	**2 980**
Provisions for bad debt		
As at 01 January	41	40
Provisions recorded during the year	27	30
Actual losses recognised against provisions	(18)	(19)
Over/underfunded accruals in previous years	(9)	(10)
Translation differences	(1)	1
As at 31 December	40	41
Total actual losses on bad debts	15	22
Provisions for bad debts by:		
Individual receivables	23	25
General provisions	17	16
Total	40	41

The carrying amount of interest-free current receivables was approximately the same as their fair value due to the short period left until maturity. The Group had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The Group has guidelines to ensure that credit sales take place only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

Accrued income mainly includes earned terminal income related to foreign postal services and unbilled, delivered logistics services.

Other receivables primarily comprise receivables connected with foreign value added tax, social security refunds and Post-in-Shops.

Note 15 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section "Cash and cash equivalents" in the Group's accounting principles)..

	2016	2015
Cash and cash equivalents	241	296
Short-term investments	1 634	2 478
Liquid assets	**1 875**	**2 773**

A considerable portion of the cash and cash equivalents connected to liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers. Cash holdings as at 31 December 2016 amounted to MNOK 71 (the corresponding amount in 2015 was MNOK 98), and is based on a requirement to meet 95% of historical net withdrawals. The remuneration for this service is recognised in revenue, and interest from cash holdings is part of finance income.

Posten Norge AS has a bank guarantee in Nordea, limited to MNOK 550, to cover the employees' withheld tax. Posten Norge AS has also established employees' withheld tax guarantees for most of the Norwegian subsidiaries.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to the agreements, Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the group account holder. Some companies in the Group, primarily countries other than the above, are not part of the cash pool Total deposits on bank accounts outside the corporate cash pool system amounted to MNOK 147 as at 31 December 2016. Posten had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2016

The Group's short-term investments consisted of investments in liquid interest funds at low risk. The investments constitute an important part of the Group's liquidity reserve.

Information about market-based investments and interest funds is also provided in note 18.

Note 16 Interest-bearing non-current and current liabilities

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, finance leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented with one part at fixed interest and one at floating interest. The first year's instalment of interest-bearing non-current debt is included in current liabilities (cf. also section 16 "Financial instruments" and section 19 "Loans" in the Group's accounting principles).

Interest-bearing non-current liabilities

	2016	2015
Liabilities with fixed interest		
Liabilities to credit institutions	544	648
Bond loans	263	263
Non-current liabilities with fixed interest	**806**	**911**
Liabilities with floating interest		
Liabilities to credit institutions	391	391
Bond loans	738	738
Finance lease obligations	34	54
Other non-current liabilities	10	17
Non-current liabilities with floating interest	**1 172**	**1 200**
Interest-bearing non-current liabilities	**1 978**	**2 111**

Interest-bearing current liabilities

	2016	2015
First year instalment on non-current liabilities	100	673
First year instalment on finance lease obligations	15	20
Certificate loans	300	200
Other current liabilities		4
Interest-bearing current liabilities	**415**	**896**

In 2016, the Group repaid liabilities amounting to MNOK 733, including Norwegian bond loans of MNOK 202, amortising loans from Nordiska Investeringsbanken of MNOK 100, repayment of Japanese private placement loan of MNOK 330 and repayment of debt in acquired companies of MNOK 101.

As of December 2016, Posten Norge had non-current liabilities (including the first year’s instalment on long-term debt) at fixed interest rates amounting to MNOK 906. They had a weighted average interest rate of 3,1% and maturities from 2017 to 2023. Posten Norge also had floating interest rate debt amounting to MNOK 1 172 with a weighted average interest rate of 2,2% as of December 2016.

As of December 2016, Posten Norge had certificate loans totalling MNOK 300. Certificate loans are classified as current interest-bearing liabilities. Posten Norge had increased outstanding balances on the certificate loans by MNOK 100 during 2016.

Note 18 "Financial risk and capital management" has details on the instalment profiles for debt.

Note 17 Interest-free non-current and current liabilities

The Group's interest-free debt mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public duties and other incurred expenses. The Group's non-current interest-free liabilities primarily consist of derivatives (cf. section 16 "Financial instruments" in the Group's accounting principles).

	2016	2015
Non-current derivatives	26	36
Other liabilities	2	
Interest-free non-current liabilities	**29**	**36**
Provisions for payroll expenses and public charges	1 983	2 036
Accounts payable	1 308	1 418
Provisions for accrued expenses	946	1 031
Prepaid revenues	435	329
Restructuring	88	81
Current derivatives	16	139
Other liabilities	343	485
Interest-free current liabilities	**5 117**	**5 520**

Other current liabilities primarily included a provision for repayment of public purchases of non-viable postal services and securities for financial instruments.

Note 18 Financial risk and capital management

The note describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The Group utilises derivatives to manage market risk, and note 19 provides detailed information about derivatives and hedging (cf. also section 16 "Financial instruments" in the Group's accounting principles).

Posten Norge has a centralised finance function with the principal objective to secure the Group's financial flexibility, as well as monitoring and managing financial risk.

Risk categories

Financial risk comprises:

1. Credit risk: Risk of loss caused by a counterparty/customer who fails to fulfil his/her payment obligations to the Group. Credit risk concerns all financial assets with counterparties/customers, mainly trade accounts receivable, interest-bearing securities, granted but not utilised credit/overdraft facilities, as well as counterparty risk from derivatives and currency contracts.
2. Market risk: Risk from the Group's open positions in currency and interest rate instruments. The risk is related to variations in profit or loss due to changes in market prices or exchange rates.
3. Liquidity risk: The risk that the Group cannot fulfil its financial obligations.

Use of financial derivatives

Financial derivatives are agreements used to determine interest terms, exchange rates and values of equity instruments for specific periods. Posten Norge utilises financial derivatives to manage market risks that arise as a result of the Group's ordinary operations.

The following derivatives are used by the Group for hedging purposes:

Futures: An agreement to purchase/sell currency at a future date at a predetermined rate. Posten Norge primarily uses currency futures to hedge investments in and loans to subsidiaries in foreign currencies in addition to income and costs in foreign currency.

Swaps: Transactions where two parties exchange cash flows over an agreed period. The most important forms of swaps utilised by Posten Norge are:

Interest-rate swaps: Exchange of interest rate terms related to an agreed principal for a determined period. In the agreed period, the parties in the swap exchange fixed and floating interest in the same currency.

Currency swaps: An agreement between two parties to exchange one currency with another, with an agreement to exchange these back again at a future point in time at an agreed rate.

Combined interest rate and currency swaps: The parties exchange both currency and interest rate terms.

1. Credit risk

The Group has the following guidelines to reduce credit risk:

Trade accounts receivable and receivables connected with third party logistics

The Group has policies to ensure that credit sales are made only to customers with a satisfactory payment ability, and that outstanding amounts do no exceed established credit limits. In instances where the Group has significant receivables from one single counterparty, the credit risk is considered to be very low.

Market-based investments

As part of the liquidity management, the Group has invested heavily in interest funds. As of 31 December 2016, the Group had MNOK 1 643 invested in various interest funds (MNOK 2 476 in 2015). According to the Group's guidelines, interest funds applied shall be liquid and have a rating of BBB- at a minimum. Note 15 has details.

Bank deposits

The Group's principal bank connection has an AA- rating.

Derivatives

In order to reduce credit risk, the Group has guidelines to enter into derivative contracts only with counterparties with ratings equal to or better than A-. To further reduce credit risk, the Group entered into a CSA (Credit Support Annex) agreement for one of the derivatives related to a loan in Japanese yen (note 19 has details).

Overdraft facilities

The Group has two agreements on overdraft facilities, of which neither had been utilised as at 31 December 2016. One overdraft facility has been agreed with a Nordic bank syndicate, where all the participants have a rate equal to or better than A-. The facility was renegotiated in 2015 and runs for for five years with a mutual option to extend for two additional years. The option for the first year’s extension was exercised in 2016 for the year 2021. The overdraft facility amount to MEUR 350 in the agreement’s five first years and is reduced to MEUR 280 in 2021. The other overdraft facility is a bilateral agreement of MNOK 750 with an A+ rated bank, entered in 2013 with maturity in 2018.

Maximum risk exposure

As the Group did not have financial assets not disclosed in the balance sheet, the maximum risk exposure is considered to be represented by the book value of the financial assets in the balance sheet. Note 14 specifies the current interest-free receivables including trade accounts receivable by age and the provision for losses on receivables.

The Group had not guaranteed for third-party debt at 31 December 2016.

2. Market risk

2.1 Currency risk

The market risk is limited by reducing the effects of the exchange rate by using forward contracts. Foreign currency balances in bank accounts are minimised at the subsidiary level and are actively managed at Group level in order to avoid large positive/negative balances.

Frequently used exchange rates	Exchange rate 01.01.2016	Average exchange rate 2016	Exchange rate 31.12.2016
Swedish kroner	1,0475	0,9823	0,9512
Danish kroner	1,2891	1,2481	1,2222
Euros	9,6190	9,2928	9,0863
British pound sterling	13,0720	11,3937	10,6130
US dollars	8,8090	8,4014	8,6200

As the Norwegian krone (NOK) is the Group's presentation currency, Posten Norge is exposed to currency risks connected with translating the Group's net investments in foreign currencies. In order to reduce the translation differences in the accounts, Posten Norge enters into forward contracts.

The parent company is financing the subsidiaries by providing long-term financing in the subsidiaries' currencies. If the loans are made in foreign currencies, the parent company is exposed to currency risk. To manage this exposure, forward contracts are used.

The Group has net income from foreign mail companies for distribution of mail in Norway. This results in income in currency, mainly euros, and the Group is securing the settlement exchange rate by forward contracts.

2.2 Interest rate risk

Interest rate risk is mainly related to the Group's debt portfolio. This type of risk is managed at group level. The Group's goal is to have 20-70% of the long-term loan portfolio (including the first year’s instalment on long-term debt) at fixed interest rates.

As of 31 December 2016, fixed interest agreements totalled MNOK 811 (44%) of the Group's long-term interest-bearing debt (MNOK 1 213 in 2015).

Inflation indexed interest rate swaps

In 2006, Posten Norge entered into an inflation indexed interest rate swap of MNOK 1 000 to secure the Group's competitiveness as a consequence of costs that are positively correlated with inflation. According to the agreement, Posten Norge receives the percentage change in the Norwegian consumer price index, together with a fixed margin, annually, in return for paying three months NIBOR each quarter. In 2009, MNOK 300 of the principal was cancelled, and real interest rate bonds amounting to MNOK 700 with a similar cash flow effect as the residual value of the derivative were issued.

The agreement was made with a duration of 10 years and expired in 2016.

2.3 Sensitivity analyses

2016 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK)[1]	
						Through profit and loss	Through compre-hensive income
Hedging of income in euros	NOK	48	EUR	5	2017		9
Hedging of investments in foreign entities	NOK	1 514	SEK	1 552	2017		297
Hedging of loans to foreign subsidiaries	NOK	748	SEK	780	2017	149	
Hedging of loans to foreign subsidiaries	NOK	81	EUR	9	2017	16	
Hedging of loans from foreign subsidiaries	SEK	26	NOK	25	2017	6	

1) Exchange rate at 31 December

		Through profit and loss	Thorugh comprehensive income
Net interest-bearing debt (receivable) with floating interest[1)]	(388)	(4)	

1) Net interest-bearing debt (receivable) with floating interest is calculated as interest-bearing debt with floating interest deducted by liquid assets.

The accounting effect from change in market risk is recognised either over the income statement or over other comprehensive income, depending on where the effect first was recognised.

2015 Sensitivity analysis market risk

	Purchase currency	Currency amount	Sales currency	Currency amount	Maturity	Effect of changes +/- 20% (NOK)[1]	
						Through profit and loss	Through comprehensive income
Hedging of income in euros	NOK	117	EUR	20	2016		39
Hedging of investments in foreign entities	NOK	1 496	SEK	1 502	2016		318
Hedging of loans to foreign subsidiaries	NOK	679	SEK	670	2016	141	
Hedging of loans to foreign subsidiaries	NOK	96	EUR	10	2016	19	
Hedging of loans from foreign subsidiaries	SEK	26	NOK	26	2016	2	

1) Exchange rate at 31 December

	Carrying amount	Effect of change +/- 100 basis point	
		Through profit and loss	Thorug compre hensiv incom
Net interest-bearing debt (receivable) with floating interest[1]	(1 075)	(11)	

1) Net interest-bearing debt (receivable) with floating interest is calculated as interest-bearing debt with floating interest deducted by liquid assets.

The accounting effect from change in market risk is recognised either over the income statement or over other comprehensive income, depending on where th effect first was recognszed.

The table above shows the sensitivity of the Group's currency and interest rate derivatives.

The currency sensitivity shows the effect in the income statement or other comprehensive income by changing the exchange rate at 31 December 2016 by +/- 20%. Currency forwards related to hedging euro income and foreign investments are recognised in other comprehensive income, whereas value changes in currency forwards related to loans in currencies are recognised in the income statement in total, as this will counter the effect of changes in the loans in the income statement due to currencies.

The interest rate sensitivity shows the effect in the income statement by changes in the floating interest rate of +/- 1%.

Where the derivatives are included in hedging relations, it is expected that the effect on the income statement and other comprehensive income is offset by fluctuations in the relevant hedged objects.

3. Liquidity risk

Available liquidity and any currency exposure is followed up by the Group's centralised finance function on a daily basis. In addition to the Group's overdraft, certificate loans are utilised to cover short-term funding

The table below shows the maturity structure of the Group's debt.

Maturity structure of the Group’s loans/financial obligations

Balance 31.12.2016	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Over 7 years**	**Total**
Liabilities to credit institutions	402	102	102	250	2		299		**1 156**
Bond loans		275		375		350			**1 000**
Financial derivatives (interest rate swaps)[1)]	5	5	5	5	(1)	(1)			**19**
Financial derivatives (currency futures)[1)]	(35)								**(35)**
Financial leases	15	5	5	5	5	6	6		**49**
Other non interest-bearing liabilities exclusive of financial derivatives	5 362		2						**5 364**
Total Group	**5 749**	**388**	**115**	**636**	**6**	**355**	**305**		**7 554**
Future interest payments[2)]	47	42	36	31	16	14	8		193
Average interest rate									2,40%

1) Includes derivatives recognised as assets.

2) Based on interest rate level at 31.12.

Balance 31.12.2015	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Over 7 years**	**Total**
Liabilities to credit institutions	633	103	103	103	252			299	**1 494**
Bond loans	202		275		375		350		**1 202**
Financial derivatives (interest rate swaps)[1)]	9	6	6	6	6				**35**
Financial derivatives (currency futures)[1)]	138								**138**
Financial leases	20	9	9	9	12	7	7		**74**
Other non interest-bearing liabilities exclusive of financial derivatives	5 539								**5 539**
Total Group	**6 542**	**119**	**394**	**119**	**645**	**7**	**357**	**299**	**8 482**
Future interest payments[2)]	54	47	43	36	32	16	14	8	280
Average interest rate									2,66%

1) Includes derivatives recognised as assets.

2) Based on interest rate level at 31.12.

As of 31 December 2016, neither of the Group's overdraft facilities of MEUR 350 and MNOK 750 were utilised.

Capital management

The Group has a centralised finance function with the responsibility for the capital structure and the overall liquidity management. This shall secure an effective use of the company's capital, financial safety and flexibility.

The Group's goal is to achieve maximum accessibility, flexibility and return on the Group's liquid assets and at the same time reduce credit risk. This is achieved by concentrating all available liquidity in the Group's cash pool, and by having a conservative investment profile, with emphasis on liquidity.

In order to secure the Group financial flexibility, targets for the liquidity reserve have been defined. The liquidity reserve comprises market-based investments and unutilised overdraft facilities less certificate loans, and shall constitute a minimum of 15% of the Group's revenue for the last 12 months.

The Group has long-term credit facilities constituting a satisfactory financing reserve. In addition, the Group has diversified its sources of capital and currently has bonds, credit facilities, private placement loans with international lenders as well as bilateral agreements with Nordic financial institutions. Subsidiaries are not permitted to raise external financing, but receive funding from the Group through long-term intercompany loans or overdraft facilities and short-term credit facilities within the Group’s cash pool.

The Group measures capital utilisation by using the debt ratio, being net interest-bearing debt divided by equity. Net interest-bearing debt comprises interest-bearing current and non-current liabilities less liquid assets in the forms of cash, bank deposits and short-term investments.

In addition, net interest-bearing debt divided by EBITDA is used to measure whether the operating profit is adequate to service the Group's external debt. There were no changes in the Group's goals, principles or processes related to capital management during 2016 or 2015.

Key figures for capital management

	2016	2015
Interest-bearing debt	2 393	3 007
Interest-bearing liquid assets	1 875	2 773
Net interest-bearing debt	518	234
Total equity	5 912	5 926
Debt ratio	**0,1**	**0,0**
Share of equity	**38,6 %**	**36,8%**
EBITDA[1)]	1 339	1 474
Net debt/EBITDA[1)]	**0,4**	**0,2**

1) EBITDA: Earnings before depreciation, impairment, other income and expenses and revenue on equity method investments

Debt covenants

The Group has debt covenants in connection with external financing. Compliance with the covenants is calculated on the basis of the Group's accounting figures.

The Group's overdraft facility of MEUR 350 has a clause stating that net interest-bearing debt cannot exceed 3,5 times 12 months' trailing EBITDA. As of 31 December 2016, net interest-bearing debt was 0,4 times EBITDA (0,2 in 2015).

In addition, Posten Norge has loan agreements with clauses requiring an equity share of of 20-25% at a minimum. As of 31 December 2016, the Group had an equity share of 39% (37% in 2015).

In addition, the following covenants apply to the majority of the loan agreements:

• Change of control covenant: a minimum of 51% public ownership

• Negative pledge: a prohibition to mortgage assets

• Cross default: a default in one agreement implies that all agreements are deemed default.

Violating the terms of covenants can result in a demand to repay all interest-bearing debt or to renegotiate the loan agreements.

There are no clauses on annual regulations of the levels of debt covenants in the loan agreements. The level of the financial key ratios in the covenants is followed up closely and reported to management on a regular basis.

The Group has throughout 2016 and at the end of the year complied with the covenants in the loan agreements.

Note 19 Derivatives and hedging

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuate in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (cf. also section 16 "Financial instruments" in the Group's accounting principles).

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Hedging of net investment		
Hedging of net investment in foreign entities SEK	37	8
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	7	24
Forward exchange contracts SEK	12	6
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	**245**	**42**

2015	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		6
Forward exchange contracts EUR		17
b) Hedging of net investment		
Hedging of net investment in foreign entities SEK		93
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	6	33
Forward exchange contracts SEK	1	28
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	233	
Total	**240**	**178**

The derivatives in the table above are classified by type of hedging for accounting purposes, and the objective of the derivatives is described below.

Information on fair value

The fair value of currency forward contracts is determined by applying the forward exchange rate on the balance sheet date.

The fair value of interest rate and currency swaps is primarily determined by discounting future cash flows at discount rates derived from observable market data.

For all derivatives, the fair value is confirmed by the finance institutions with which the company has made agreements.

a) Cash flow hedging

Interest rate swaps

At the end of 2016, the Group had a loan of MNOK 400 in Nordiske Investeringsbanken where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to ensure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into in September 2015.

In 2015, Posten Norge entered into a fixed interest rate swap of MNOK 175 related to an underlying bond loan of MNOK 375 with interest rate determinations every third month and a term of 5 years.

Forward contracts EUR

Posten Norge had revenues of approximately MEUR 25 for distributing mail from abroad in 2016 (30 million in 2015) and is expecting only just MEUR 20 in 2017. The exchange rate risk is partly hedged by selling forward contracts in euros over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2016, Posten Norge had forward contracts for euro revenues in 2017 totalling MEUR 5 with a positive value of MNOK 2. As a consequence of forward contracts realised in 2016, MNOK -13 were reclassified from equity to a reduction in revenue in the Mail segment (-17 million in 2015).

Hedge reserve in equity

Movements in the hedge reserve in equity (cf. the statement of changes in equity) divided between interest rate swaps and forward (exchange) contracts:

	Interest-rate swap	Forward contracts	Total hedge reserve
Balance 31.12.2014	**(10)**	**(21)**	**(31)**
Changes in value	(2)	(4)	(6)
Transfers to income statement[1)]	9	17	26
Associated deferred taxes	(2)	(3)	(5)
Balance 31.12.2015	**(5)**	**(12)**	**(17)**
Changes in value	4	6	10
Transfers to income statement[1)]		13	13
Associated deferred taxes	(1)	(5)	(6)
Balance 31.12.2016	**(2)**	**2**	

1) Positive figures represent losses

b) Hedging of net investment in foreign entities

Posten Norge uses forward exchange contracts for hedging investments in foreign subsidiaries and have entered into trailing exchange contracts totalling MSEK 1 552 in 2016 (MSEK 1 502 in 2015). The changes in the value of the contracts including realised related loss/gain in trailings are recognised in other comprehensive income and offset the translation differences from the investments until the investments are sold. Should the hedges become ineffective, the change in value is recognised in the income statement.

c) Other financial hedges (derivatives not included in hedging relations according to IFRS)

Interest rate swaps

As of 31 December 2016, Posten Norge had several interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped at a floating interest rate in the same transaction. Parts of the amount, MNOK 88, were then swapped back to a fixed interest rate.

Following a partial repurchase of the bond in September 2015, the interest rate swap related to the bond loan of MNOK 500 was reclassified to derivatives not included in hedging relations pursuant to IAS 39. As at 31 December 2015, MNOK 9 were recirculated over the income statement as finance costs. The derivative matured in March 2016.

Forward contracts SEK and EUR

Posten Norge uses foreign exchange contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Trailing forward contracts constituted MSEK 780 and MEUR 9 as of 31 December 2016. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Posten Norge also has a forward contract of MSEK 26 for hedging a currency deposit from a foreign subsidiary to the parent company.

Combined interest rate and currency swaps

In 2004, 2008 and 2014, the Group entered into long-term loan agreements with Japanese life insurance companies of 5, 3 and 5 billion Japanese yen, respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the Group loans in Norwegian kroner with the interest rate set every third month.

Posten Norge has made use of the "fair value option" in IAS 39 for these loans. Changes in interest rates or exchange rates resulting in changes in the value of the Japanese yen denominated loans measured in Norwegian kroner are offset by changes in the value of the combined interest rate and currency swaps

In May 2016, the loan of 5 billion Japanese yen borrowed in 2004 and the associated interest and currency swap was due. As of 31 December 2016, the remaining loans from the Japanese life insurance companies were recognised at a total value of MNOK 635 (MNOK 1 010 in 2015), where the value changes from the borrowing date constituted MNOK 188 (MNOK 233 in 2015). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. The interest rate swap has the same maturity date as the loan, but does not qualify for hedge accounting. In the table of derivatives and hedging relationships, it is included in the line *interest rate swaps* at a negative fair value of MNOK 23 as at 31 December 2016.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, Posten Norge also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received in order to reduce the credit risk if the swap’s value exceeds the threshold value (MEUR 2). The swap’s value is measured monthly, and if the value in on one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As of 31 December 215, Posten Norge had received MEUR 8,1 from the counterparty.

Equity information

Note 20 Equity

The shares in the parent company Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade and Fisheries (the Ministry of Transport and Communication until 31 December 2015). In Norwegian groups of companies, it is the share capital in the parent company that is significant, and equity is the basis and limitation for distributing dividend (cf. also section 20 "Equity" in the Group's accounting principles).

As of 31 December 2016, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

According to the dividend policy, dividends are expected to be 50% of group profit after tax. Before the annual dividend is determined, an independent evaluation of the financial situation in the Group and the future prospects shall be made. The proposed dividend for the accounting year 2016 is MNOK 19.

At the Annual General Meeting in June 2016, it was determined not to distribute any dividend of the 2015 result. In July 2015, dividends amounting to MNOK 225 of the 2014 result were paid, together with extraordinary dividends of MNOK 75, totalling MNOK 300.

The owner’s return on capital requirement is 9% after tax.

Other matters

Note 21 Guarantees/mortgages

Posten Norge has given various guarantees, including rental guarantees, contract guarantees and other payment guarantees, in connection with current operations, primarily for subsidiaries. The Group has not pledged property of significant value.

	2016	2015
Guarantees for Group companies' liabilities	492	539
Commercial guarantees	1	2
Other guarantees	472	543
Total guarantees	**965**	**1 084**

Guarantees for group companies’ debt consisted primarily of guarantees provided by Posten Norge AS to its subsidiaries in Norway and Sweden related to rents, customs duties, withheld tax and pension liabilities. In addition, Bring Cargo AS issued guarantees for fuel purchases in the subsidiary Bring Trucking.

Other guarantees mainly concerned rent, in addition to some minor guarantees for pension obligations, provided by Bring Frigo AB and Bring Cargo International AB to subsidiaries. Posten Norge AS has also furnished security to EVRY in connection with an IT operating agreement.

The decline in guarantees for group companies’ debt is primarily due to the reduction in rental long-term liabilities and lower exchange rates for guarantees provided in Sweden and Denmark.

Note 22 Leases

The note shows the Group's leasing costs and short-term and long-term liabilities for lease agreements, in addition to rental income and future rental income for hiring out operating equipment. Most of the Group's lease agreements are considered to be operating (cf. also section 21 "Leasing" in the Group's accounting principles).

1. Lessee

1.1 Finance leases

	2016	2015
Carrying amount		
Buildings	14	16
Machines	5	8
Vehicles, fixtures and fittings	23	48
Net carrying amount	**42**	**72**
Commitments, buildings	20	21
Commitments, machines	6	9
Commitments, vehicles, fixtures and fitting	24	44
Total commitments	**49**	**74**
Annual lease costs	25	20
Future minimum leases		
Next 12 months	14	
1-5 years	18	
After 5 years	12	
Total future minimum lease	**44**	
Interest rate	4,8 %	
Present value of future lease	**42**	
Of which:		
long-term debt	32	
short-term debt	10	

Leased assets are classified as tangible fixed assets, and associated liabilities as interest-bearing non-current liabilities. The first year’s instalments are reclassified as interest-bearing current liabilities (cf. note 16).

Posten Eiendom Robsrud AS has a finance lease for a thermal energy facility that runs until 30 June 2024. The Group's other finance leases mainly relate to vehicles of which Svebol AB had the largest fleet of finance leased vehicles (MNOK 18). Bring Linehaul AS and Bring Transportløsninger AS also have finance leases for vehicles. The longest lease agreement for vehicles expires in December 2021.

1.2 Operating leases

	2016	2015
Ordinary lease payments for buildings	904	921
Ordinary lease payments for cars	313	353
Ordinary lease payments for computer equipment	3	2
Ordinary lease payments - other	94	97
Subletting revenues	(57)	(71)
Total lease costs	**1 258**	**1 302**
Future minimum lease payments related to lease agreements that cannot be cancelled, are due as follows:		
Next 12 months	808	
1-5 years	1 840	
After 5 years	852	
Future minimum lease payments due	**3 500**	

Operating leases in the Group primarily concern leases of property and vehicles in Posten Norge AS, leases of premises in the Group Bring Frigo AB, Bring Warehousing AS and Bring CityMail Sweden AB. The group Bring Frigo AB had total rental costs of MNOK 167, and MNOK 47 were recognised as subleases for vacant premises. The longest operating lease expires on 30 November 2027.

A provision for restructuring costs of MNOK 50 has been made for the vacation of premises in 2016 (cf. note 11).

2. Lessor

Operating leases

	2016	2015
Future rental income due		
Next 12 months	13	
1-5 years	14	
After 5 years	5	
Operating lease agreements	**33**	
Annual rental income	14	8

The Group has some operating leases related to letting out parts of buildings in 2016, mainly in Bring Cargo Inrikes AB.

Note 23 Changes to the Group structure

The note provides information about significant changes in the Group structure through the acquisition and disposal of companies, as well as other relevant changes (cf. section 5 "Consolidation principles" in the Group's accounting principles).

The following changes in the Group's structure have taken place since 31 December 2015:

Companies established in 2016

In 2016, the Group established Posten Eiendom Bergen AS. The company is responsible for building a new freight terminal in Bergen. An agreement to purchase a site was made in August 2016, with a formal take-over and settlement on 1 February 2017. The Group also established Posten Eiendom Tromsø AS and Posten Eiendom Vestfold AS in 2016. The plan for these companies is to build joint terminals for Posten and Bring in Tromsø and Vestfold.

In connection with the acquisition of Netlife Research AS and the restructuring of the Group’s dialogue services, the Group established the company Posten Dialog AS. Posten Dialog AS changed its name to Netlife Gruppen AS (more information below).

Companies acquired in 2016

In May 2016, the Group acquired 100% of Espeland Transport AS. The company had 60 employees and revenue amounted to MNOK 111 in 2015.

In July 2016, Posten Norge AS joined operations in Netlife Research AS and Bring Dialog AS by establishing the company Netlife Gruppen AS with a subsequent contribution in kind of the shares in Bring dialog Norge AS into Netlife Gruppen AS. At the same time, the shares in Netlife Research AS were purchased by Netlife Gruppen AS. Posten Norge AS owns 87% of the shares in Netlife Gruppen AS. Netlife Research AS had 83 employees and revenue amounting to MNOK 82 in 2015.

In February, the Group acquired 100% of Posten Eiendom Narvik AS (formerly Medby Næringspark AS) and in July, 100% of Posten Eiendom Stavanger AS (formerly Vagle Næringspark AS). There were no activities in the companies at the time of the purchases. The acquisitions concerned land where the Group shall build logistic centres in Narvik and Stavanger.

In April, Bring Danmark A/S acquired operations in Dansk Transport ApS for MNOK 5,5. The company had revenues of MNOK 24 and 3 employees in 2015.

Preliminary allocation of costs for the acquisition of companies in 2016

	Espeland Transport AS	Netlife Research AS	Posten Eiendom Narvik AS	Eiendom Stavanger AS	Other	Total
Intangible assets		1				1
Fixed assets	39	3	12	87		141
Financial assets		3				3
Receivables	15	19	3			37
Total assets	**54**	**27**	**15**	**87**		**182**
Deferred tax	2					2
Long-term debt	32		8	61		101
Short-term debt	16	24	5			46
Total debt	**51**	**25**	**13**	**61**		**149**
Net identified assets	**3**	**2**	**2**	**26**		**35**
Goodwill	13	59			6	79
Final settlement						
Total aquisition price	**16**	**61**	**2**	**26**	**6**	**112**
Cash paid	(22)	(78)	(2)	(26)	(6)	(135)
Cash received as part of settlement	6	17				23
Net cash effect acquisitions	**(16)**	**(61)**	**(2)**	**(26)**	**(6)**	**(112)**

The considerations were determined based on recognised valuation techniques. All acquisitions have been negotiated with vendor when entering into the contract. The considerations were adjusted for results in the period from the date the agreement was made to the date when control was transferred.

The fair value of the trade receivables and other receivables totalled MNOK 33, of which trade receivables amounted to MNOK 26. The nominal value of the trade receivables was MNOK 26, without any provision for losses.

Contribution to the Group's result – companies acquired in 2016

	Espeland Transport AS	Netlife Research AS	Posten Eiendom Narvik AS	Eiendom Stavanger AS	Total
Revenue after acquisition date	59	54			113
Profit before tax after acquisition date	1	8	(1)	(1)	7
Revenue accumulated 2016	115	110			225
Profit before tax accumulated 2016	3	13	(1)	(1)	15

The following company was sold out of the Group in 2016

In January, the Group sold its ownership share (100%) in Posten Eiendom Skien AS.

Company	Share of owner-ship	Time of sale	Sales amount	Recorded profit/loss Group	Cash effect
Posten Eiendom Skien AS	100	Januar 2016	7	6	7

Other changes to the Group structure in 2016

Home Delivery's operations were transferred from Bring Express Norge AS to Posten Norge AS with effect from 1 January 2016.

In February 2016, all operations in Bring Cargo Inrikes AB were transferred to West Cargo Vårgårda AB. The acquiring company changed its name to Bring Freight Forwarding AB.

The groupage and part loads business in Bring Cargo Østfold AS was transferred to Posten Norge AS with effect from 1 March 2016.

Production equipment, employees and materials, as well as goodwill, were transferred from Bring Gudbrandsdalen AS to Posten Norge AS in the first quarter of 2016, as the last part of the business transfer approved in 2015.

Bring Cargo Østfold AS has changed its name to Bring Transportløsninger AS. In addition, the shares in the company were transferred from Bring Cargo AS to Posten Norge AS. This was part of an initiative to consolidate transport solutions in the Group. As an element of this plan, transport solutions in Bring Gudbrandsdalen AS (1 July 2016) and Bring Frigo AS (1 September 2016) were transferred to Bring Transportløsninger AS.

In the fourth quarter of 2016, the shares in Bring Cargo Danmark AS and Bring Express Danmark A/S were sold from Bring Cargo AS and Bring Express AS, respectively, to Bring Danmark A/S. Bring Cargo

Danmark A/S and Bring Express Danmark A/S were then merged with Bring Danmark A/S in a parent-subsidiary merger.

Note 24 Related parties

Posten Norge AS' related parties are primarily subsidiaries in the Group, and Posten Norge AS purchases and sells services from these companies.

The change in purchases and sales from related parties is due to the fact that Posten Norge AS sold its shares in EVRY ASA in March 2015. The transactions with related parties were made as part of ordinary operations and at arms-length prices.

	2016	2015
Purchases of goods and services from		
Associated companies	41	147
Sales og goods and services to		
Associated companies	29	55
Leases of property from		
Associated companies	2	1

The balance sheet included the following amounts as a consequence of transactions with related parties:

	2016	2015
Accounts receivable	49	19
Accounts payable	49	48
Other payables	11	14
Net	**(11)**	**(43)**

The reason for the change in accounts receivable is that Bring Citymail Sweden AB has increased its receivable on Bring Citymail Stockholm AB.

Remuneration to the Board and management

Note 2 has details about the remuneration to the Board and management.

Loans to employees

Information about loans to employees is provided in note 14.

Note 25 Regulatory issues

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

A new act on postal services (the Postal Services Act) with regulations came into effect on 1 January 2016. The act implements EU's Third Postal Directive and implies a full liberalisation of the Norwegian postal market. Posten's exclusive right to distribute addressed mail below 50 grams was discontinued at the end of 2015.

According to the Postal Services Act, the requirement of an ordinary daily mail distribution was reduced from six to five days a week. Posten's obligation to secure deliveries of newspapers on Saturdays lapsed on 1 November 2016, after the company Kvikkas AS won the contract with the Ministry of Transport and Communication for Saturday newspaper distribution in areas without normal newspaper delivery.

The arrangement of government procurements of commercially unprofitable universal service obligations has been carried forward with the new regulations. Pursuant to section 9 of the Postal Services Act, the authorities shall cover the net costs by public funding if the bidder is inflicted an unreasonable financial charge in offering postal services required to be delivered.

In November 2016, Stortinget (the Norwegian parliament) approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten Norge can combine priority and non-priority mail into one class of mail with a two-day delivery time. Posten Norge has begun this transition with the aim of having the solution operational from 1 January 2018. Posten Norge was also given greater flexibility to further develop its distribution network, and the opportunity to harmonise the limitation of rural delivery service to households and businesses at least four kilometers away from the nearest designated distribution point. According to plan, the changes in framework conditions will be included in the coming agreement between the Ministry of Transport and Posten on services required to be delivered, which shall replace Posten's temporary licence.

Government procurements and product accounts

According to the Postal Services Act, Posten shall maintain product accounts for regulatory purposes. The accounts shall be submitted to the Norwegian Communications Authority annually. The auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

According to the Postal Services Act (cf. above), Postens' additional costs related to the universal public obligations shall be covered by government procurements granted over the state budget. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts (cf. above). The recalculation shall secure against over or under compensation.

In the state budget for 2016, MNOK 403 for government procurements were granted in advance, including MNOK 40 to the distribution of newspapers on Saturdays. This was MNOK 160 less than Posten's precalculated requirement.

Adjusted for the recalculation, government procurements amounted to MNOK 260 in 2015. The increase from 2015 to 2016 is a consequence of increased additional costs due to declining mail volumes, in addition to the fact that the financing of exclusive right services discontinued when such rights were terminated from 1 January 2016.

Banking and payment services

According to the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*, Posten is obliged to offer basic banking services in the rural postal network through Posten Norge AS' distribution network. Posten's additional costs relating to this offer are compensated through the government procurements' scheme. The requirement only includes the rural postal network, but Posten also procures banking services in the rest of Posten's service network (post offices and Post-in-Shops). The services are delivered through an agent agreement with DNB. The current agent agreement expires on 31 December 2019.

Income statement Posten Norge AS

Financial statements 2016
Posten Norge AS

Income statement

Amounts in MNOK

	Note	2016	2015
Revenue		**13 246**	**13 394**
Cost of goods and services		2 992	2 707
Payroll expenses	1	6 901	7 098
Depreciation and amortisation	7,8	343	445
Impairment	7,8	19	3
Other operating expenses	3	2 451	2 554
Operating expenses		**12 706**	**12 807**
Other income and (expenses)	4	(532)	(574)
Operating profit		**8**	**13**
Finance income	5	646	525
Finance expenses	5	292	678
Net finance income (expenses)		**353**	**(153)**
Profit before tax		**361**	**(140)**
Tax expense	6	181	107
Profit/(loss) for the year		**180**	**(247)**
Proposed transfers and allocations			
Dividends			
Group contribution			
Other equity		180	(247)

Statement of total comprehensive income

Amounts in MNOK

	Note	2016	2015
Profit/(loss) for the year		**180**	**(247)**
Items not to be reclassified to profit or loss			
Pension			
Change in actuarial gains and losses	2	(40)	27
Tax	6	10	(7)
Total items not to be reclassified to profit or loss		**(30)**	**19**
Items to be reclassified to profit or loss			
Cash flow hedging			
Changes in value	18	10	(6)
Transferred to income statement	18	13	26
Tax	6	(6)	(5)
Totel items to be reclassified to profit or loss		**17**	**14**
Change in tax rate	6	(2)	(5)
Other comprehensive income/(expenses)		**(15)**	**29**
Total comprehensive income/(expenses)		**165**	**(219)**

Balance sheet

Amounts in MNOK

	Note	31.12. 2016	31.12. 2015
Assets			
Intangible assets	7	1 051	853
Deferred tax asset	6	252	265
Tangible fixed assets	8	931	941
Investments in subsidiaries	9	3 942	3 759
Investments in associated companies and joint ventures	9	317	317
Interest-bearing non-current receivables	11,12	1 771	2 077
Other financial non-current assets	11,18	213	219
Non-current assets		**8 477**	**8 430**
Inventories		10	10
Interest-free current receivables	11,13,18	1 796	1 678
Interest-bearing current receivables	11,12	2 063	1 886
Liquid assets	11,14	1 735	2 667
Current assets		**5 603**	**6 240**
Assets		**14 080**	**14 671**
Equity and liabilities			
Share capital		3 120	3 120
Other equity		2 045	1 880
Equity	19	**5 165**	**5 000**
Provisions for liabilities	10	**1 008**	**860**
Interest-bearing non-current liabilities	11,15,18	1 937	2 045
Interest-free non-current liabilities	11,16,18	29	36
Non-current liabilities		**1 965**	**2 081**
Interest-bearing current liabilities	11,15,18	2 623	2 518
Interest-free current liabilities	10,11,16,18	3 153	4 147
Tax payable	6	165	65
Current liabilities		**5 941**	**6 730**
Equity and liabilities		**14 080**	**14 671**

16. mars 2017

Idar Kreutzer (leder) | Tone Wille (konsernsjef) | Randi B. Sætershagen (nestleder)

Tove Andersen | Anne Britt Berentsen | Morten Karlsen Sørby

Terje Wold | Odd Christian Øverland | Ann-Elisabeth Wirgeness

Erling A. Wold | Lars Nilsen

POSTEN NORGE • FINANSIELL RAPPORT

Cash flow statement

The company prepares the cash flow statement according to the indirect method, i.e., cash flows from investments and financing activities are reported gross, whereas the accounting result is reconciled against net cash flows from operating activities.

Amounts in MNOK

	Note	2016	2015
Profit/(loss) before tax		361	(140)
Tax paid in the period		(66)	(94)
Gain from sales of non-current assets, subsidiaries and associated company		(55)	(248)
Ordinary depreciation and impairment	7,8	362	448
Impairment of investments in subsidiaries	9	177	705
Impairment of loans to subsidiaries	12	262	
Reversal of dividends from subsidiaries and associated companies		(76)	
Financial items with no cash effect		(190)	(21)
Changes in accounts receivable, inventories and accounts payable		(419)	48
Changes in other working capital		(551)	333
Changes in other current balance sheet items*		99	(12)
Changes in intercompany group accounts		318	170
Interest received		117	72
Interest paid		(91)	(106)
Cash flows from operating activities		**246**	**1 155**
Investments in tangible non-current assets	7,8	(553)	(759)
Investments in shares	9	(317)	(228)
Proceeds from sales of tangible non-current assets		5	2
Proceeds from sale of shares		22	1 711
Dividend received from associated companies		76	0
Changes in loans to subsidiaries	9	121	(164)
Changes in other financial non-current assets		1	0
Cash flows from/(used in) investing activities		**(647)**	**561**
Proceeds from borrowings	15	100	1 000
Repayment of borrowings	15	(632)	(1 698)
Group contributions/dividends paid	19		(300)
Cash flows used in financing activities		**(532)**	**(998)**
Total change in cash and cash equivalents during the year		**(932)**	**719**
Cash and cash equivalents at the start of the period		2 667	1 948
Cash and cash equivalents at the end of the period	**14**	**1 735**	**2 667**

*This mainly concerns provisions for restructuring and changes in other current balance sheet items

Statement of changes in equity

Amounts in MNOK

	Share-capital	Share pre-mium	Hedging reserve	Retained earnings	Other equity	Total equity
Equity 01.01.2015	**3 120**	**992**	**(31)**	**1 438**	**2 398**	**5 517**
Loss for the year Posten Norge AS				(247)	(247)	(247)
Other comprehensive income			14	15	29	29
Total comprehensive income/(expenses)			**14**	**(232)**	**(219)**	**(219)**
Dividend paid				(300)	**(300)**	**(300)**
Equity 31.12.2015	**3 120**	**992**	**(17)**	**906**	**1 880**	**5 000**
Equity 01.01.2016	**3 120**	**992**	**(17)**	**906**	**1 880**	**5 000**
Profit for the year Posten Norge AS				180	180	180
Other comprehensive income/(expenses)			17	(32)	(15)	(15)
Total comprehensive income/(expenses)			**17**	**148**	**165**	**165**
Equity 31.12.2016	**3 120**	**992**		**1 054**	**2 045**	**5 165**

Notes Posten Norge AS

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Posten Norge AS

Posten Norge AS was established as a company on 1 December 1996 and is today a Norwegian-registered limited liability company with the Norwegian state, represented by the Ministry of Trade and Fisheries (the Ministry of Transport and Communication until 31 December 2016), as its sole shareholder. Posten Norge AS is a Nordic mail and logistics group developing and delivering overall solutions within mail, communication and logistics in the Nordics. Posten Norge AS' address is Biskop Gunnerus gate 14, 0001 Oslo, Norway.

Accounting principles

The financial statements for Posten Norge AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by IFRS Interpretations Committee (IFRIC), set by the International Accounting Standards Board and approved by the EU.

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities (including derivatives) that have been measured at fair value.

The financial statements are presented in Norwegian kroner (NOK), rounded to the nearest million if not otherwise stated. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

The table below gives an overview of relevant accounting principles for the company, with references to the applicable notes and accounting standards.

Accounting principle	Associated note(s)	IFRS/IAS #
1. Changes in accounting principles and disclosures		IAS 8
2. Adopted standards that are not yet effective or lacked approval by the EU		IAS 8
3. Accounting estimates	Note 2 Pensions Note 4 Other income and expenses Note 6 Taxes Note 7 Intangible assets Note 10 Provisions for liabilities	IAS 12, IAS 19, IAS 36, IAS 37
4. Foreign currency translation		IAS 21
5. Revenue		IAS 18
6. Pensions	Note 2 Pensions	IAS 19
7. Taxes	Note 6 Taxes	IAS 12
8. Intangible assets	Note 7 Intangible assets	IAS 38
9. Tangible fixed assets	Note 8 Tangible fixed assets	IAS 16
10. Investments in subsidiaries, associates and joint ventures	Note 9 Investments in subsidiaries, associates and joint ventures	IFRS 10, IFRS 11, IFRS 12, IAS 28
11. Impairment of non-financial assets	Note 7 Intangible assets Note 8 Tangible fixed assets Note 9 Investments in subsidiaries, associates and joint ventures	IAS 36
12. Provisions	Note 4 Other income and expenses Note 10 Provisions for liabilities	IAS 18, IAS 19, IAS 37
13. Contingent liabilities and assets	Note 11 Provisions for liabilities Note 25 Other matters	IAS 37

Accounting principle	Associated note(s)	IFRS/IAS #
14. Financial instruments	Note 6 Financial income and financial expenses Note 12 Overview of financial instruments Note 13 Interest-bearing non-current and current receivables Note 14 Interest-free current receivables Note 15 Liquid assets Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities Note 18 Financial risk and Capital management Note 19 Derivatives and hedging	IFRS 7, IFRS 13, IAS 32, IAS 39
15. Accounts receivable	Note 14 Interst-free current receivables	IFRS 7, IFRS 13, IAS 18, IAS 32, IAS 39
16. Cash and cash equivalents	Note 15 Liquid assets	IFRS 7, IFRS 13, IAS 7, IAS 32, IAS 39
17. Loans	Note 16 Interest-bearing non-current and current liabilities Note 17 Interest-free non-current and current liabilities	IFRS 7, IFRS 13, IAS 32, IAS 39
18. Equity	Changes in equity Note 20 Equity	IAS 1
19. Leasing	Note 22 Leases	IAS 17
20. Events occuring after the balance sheet date	Note 25 Other matters	IAS 10

1. Changes in accounting principles and notes

The accounting policies applied are consistent with previous years. In addition, the company implemented some new and amended standards and interpretations published by the IASB and approved by the EU, effective from the accounting year starting on 1 January 2016. The implementation of these new and amended standards and interpretations did not affect the financial statements significantly.

2. Approved standards that are not yet effective or lacked approval by the EU

The following standards and statements that are relevant for Posten have been issued, but have yet to take effect or lacked approval by the EU for the financial year 2016.

2.1. IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The future classification depends on the entity's business model for managing its financial instruments and the characteristics of the cash flows of each individual instrument. The company is not expecting any effects on the financial statements of the new classification, recognition and measurement requirements. It is expected that financial assets and liabilities measured at fair value by today’s accounting rules will continue to be measured at fair value pursuant to IFRS 9. This concerns derivatives not included in accounting hedge arrangements and loans in foreign currencies, where fair value options have been applied. Other financial assets and liabilities mainly relate to debt instruments and other financial liabilities measured at amortised cost according to the present accounting rules and are expected to be classified in the measurement category “amortised cost” and subsequently measured according to IFRS 9.

IFRS 9 introduces a new model for assessing impairment of financial assets. However, the company’s financial assets mainly comprise financial assets without significant financial elements, which according to IFRS 9 allows for a simplified model. This model differs from today’s accounting rules, which are based on an incurred loss model, where the expected credit loss over the entire lifetime shall be recognised by using simple methods to estimate the credit loss, as one example. The model under IFRS 9 is not expected to change the provision for losses significantly.

In addition, IFRS 9 relaxes the requirements to hedge accounting by bringing the hedge effectiveness closer to management's risk control and gives more room for judgment. Hedge documentation is still required. In the company’s opinion, the financial hedges classified as accounting hedge relations pursuant to IAS 39, will still qualify for this under IFRS 9.

The standard will be effective for the accounting year 2018.

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and associated interpretations*.* The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service and thereby has the opportunity to decide the use and obtain the benefits from the good or service.

The standard is effective for the accounting year 2018.

The company has started to consider the effects IFRS 15 can have on the recognition of income in the company. This is made by applying the five-step model on which the new standard is based. The following areas will be particularly considered by the company:

- The identification of performance obligations. The company is delivering mail, parcels and freight and a number of related additional services. It must be considered whether any of the additional services included in a customer contract are individual deliveries (distinct), where the timing of revenue recognition must be considered individually.
- Recognition of revenue when the entity satisfies the performance obligation. According to the preparatory works of IFRS 15 (BC125 et seq.), income from the transport of goods shall be recognised when it takes place, because the customer has an advantage by the fact that the goods are continually getting nearer to the agreed delivery place.

The company has not fully assessed the impact of the new standard, but no significant effects are expected at the implementation. The effects will be considered during 2017.

2.3 IFRS 16 Leases

In January 2016, IASB (International Accounting Standards Board) published a new leasing standard, IFRS 16 *Leases.* The new standard requires that the *lessee* recognises leasing agreements in the balance sheet, whereby the value in use for an asset and the corresponding lease obligation is disclosed in the balance sheet. Exceptions are made for leases concerning assets of low value ("low value" assets) and short-term leases (where the lease period is 12 months or less). The "right to use" asset and the leasing obligations are measured at the present value of the lease payments. At the subsequent measurement, the "right to use" asset shall be depreciated over the shorter of the lease period and the expected economic life for the underlying asset. The leasing obligation shall be amended for changes like adjusted leasing periods and interest adjustments, and reduced by performed payments.

The *lessors'* accounting requirements are basically unchanged.

The requirements for disclosures are also changed, and extended information is required.

The new standard will be effective for the accounting year 2019 (provided approval by the EU). The standard implies a significant change in the lessees' accounting for lease agreements, with effect on both the balance sheet and the income statement.

In the autumn of 2016, the company established a project to evaluate and implement the new standard. The first phase has started by identifying relevant contracts in the company. Significant agreements mainly concern leases related to buildings and terminals in addition to the company's car fleet. An agreement must meet the definition of a lease to be within the scope of IFRS 16; the asset(s) must be identifiable, and the lessee must have the right to control the use of the asset(s) in a given period. For some agreements, this assessment is complex, and the company therefore intends to spend the required time to ensure a correct and complete list of the lease agreements in the company.

In phase two of the project, the company shall assess the consequences for the financial reporting. The determination of the agreements' lease payment and lease periods will be key in this phase, as the asset and liability are measured at their present value. The company has not fully considered the impact of the new standard. The initial consideration is that the new standard to a large extent will change the accounting for lease contracts in the company. It is generally expected that the company's operating profit before depreciation (EBITDA) and operating profit (EBIT) will be improved. Leasing costs presently included in other operating expenses will according to IFRS 16 be classified as depreciation and financial expenses. The company's equity ratio will be reduced. The goal is to quantify the effect of IFRS 16 before the end of 2017, in addition to determine a method for implementation.

Phase three and four of the evaluation include the consideration of required system acquisitions and adjustments, together with a review the consequences for strategic and operational decisions, and will basically be carried out in the same period as phase two.

The project's aim is to implement IFRS 16 when it comes into effect, i.e., for the accounting year 2019.

3. Accounting estimates

The preparation of the company's financial statements requires management to make estimates and assumptions affecting revenues, expenses, assets and liabilities, the accompanying notes and the disclosure of contingent liabilities. The application of the company's accounting principles also requires that management must make judgments. Sources of estimation uncertainty and assumptions concerning the future that represent a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are described below:

3.1 Estimated impairment of assets

Impairment exists when the carrying value of an asset or cash generating unit (definition in section 1.13) exceeds its recoverable amount. Calculations of recoverable amounts require the use of estimates. There is uncertainty related to assumptions and parameters in connection with the estimation of future cash flows when evaluating impairment and the choice of discount rate in the calculation of the present value of the cash flows. These estimates are particularly relevant when assessing goodwill and other intangible assets. Details on the key assumptions used to determine the recoverable amount of a cash-generating unit, including sensitivity analyses, are provided in note 7.

3.2 Pensions

There is also uncertainty related to the estimation of pension obligations. The present value of the pension obligations depends on a number of factors determined by actuarial assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in the calculation of net pension cost (income) include the discount rate. The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Details are provided in note 2.

3.3 Provisions

In determining the fair value of provisions for restructuring expenses and other provisions, assumptions and estimates are made in relation to discount rates, the expected settlement value and settlement date. Additional information is disclosed in note 10.

3.4 Deferred tax assets

Deferred tax assets are recognised when it is probable that the company will have sufficient profits to utilise the tax benefit. Management's judgment is required to determine the size of the tax benefit to be utilised, based on when future taxable profits can be expected and their value, together with tax planning strategies. Note 6 has more details.

4. Foreign currency translation

4.1 Functional currency and presentation currency

The financial statements are presented in Norwegian kroner (NOK). This is also the company's functional currency.

4.2 Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date.

On the balance sheet date, monetary balances in foreign currencies are translated at the exchange rate applicable on the balance sheet date. Foreign exchange gains and losses resulting from the settlement and translation of monetary items are recognised as finance income and finance costs, respectively.

Non-monetary items in foreign currencies measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value is determined.

5. Revenue

Revenue is recognised when it can be measured reliably, it is likely that the economic benefits will flow to the entity and criteria related to the various forms of income described below are met.

Sales income is measured at the fair value of the consideration received net of value added tax and discounts. Revenue from the sale of goods and services is recognised at the time when the products or services are delivered to the customer, and when significant risks have been transferred to the customer.

5.1 Revenue: Products and services

Revenue is generated from the sale of letter products, banking services, stamp collector sales, sales of goods, transport services:

- The sale of stamps is considered to be advance payments for the sale of postal services, and recognised when the delivery of the service takes place.
- Franking machines (pre-paid franking) are recognised on the basis of the customer's postage consumption.
- Other postage sales are billed and recognised when letter products are delivered.
- Fees for banking services are recognised on the basis of performed banking services.
- International mail within ordinary terminal charge agreements is recognised on the basis of the calculation of volumes and preliminary prices, and adjusted the following year when final prices are received from the International Post Cooperation.
- Sales of goods are recognised when the goods are delivered and significant risks are transferred to the customer.
- Government payments for unprofitable services are recognised when the allocated funds are received (monthly), limited to an amount equaling the current year's estimated additional expenses regarding licensing requirements.
- Transport services comprise letters, parcels and freight and are recognised at the time of delivery of the service and when significant risks are transferred to the customer.

6. Pensions

The company has both defined contribution and defined benefit pension plans. The net pension expenses for the defined benefit pension plans comprise the pension contributions of the period, including future salary increases and the interest expense on the estimated pension liability, less the contributions from employees and estimated yield on the pension assets. For defined contribution plans, the premium less the employees' contribution is recognised as expenses when incurred.

The liability recognised in the balance sheet for the defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The gross obligation is calculated by independent actuaries applying the projected unit credit method. When pension assets exceed pension liabilities, prepaid pensions are classified as a long-term asset in the balance sheet if it is likely that the excess value can be utilised or repaid. The recognition of pension funds is limited to the present value of all financial benefits that materialise in terms of refunds from the plan or reductions in future contributions to the plan.

Net pension expenses are classified as payroll costs in the income statement, except the interest element, which is classified as finance income/finance expenses. The effect on previously earned rights resulting from changes in the schemes' yields is recognised immediately in the income statement. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss in future periods.

7. Taxes

The tax expense comprises tax payable for the period and changes in deferred tax liabilities/assets. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax payable is calculated on the basis of the taxable income for the year. The net deferred tax liability/asset is computed on the basis of temporary differences between the carrying amount and tax values of assets and liabilities and tax losses carried forward at the end of the financial year, with the exception of:

- deferred tax liabilities arising from initial recognition of taxable non-depreciable goodwill
- temporary differences relating to investments in subsidiaries, associates and joint ventures and where company management itself decides when the temporary differences will be reversed, and it is probable that this will not take place in the foreseeable future.

Tax increasing and tax reducing temporary differences that are reversed or can be reversed are offset against each other. A deferred tax asset is recognised when it is probable that the company will have sufficient taxable profits to utilise the tax asset. Deferred tax liabilities and deferred tax assets that can be recognised in the balance sheet are stated at their nominal value and netted.

If the authorities are notifying a change in previous year’s tax return, the expense will normally be recognised as part of the current year's taxes.

8. Intangible assets

Intangible assets are recognised in the balance sheet if probable future economic benefits can be proven and attributed to the asset, and the cost of the asset can be measured reliably. Intangible assets are recognised in the balance sheet at their acquisition cost net of any accumulated depreciation and impairment. Acquisition costs also include in-house payroll costs if the recognition criteria are met.

Goodwill and other intangible assets with indefinite useful lives are not amortised, but assessed for impairment annually (section 11 "Impairment of assets" has a more detailed description). Intangible assets with finite lives are amortised linearly over their estimated useful economic life. Amortisations start from the date when the intangible asset is available for its intended use. Intangible assets not yet available for use are also tested for impairment.

8.1 Intangible assets: Development costs

The company's development costs mainly relate to the development of IT systems intended for internal use. Development costs are recognised in the balance sheet if all of the following criteria are met:

- The product or process is clearly defined and cost elements can be identified and measured reliably.
- The product's technical solution has been demonstrated.
- The product or process will be sold or used in the business.
- The asset will generate future economic benefits.
- Adequate technical, financial and other resources are available to complete the project.

Only when all the criteria are met, the expenses relating to development work can be recognised in the balance sheet. Otherwise, the costs will be expensed as incurred.

8.2 Intangible assets: Goodwill

Goodwill arises on acquisitions of businesses and constitutes the excess value between the consideration and fair value of identifiable assets and liabilities at the time of acquisition.

9. Tangible fixed assets

Tangible fixed assets are recognised in the balance sheet at their acquisition cost net of accumulated depreciation and impairment. The acquisition cost of fixed assets includes costs directly attributable to the acquisition, construction or installation of the assets. For larger investments involving a long manufacturing period, interest is capitalised as part of the acquisition cost. The acquisition cost of fixed assets is decomposed when the fixed asset consists of components that have different useful economic lives. Costs relating to normal maintenance and repairs are charged to expenses when incurred. Costs relating to replacements and renewals which significantly increase the useful economic life of the fixed assets are recognised in the balance sheet.

Tangible fixed assets are depreciated linearly to allocate costs to the residual values over their estimated useful economic life. Depreciation starts from the date when the tangible fixed asset is available for its intended use. Land is not depreciated.

The assets' residual values, if any, depreciation method and useful lives are reviewed annually.

10. Investments in subsidiaries, associated companies and joint ventures

Posten Norge AS accounts for investments in subdiairies, associated companies and joint venture at historical cost.

11. Impairment of assets

An impairment requirement is recognised if the carrying amount of a valuation unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less sales costs and value in use, where value in use is the present value of estimated cash flows relating to future use. If cash flows relating to an individual asset are independent of cash flows relating to other assets, the individual asset constitutes a valuation unit. If not, a valuation unit is identified at a higher level and is called a cash-generating unit. A cash-generating unit shall be defined consistently over time. A cash-generating unit is defined as the smallest identifiable group of assets generating incoming cash flows and shall essentially be independent of incoming cash flows from other assets or groups of assets. Incoming cash flows are cash and cash equivalents from parties outside the enterprise.

The company calculates future cash flows based on estimated results (forecasts and long-term plans) over a period of three years, adjusted for depreciation, investments and changes in working capital. The extrapolation period contains an extrapolation of the cash flows after the forecast period, using a constant growth rate. The present value of future cash flows is calculated using a weighted required rate of return of total capital and is calculated before tax.

With the exception of goodwill, impairment recognised in prior periods is reversed if new information indicates that an impairment requirement no longer exists or has been reduced. However, an impairment is not reversed if it implies that the carrying amount exceeds the value that had been determined if no impairment loss been recognised.

11.1. Impairment: Goodwill and other assets with indefinite useful lives

Goodwill, intangible assets with indefinite useful lives and intangible assets being developed are subject to an impairment test annually, irrespective of whether or not there are any indications of impairment.

11.2. Impairment: Other assets with finite useful lives

An assessment of impairment of other assets with finite useful lives is made when there are indications of impairment.

12. Provisions

Provisions are recognised when the company has a present obligation (legal or actual) as a result of a past event, it is probable (more probable than not) that the liability will result in a financial settlement and the amount can be measured reliably. Provisions are reviewed on each balance sheet date, and their level reflects the best estimate of the liability. When the effect of the time value of money is material, the liability is recognised at the present value of future cash flows. Details on provisions for pension obligations are provided in section 6 in the company's accounting principles.

12.1 Provisions: Restructuring

Restructuring expenses are costs incurred by the company based on a decision that entails a significant change in the company's defined business areas, either concerning the scope of the activities or the manner in which the company is operated. Provisions for restructuring are expensed when the program has been determined and announced, and the costs are identifiable, quantifiable and not covered by corresponding revenue.

13. Contingent liabilities and assets

Contingent liabilities include:

- possible liabilities resulting from past events whose existence depends on future events
- liabilities that have not been recognised because it is not probable that they will result in payments
- liabilities that cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the financial statements unless they have been acquired in a business combination. Such liabilities are provided for. Significant contingent liabilities are disclosed, unless it is unlikely that the liability will result in payments.

Contingent assets are not recognised in the financial statements, but disclosed if it is probable that the company will benefit from them.

14. Financial instruments

Financial instruments are initially measured at fair value on the settlement date, normally at the transaction price. Financial assets are categorised as fair value through profit or loss, available for sale or loans/receivables. Financial liabilities are categorised as fair value through profit or loss or other liabilities.

- Financial assets and liabilities that are held with the intention of profiting on short-term fluctuations in prices (held for trading purposes) or are recognised according to the fair value option, are classified as fair value through profit or loss.
- All other financial assets, except loans and receivables originally issued by the company and subsequently measured at amortised cost, are classified as available for sale.
- All other financial liabilities subsequently recognised at amortised cost are classified as other liabilities.

Changes in the fair value of financial instruments classified as fair value through profit or loss (held for trading purposes or fair value option) are recognised and presented as finance income/expenses.

Financial instruments are recognised in the balance sheet when the company has become a party to the instrument's contractual terms. Financial instruments are derecognised when the contractual rights or obligations have been fulfilled, cancelled, expired or transferred. Financial instruments are classified as non-current when their expected realisation date is more than 12 months after the balance sheet date. Other financial instruments are classified as current assets or liabilities.

14.1 Financial instruments: Hedging

Before a hedging transaction is carried out, an assessment is made as to whether the derivative shall be used to a) hedge future cash flows related to an asset, liability or a future transaction, b) hedge the fair value of an asset or a liability.

The company's criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be very effective in that it offsets changes in the fair value of or cash flows of an identified asset or liability, and hedge effectiveness is expected to be within a range of 80-125%, (2) the effectiveness of the hedge can be measured reliably, (3) there is adequate documentation at the time of the hedging that the hedge is highly effective, (4) for cash flow hedges, the future transaction must be very likely, (5) the hedge is assessed on an ongoing basis and has been determined to be highly effective during the reporting periods for which the hedge was designated.

Hedge accounting ceases when:

(a) the hedging instrument expires, is sold, terminated or exercised, or

(b) the hedge no longer meets the criteria for hedge accounting as described above

14.1.a Hedging: Cash flows

The effective portion of changes in fair value of a hedging instrument in a qualifying cash flow hedge is recognised in other comprehensive income. The ineffective portion of the hedging instrument is recognised directly in the income statement.

If the hedged cash flow results in the recognition of an asset or liability, the gains and losses previously recognised in other comprehensive income are reclassified and recognised together with the asset or liability. For other cash flow hedges, gains and losses previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the same period as the cash flow constituting the hedged item is recognised. When a hedging instrument ceases to be highly effective, hedge accounting is prospectively discontinued. In this case, the accumulated gain or loss on a hedging instrument in equity will not be reversed until the hedged transaction actually occurs. If it is no longer expected that the hedged transaction will occur, previously accumulated gains or losses on the hedging instrument in equity will be reversed and recognised in the income statement.

14.1.b Hedging: Fair value

Derivatives that qualify as fair value hedges are measured at fair value, and changes in fair value are recognised in the income statement. Correspondingly, changes in fair value of the hedged item are recognised in the income statement.

14.2 Financial instruments: Derivatives that are not hedging instruments

Derivatives not classified as hedging instruments are classified as held for trading purposes and assessed at fair value. Changes in fair value of such derivatives are recognised in the income statement.

14.3 Impairment: Financial instruments

At the end of each reporting period, the company assesses whether there is objective evidence of impairment of a financial asset or group of financial assets. Impairment of a financial asset or a group of financial assets is recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows that can be measured reliably.

Impairment of financial assets carried at amortised cost is recognised in the income statement. Prior impairments are reversed if the reduced impairment requirement can be objectively related to an event occurring after the impairment was recognised. However, the reversal is only recognised to the extent that it does not exceed the amortised cost that would have been determined, had no impairment been recognised.

For financial assets classified as available for sale, accumulated gains or losses previously recognised in other comprehensive income are reclassified to the income statement for the period providing objective information about impairment. A reversal of a prior impairment is recognised when there is new objective information related to an event occurring after the impairment was recognised. The reversal of a prior impairment is recognised in other comprehensive income for shares classified as available for sale, and is recognised in the income statement for other financial assets.

15. Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less provisions for losses. Should there be any objective evidence of decline in value, the difference between the recognised value and the present value of future cash flows is recorded as a loss.

16. Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Cash and cash equivalents are short-term liquid investments that can be converted into a known amount in cash within three months and are subject to insignificant risk.

17. Loans

Loans are recognised initially at fair value when paid, net of transaction costs incurred. In subsequent periods, the loans are recognised at amortised cost using the effective interest method. Amortised cost is the amount at which the financial obligation is measured initially less repayments (instalments, interest and service charges etc.), including effective interest.

18. Equity

In accordance with IAS 1, Posten Norge AS presents other comprehensive income and changes in equity for the period in separate statements.

18.1. Equity: Hedge reserve

The hedge reserve includes the total net change in fair value of the hedging instrument in a cash-flow hedge until the hedged cash flow occurs or is no longer expected to occur.

18.2. Equity: Costs relating to equity transactions

Transaction costs directly related to equity transactions are recognised directly in equity net of taxes. Other transaction costs are recognised in the income statement.

19. Leasing

Leases are classified as either operating or finance leases, based on a review of the substance in each individual agreement. A lease that transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the company is classified as a finance lease.

The company presents finance leases in the financial statements as assets and liabilities, at the cost of the asset or, if lower, the present value of cash flows in the lease. When calculating the present value of the lease, the interest rate implicit in the lease is used when this can be determined. Alternatively, the company's marginal borrowing rate is used. The asset is depreciated over the shorter of the useful life of the asset and the lease term. Monthly lease payments are divided into an interest element and a repayment element.

Payments concerning operating leases are classified as operating expenses and recognised in the income statement over the term of the lease.

20. Events occurring after the balance sheet date

New information about the company's positions on the balance sheet date is taken into account in the financial statements. Events taking place after the balance sheet date that do not affect the company's position on the balance sheet date, but will do so in the future, are disclosed if significant.

Income statement items

Note 1 Payroll expenses and other remunerations

The note shows payroll expenses for employees and expensed remunerations to the company's Board, executives and auditors. Information about the company's bonus and pension schemes for executives and the statement on executives' remunerations is included in note 2 for the Group.

	2016	2015
Salaries	5 544	5 767
Social security tax	745	760
Pension expenses	400	359
Other contributions	213	212
Payroll expenses	**6 901**	**7 098**

Social security tax on pensions is classified as pension expenses (details in note 2)

(All amounts i TNOK)	2016	2015
Board remuneration	**2 491**	**2 471**
Fees for the statutory audit	1 779	1 654
Fees for other assurance services	730	838
Fees for tax advisory services	219	416
Fees for other non-audit services	1 474	575
Remuneration	**4 202**	**3 482**
Number of full-time equivalent positions	11 672	12 398
Number of employees 31.12[1)]	11 978	13 440

1)The number of employees is the number of permanent and temporary emplyoed individuals that generated salary expenses in December

Remunerations and fees

Auditor fees in 2016 concerned the audit firm Ernst & Young AS. Details on remunerations to the Board and executives are given in note 2 for the Group.

Bonus schemes

Posten Norge AS has a bonus scheme for the CEO and Group management (details in note 2 for the Group).

In addition, Posten Norge AS has bonus based remunerations for divisional and regional management, other key employees and sales personnel. Bonus payments are based on defined criteria for the entire Group, targets for the Group as well as individual goals. Upper limits have been set for bonus payments in the various schemes.

Pension schemes

Senior personnel has basically the same pension schemes and pension terms as other employees in the company (cf. note 2 for the Group and the *Statement on the determination of salaries and other remuneration to executives in Posten Norge AS and Posten Norge AS' wholly owned subsidiaries*).

Individuals employed after 31 December 2006 have a defined contribution scheme based on operations. For employees with salaries exceeding 12G, the annual contributions are limited to 25% of the pension basis in excess of 12G. This scheme was closed in February 2015 for employees in the company.

Note 2 Pensions

The company has both defined contribution and defined benefit plans. The defined benefit schemes are predictable for the employee by the fact that the payments have been agreed in advance. The premium payments depend on factors like the members' service time, age and salary level. In the contribution schemes, the payments are determined as a percentage of the employee's salary. The size of the pension assets determines how much pension the employee is entitled to, and as a consequence, the employees have the return risk on what has been paid into the scheme.

More information is available in section 3 «Accounting estimates» and 6 «Pensions» in the company's accounting principles.

	2016	2015
Pension costs		
Present value of the pensions earned for the year	102	66
Net interest expense on net liabilities	20	19
Gross pension cost incl. social security tax (benefit based)	**123**	**84**
Employee contributions	(1)	(1)
Interest element reclassified to finance expenses	(18)	(16)
Net pension cost incl. social security tax (benefit based)	**104**	**67**
Defined contribution pension schemes	403	400
Employee contributions to defined contribution pension schemes	(107)	(108)
Total pension expenses included in the operating profit for the year	**400**	**359**
Net pension liabilities		
Estimated accrued secured liabilities	(25)	(25)
Estimated value of the pension assets	22	22
Net estimated secured pension (liabilities)/assets	**(2)**	**(4)**
Estimated accrued unsecured pension liabilities	(809)	(782)
Net estimated pension (liabilities)/assets in the balance sheet	**(811)**	**(786)**
Changes in liabilities		
Net liabilities at 01.01	(786)	(880)
Gross pension expenses	(123)	(84)
Premium payments and benefits paid	155	150
Contributions from scheme members	1	1
Repayment of previously paid-in pension premium	(13)	
Transferred liabilities	(6)	
Changes in pension estimates recognised in total comprehensive income	(40)	27
Net pension liabilities at 31.12	**(811)**	**(786)**

	2016	2015
The main categories of pension assets at fair value		
Equity instruments (shares, bonds)	1	1
Debt instruments	17	17
Property	3	3
Other assets	1	1
Total pension assets	**22**	**22**
(Losses)/gains on pension estimates at 01.01.	**425**	**398**
Changes in discount rate, pension liabilities	7	16
Changes in other financial assumptions, pension liabilities	1	30
Changes in demographic assumptions, pension liabilities	(59)	(14)
Changes in other factors, pension liabilities	10	(6)
Changes in other factors, pension assets	1	1
Total	**(40)**	**27**
(Losses)/gains on pension total in other comprehensive income at 31.12.	**385**	**425**
Defined contribution pension schemes		
Number of members	15 912	17 278
Share of salary	5,4-21%	5,1–20,1%
Defined benefit pension schemes		
Actuarial assumptions:		
Discount rate	2,6 %	2,5 %
Expected salary regulation	2,5 %	2,5 %
Expected G regulation	2,25 %	2,25 %
Expected pension regulation	1,5-2,25%	1,5–2,25%
Expected yield	2,6 %	2,5 %
Expected voluntary retirement (below 50 years)	3,5 %	3,5 %
Expected voluntary retirement (over 50 years)	1,5 %	1,5 %
Expected use of AFP	40-60%	35–50%
Demographic assumptions on mortality rate	K2013	K2013

Defined contribution schemes

The bulk of the company's pension costs concern contribution pension and disability pension, annually expensed in the income statement by the amount paid to the pension supplier.

The contribution rates in the first half-year of 2015 were 5,0% for salaries between 1 – 7,1G (the national insurance basic amount) and 13% for salaries between 7,1G and 12G. From 1 July 2015, the rate was increased from 13% to 20% for salaries between 7,1G and 12G. From 1 June 2016 the lowest rate was increased to 5,1% and the highest to 21%. Employees contribute to the pension scheme though salary deductions.

In 2016, MNOK 15 were charged in administration costs due to new rules for paid-up policies. The amount is included in costs related to the contribution pension plan.

The AFP (early retirement) scheme

On 1 November 2011, the company transferred to a new AFP scheme (the joint scheme for AFP in the private sector), cf. note 3 for the Group.

Employees still being members of the Norwegian Public Service Pension Fund (SPK) have kept their rights in accordance with the AFP scheme in the public sector.

The company was a member of the AFP scheme in the Spekter area in the period 2006-2010. This was discontinued in 2016 and deposited funds paid back to enterprises being members of the scheme at det time of the repayment. In this connection, the company received MNOK 46, of which MNOK 13 were classified as pension costs.

Some provisions related to AFP were reversed in 2015 and reduced last year’s pension costs.

Defined benefit schemes

The bulk of the company's benefit schemes is related to the fact that Posten Norge AS withdrew from the Norwegian Public Service Pension Fund, and those employed at the date of the transition became entitled to various compensation and guarantee schemes.

A disability pension has been introduced which provides benefits corresponding to 66% of the employee's pay without a paid-up policy accrual, and the company also has significant obligations concerning salaries in excess of 12G. Pension obligations related to salaries in excess of 12G and early retirement pension are financed by the company's operations.

The company’s defined benefit pension schemes comply with the legislation on company pensions, and the pension funds are managed by life insurance companies. Posten Norge AS’ benefit pension schemes were closed on 31 December 2005, with the exception of plans for senor employees that were closed on 31 December 2006. Consequently, the liabilities connected with most of the schemes will be terminated over time.

Assumptions

From 2016, changes have been made to the financial assumptions, basically in accordance with recommendations from the Norwegian Accounting Standards Board (NRS). Posten Norge AS uses covered bonds (OMF) as its basis for the discount rate, and set the rate to 2,6% in 2016 against 2,5% in 2015.

The take-up tendency increased by 10-15 percentage points from 2015. This is the main reason for this year’s change in actuarial assumptions concerning demography and was made as a consequence of a review of the total and of the historical rate of withdrawals from AFP.
The general retirement age for the Norwegian employees is 67 years.

Sensitivity

The table below shows estimates for possible effects of changes in some assumptions for defined benefit pension schemes. The estimates are based on facts and circumstances at 31 December 2016 with the assumption that all other premises are unchanged. The actual figures can deviate significantly from these estimates.

	Discount rate		Pension regulation		Voluntary retirement	
Change (percentage points)	+1%	-1%	+1%	-1%	+1%	-1%
Change in pension obligation (amounts in MNOK)	-65	76	46	-41	-37	28
Percentage change	-9%	10%	6%	-5%	-5%	4%

Note 3 Other operating expenses

Other operating expenses are cost not directly related to the sale of goods and services, salaries and personnel costs or depreciation/impairment.

	2016	2015
Cost of premises	876	870
Other rental expenses	260	283
IT services	577	587
Other external services	169	200
Repair and maintenance of equipment	91	84
Tools, fixtures, operating materials	84	106
Marketing	88	100
Travel expenses	76	82
Insurance, guarantee and compensation expenses	49	51
Accounting and payroll services	35	38
Telephone	32	39
Other expenses	115	115
Total operating expenses	**2 451**	**2 554**

The company has significant costs related to renting premises. The reduction in other rental expenses costs is mainly a consequence of the decline in the number of leased cars. The reduction in IT costs is a combination of cost measures and new contracts for operations and management. Other external services are lower due to a more limited use of temporary personnel and consultants than in 2015. Other reductions in operating expenses are the consequence of focus on cost measures. Other expenses include freight, stationery, IT equipment, publications, membership dues, other internal operating expenses and losses on receivables.

Note 4 Other income and expenses

Other income and expenses comprise significant income and costs that are non-recurring, and includes restructuring costs, impairment of shares and gains and losses on sales (details in section 3 "Accounting estimates" and section 12 "Provisions" in the company's accounting principles).

	2016	2015
Restructuring expenses	(148)	(55)
Gains on sale of fixed assets	55	249
Other income/(expenses)	(439)	(767)
Total other income and (expenses)	**(532)**	**(574)**

Restructuring expenses

The restructuring expenses include restructuring costs and severance pay.

In 2016, Posten Norge AS made a provision of MNOK 156 for restructuring costs and reversed the previous years' provision of MNOK 8. In 2015, MNOK 60 were provided for, and MNOK 5 reversed. MNOK 118 of the provision of MNOK 156 concerned personnel initiatives, MNOK 34 premises and MNOK 5 other measures. The most significant provision in 2016 concerned the introduction of one mail flow from January 2018.

Gains on sales of fixed assets

In 2016, the company sold 100% of the shares in Bring Dialog Norge AS to Netlife Gruppen AS, a subsidiary (87% ownership) of Posten Norge AS. The gain on the sale was MNOK 47. The company also sold the wholly owned subsidiary Posten Eiendom Skien AS with a gain of MNOK 7.

In 2015, the company sold all its shares in EVRY ASA, with a gain of MNOK 249.

Other income and expenses

Other income and expenses in 2016 principally concerned a provision for losses on a loan to the subsidiary Bring Freight Forwarding AB (formerly Bring Cargo Inrikes AB) of MNOK 262 and an impairment of shares in the subsidiary of MNOK 177. The most significant impairment concerned shares in Bring Frigo Sverige AB amounting to MNOK 92, MNOK 34 in Bring Frigo Norge AS, MNOK 26 in Bring Cargo International AB and MNOK 24 in Bring Freight Forwarding AB. Note 9 has additional information.

Other income and expenses in 2015 mainly concerned impairment of shares in subsidiaries.

Note 5 Finance income and finance expenses

The note gives an overview of the company’s finance income and expenses, including income and costs related to the company's financing, currency effects from receivables and debt in foreign currencies, in addition to gains and losses from financial derivatives (cf. section 14 "Financial instruments" in the company's accounting principles).

	2016	2015
Interest income from group companies	74	65
Other interest income	76	44
Dividends recieved	76	
Gains on derivatives	300	181
Gains on loans at fair value through profit and loss [1)]	45	
Currency gains	40	235
Other finance income	34	1
Finance income	**646**	**525**
Interest expenses to group companies	25	19
Interest expenses on financial leases	1	1
Other interest expenses	81	97
Losses on derivatives	70	208
Losses on loans at fair value through profit and loss [1)]		158
Currency losses	96	173
Other finance expenses	19	23
Finance expenses	**292**	**678**

1) Change in value of loans in Japanese yen, at fair value. This corresponds to the change in value of combined interest-rate/currency swaps that are recorded as “Gains on derivatives”. For further information, see note 18.

Details on other interest income for Posten Norge AS are given in the Group accounts’ note 6.

Received dividends relate to the company’s investments in Bring Dialog AS and Danske Fragtmænd A/S.

Other financial income includes a repayment of financial income in connection with a termination of an AFP scheme of MNOK 33 (note 2).

Other interest expenses for 2016 comprised interest costs on net pension obligations constituting MNOK 18 and otherwise primarily costs connected with long-term financing.

Note 6 Taxes

The note accounts for the authorities' taxation of the profit in the company. The tax expense is calculated on the basis of the accounting result and is split into the period's tax payable and change in deferred tax/deferred tax asset. Deferred tax liabilities/assets arise when the accounting and taxable accruals differ (cf. section 3 "Accounting estimates" and section 7 "Taxes" in the company's accounting principles).

	2016	2015
Income taxes		
Tax payable	167	67
Changes in deferred tax (deferred tax asset)	14	41
Tax expense	**181**	**107**
Tax payable for the year	167	67
Tax payable	**167**	**67**
Effective tax rate	**50%**	**-76%**
Reconciliation of the effective tax rate with the Norwegian tax rate:		
Profit/(loss) before tax	361	(140)
25% tax	90	(38)
Other non-deductible expenses	115	196
Non-taxable income	(33)	(68)
Effect of changes in tax rate	8	16
Tax expense	**181**	**107**

	2016	2015
Changes in deferred tax recorded directly in other comprehensive income		
Actuarial gains and losses	(10)	7
Cash flow hedging	6	5
Effect of change in tax rate	2	5
Total	**(2)**	**17**

The effective tax rate was 50%. This is due to permanent differences related to impairment of shares and provisions for losses on loans to subsidiaries, reduced by tax-free gains on sales of shares. The tax expense has also increased as a consequence of the reduced tax rate to 24% in Norway. This is effective from 2017 and taken into consideration in the calculation of deferred tax assets. The effect of the changed tax rate recognised in the income statement amounts to MNOK 8.

Changes in deferred tax asset

	01.01 2016	Recognised in other compre-hensive income	Recognised in income statement	Effect of change in tax rate[1)]	31.12 2016
Tangible fixed assets	(13)		(5)	1	(18)
Retained gains and losses	2				1
Receivables	(8)		3		(5)
Currency	30		(25)		5
Pensions	(196)	(10)	4	8	(195)
Contribution fund	23		(2)	(1)	20
Provisions	(58)		(9)	3	(64)
Financial instruments	(43)	6	41		4
Total deferred tax/(tax asset)	**(265)**	**(4)**	**6**	**10**	**(252)**

1) The column includes the effect of change in tax rate that is recognised in the income statement and in other comprehensive income by 8 MNOK and 2 MNOK, respectively.

Deferred tax assets are reduced by MNOK 10 as a consequence of the reduced tax rate.

The effect of the changed tax rate is related to the underlying assets recognised partly in the income statement and partly in other comprehensive income. The tax effect has been recognised correspondingly. The effect of the changed tax rate recognised in other comprehensive income of MNOK 2 mainly concerns changes in pension estimates.

Non-financial assets and liabilities

Note 7 Intangible assets

Intangible assets are non-physical assets and mainly concern capitalised IT development, including specially adapted software and goodwill in connection with acquisitions of businesses. Intangible assets and goodwill are subject to significant estimation uncertainty (cf. section 3 "Accounting estimates" and section 8 "Intangible assets" in the company's accounting principles).

	IT develop-ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2016	2 060	66	441	2 567
Accumulated amortisation and impairment 01.01.2016	(1 714)			(1 714)
Carrying amount 01.01.2016	**346**	**66**	**441**	**853**
Additions	3	176	114	293
Additions through company acquisitions		35		35
Amortisation for the year	(122)			(122)
Impairment for the year	(1)	(6)		(7)
Adjustment of cost price/scrapping	(1)			(1)
Transfers from projects in progress	68	(68)		
Carrying amount 31.12.2016	**292**	**203**	**556**	**1 051**
Acquisition cost 31.12.2016	1 889	209	556	2 653
Accumulated amortisation and impairment 31.12.2016	(1 596)	(6)		(1 603)
Carrying amount 31.12.2016	**292**	**203**	**556**	**1 051**
Amortisation method	Straight-line			
Useful life	3 - 10 years			

	IT develop-ment etc.	Projects in progress	Goodwill	Total
Acquisition cost 01.01.2015	1 799	227		2 026
Accumulated amortisation and impairment 01.01.2015	(1 498)			(1 498)
Carrying amount 01.01.2015	**302**	**227**		**528**
Additions	87	22		109
Amortisation for the year	(224)			(224)
Adjustment of cost price/scrapping	(2)			(2)
Intercompany transfers			441	441
Transfers from projects in progress	183	(183)		
Carrying amount 31.12.2015	**346**	**66**	**441**	**853**
Acquisition cost 31.01.2015	2 060	66	441	2 567
Accumulated amortisation and impairment 31.01.2015	(1 714)			(1 714)
Carrying amount 31.12.2015	**346**	**66**	**441**	**853**
Amortisation method	Straight-line			
Useful life	3 - 10 years			

IT development

Total intangible assets related to IT development recognised in the balance sheet at 31 December 2016 constituted MNOK 292. A group-shared IT platform was capitalised by MNOK 56. MNOK 38 concerned Oracle E-business Suite, comprising solutions for a shared address register, response sending system, accounting and salary systems, as well as HR and order systems. The program also includes a new route register.

A development platform and shared client software for the use of handheld terminals amounting to MNOK 37 were recognised in the balance sheet, as well as a production support system and several projects concerning web solutions.

As part of the company’s adaptation of services to new user needs, a solution for a secure digital postal system, Digipost, has been developed. At year-end, it had approximately 1,4 million users. The system’s value in the balance sheet at year-end was MNOK 40.

For intangible assets that have a finite useful economic life, the amortisation period for Posten Norge AS was 3-10 years in 2016 (the same as in 2015), depending on the useful economic life of each individual component based on an individual assessment. In the income statement, the amortisation for the year is presented on the line for depreciation and amortisation.

Projects in progress

Projects in progress at 31 December 2016 amounted to MNOK 203, of which approximately MNOK 188 concerned IT investments related to the group-shared transformation program Nye Posten and Bring (NPB). The program shall support line management in their efforts to achieve the company's strategic and operating goals. The program comprises group-shared improvement initiatives and IT investments that shall contribute to give the company and its subsidiaries an improved basis for operations.

Impairment of IT development etc. and projects in progress

Impairment costs are presented on the line for impairment in the income statement.

No significant need for impairment was recognised in 2016 or 2015 for IT development or projects in progress.

Goodwill

Goodwill is allocated to cash-generating units based on an assessment of incoming cash flows related to the business or business group (operating segment) to which the goodwill pertains. If the cash flows of the business or business group are independent of cash flows related to other entities, the individual entity/entity group comprises the cash-generating unit, and the goodwill is allocated to this entity. If not, goodwill is allocated to a cash-generating unit at a higher level. Posten Norge AS has goodwill amounting to MNOK 556 (MNOK 441 in 2015), in its entirety related to the Logistics Division.

Additions goodwill

This year's addition of MNOK concerned acquisitions from Bring Express Norge AS, Bring Cargo AS and Bring Gudbrandsdalen AS. Changes in the Group structure is described in note 23 to the consolidated financial statements.

Impairment of goodwill

Goodwill is subject to annual impairment tests. If there are any indications of impairment during the year, goodwill is tested when these indications occur. The company uses the value in use as the recoverable amount for goodwill.

Forecasts

Future cash flows are calculated on the basis of estimated results over a period of three years, adjusted for depreciation, investments and changes in working capital. Forecasts and long-term plans for group entities are prepared and approved by divisional leaders based on the most recent available general economic indicators and market expectations, considered against strategic goals, historical and other factors. Final forecasts are approved by management.

In the Logistics Division, profit margins are characterised by strong competition and price pressure.Significant cost elements are external service costs that are affected by price negotiations and inflation. Posten Norge AS is sensitive to fluctuations in market trends in Norway, especially related to the Logistics segment. This is reflected in the growth rates of the division.

Other assumptions (growth and required rate of return)

The extrapolation period contains a projection of cash flows after the forecast period, using a constant growth rate. The growth rate of the Logistics division is stated in the table below. Growth rates do not exceed the long-term average rate in the areas where the Logistics division operates.

The present value of future cash flows is calculated using a weighted required rate of return of total capital for each segment before tax. The required rate of return for equity is calculated by using the capital asset pricing model (CAPM). The required rate of return for debt is estimated on the basis of a long-term risk-free interest with the addition of a credit margin derived from the company's marginal long-term interest rate on loans. The required rate of return is assessed each year for significant changes in factors that affect the requirement, and the required rate of return applied for the Logistics division is stated in the table below.

Overview of goodwill and key assumptions per segment

		Discount rate before tax (WACC)		Long-term growth rate	
Segment	**Goodwill**	**2016**	**2015**	**2016**	**2015**
Logistics	556	9,1%	9,1%	2%	2%
Total	**556**				

Results from impairment tests in 2016

Based on the criteria described above, no need for any impairment of goodwill was uncovered in 2016 (the same as in 2015).

Sensitivity analyses

The difference between the carrying value and the value in use for goodwill for the cash-generating units shows good margins.

Note 8 Tangible fixed assets

Tangible fixed assets comprise various types of property and operating equipment needed for the type of business conducted by the company. The largest values are represented by mail and logistics terminals (cf. section 9 "Tangible fixed assets" in the company's accounting principles).

	Machi-nery	Vehicles, fixtures and fittings	Buildings, property	Machi-nery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2016	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 01.01.2016	(885)	(739)	(112)			(1 736)
Carrying amount 01.01.2016	**310**	**471**	**61**	**94**	**6**	**941**
Additions	12	35	4	169	5	226
Disposals		(3)				(3)
Depreciation for the year	(81)	(126)	(14)			(221)
Impairment for the year		(7)	(4)			(12)
Adjustment of cost price/scrapping	1					1
Transfers from assets under construction	14	18	9	(31)	(9)	
Carrying amount 31.12.2016	**255**	**388**	**55**	**232**	**2**	**931**
Acquisition cost 31.12.2016	1 157	1 102	148	232	2	2 641
Accumulated depreciation and impairment 31.12.2016	(902)	(715)	(93)			(1 710)
Carrying amount 31.12.2016	**255**	**388**	**55**	**232**	**2**	**931**

	Machi-nery	Vehicles, fixtures and fittings	Buildings, property	Machi-nery and facilities under constr.	Buildings under constr.	Total
Acquisition cost 01.01.2015	1 158	1 159	527	87	16	2 946
Accumulated depreciation and impairment 01.01.2015	(827)	(677)	(271)			(1 775)
Carrying amount 01.01.2015	**331**	**482**	**256**	**87**	**16**	**1 172**
Additions	7	81	7	98	16	209
Disposals		(1)	(215)			(215)
Depreciation for the year	(85)	(123)	(13)			(221)
Impairment for the year		(2)	(1)			(3)
Adjustment of cost price/scrapping						(1)
Transfers from assets under construction	57	34	27	(91)	(27)	
Carrying amount 31.12.2015	**310**	**471**	**61**	**94**	**6**	**941**
Acquisition cost 31.12.2015	1 194	1 210	172	94	6	2 676
Accumulated depreciation and impairment 31.12.2015	(885)	(739)	(112)			(1 736)
Carrying amount 31.12.2015	**310**	**471**	**61**	**94**	**6**	**941**
Depreciation method	Straight line	Straight line	Straight line			
Useful life	5 - 15 years	4 - 15 years	4 - 40 years			

Additions of tangible fixed assets

Out of total additions of MNOK 226 in 2016, approximately MNOK 139 concerned new logistics centres at Alnabru in Oslo, Trondheim and Narvik.

Note 9 Investments in subsidiaries, associates and joint ventures

In the company accounts of Posten Norge AS, investments in subsidiaries, associated company and joint venture are recognised at historical cost (cf. section 10 "Investments in subsidiaries, associated companies and joint ventures" in the company's accounting principles).

Subsidiaries	Aquired/ established	Address	Primary activity	Voting and ownership share 31.12.16	Book value 31.12.16	Book value 31.12.15
Bring Cargo AS	10.06.2004	Oslo	Transport	100 %	1 136	1 105
Bring Express Norge AS	12.11.1997	Oslo	Express	100 %	497	400
Posten Eiendom Robsrud AS	08.06.2006	Oslo	Property	100 %	480	480
Bring Frigo AB	20.01.2006	Sweden	Transport	100 %	416	508
Bring Express AS	29.10.1997	Oslo	Express	100 %	257	257
Bring Cargo International AB	23.03.2011	Sweden	Transport	100 %	233	259
Netlifte Gruppen AS (2015 Bring Dialog Norge AS)	31.07.2016	Oslo	Dialog services	87 %	183	58
Posten Eiendom Kanalvegen AS	21.03.2006	Oslo	Property	100 %	121	121
Bring Warehousing AS	12.04.2000	Oslo	3P logistics	100 %	114	114
Bring Parcels AB	1999/2008	Sweden	Transport	100 %	91	91
Bring Mail Nordic AB	01.09.2005	Sweden	Mail	100 %	86	86
Bring Transportløsninger AS (tidl Bring Cargo Østfold AS)	30.06.2016	Oslo	Transport	100 %	46	
Bring Frigo Norge AS	10.06.2004	Lørenskog	Transport	100 %	58	91
Bring Citymail Sweden AB	01.05.2002	Sweden	Mail	100 %	73	35
Posten Eiendom Alnabru AS	01.01.2008	Oslo	Property	100 %	57	57
Bring Linehaul AS	2000/2009	Jaren	Transport	100 %	37	37
Espeland Transport AS	30.06.2016	Alvdal	Transport	100 %	22	
Bring Gudbrandsdalen AS	11.06.2014	Lom	Transport	100 %	16	19
Posten Eiendom Svanholmen AS	11.04.2014	Oslo	Property	100 %	14	14
Bring Danmark A/S	18.11.2010	Denmark	Transport	100 %	1	1
Bring Shared Services AB (tidl Bring Norden AB)	07.06.2011	Sweden	Support function	100 %	1	1
Bring Freight Forwarding AB (tidl Bring Cargo Inrikes AB)	30.11.2012	Sweden	Transport	100 %		24
Bring Citymail AB	01.05.2002	Sverige	Holding	100 %		
Posten Eiendom AS	08.06.2006	Oslo	Property	100 %		
Posten Eiendom Bodø AS	04.05.2015	Oslo	Property	100 %		
Posten Eiendom Molde AS	04.05.2015	Oslo	Property	100 %		
Posten Eiendom Trondheim AS	01.11.2015	Oslo	Property	100 %		
Posten Eiendom Bergen AS	15.08.2016	Oslo	Property	100 %		
Posten Eiendom Narvik AS	18.09.2015	Oslo	Property	100 %		
Posten Eiendom Stavanger AS	16.10.2015	Oslo	Property	100 %		
Posten Eiendom Tromsø AS	16.10.2015	Oslo	Property	100 %		
Posten Eiendom Vestfold AS	08.02.2016	Oslo	Property	100 %		
Bring AS	08.03.2005	Oslo	None	100 %		
Total investments in subsidiaries					**3 942**	**3 759**

Investment in associated company	Aquired/ established	Address	Primary activity	Voting and ownership share 31.12.16	Book value 31.12.16	Book value 31.12.15
Danske Fragtmænd A/S	04.07.2013	Denmark	Transport	34 %	317	317
Total investment in associated company					**317**	**317**

In January 2016, the company sold its ownership share (100%) in Posten Eiendom Skien AS. The settlement took place in April 2016 with a gain of MNOK 7.

In connection with the transfer of operations from Posten Posten Norge AS to Bring Express Norge AS, the share capital in Bring Express Norge AS was increased by MNOK 97.

In May 2016, Posten Norge AS acquired 100% of Espeland Transport AS. The company had 60 employees and revenue amounted to MNOK 111 in 2015.

In July 2016, Posten Norge AS joined operations in Netlife Research AS and Bring Dialog AS by establishing the company Netlife Gruppen AS with a subsequent contribution in kind of the shares in Bring Dialog Norge AS into Netlife Gruppen AS. At the same time, the shares in Netlife Research AS were purchased by Netlife Gruppen AS. The transaction generated a gain for Posten Norge AS of MNOK 47. Posten Norge AS owns 87 % of the shares in Netlife Gruppen AS. Netlife Research AS had 83 employees and revenue amounting to MNOK 82 in 2015.

The groupage and part loads business in Bring Cargo Østfold AS was transferred to Posten Norge AS with effect from 1 March 2016.

Production equipment, employees and materials, as well as goodwill, were transferred from Bring Gudbrandsdalen AS to Posten Norge AS in the first quarter of 2016, as the last part of the business transfer approved in 2015.

Bring Cargo Østfold AS changed its name to Bring Transportløsninger AS in 2016. In addition, the shares in the company were transferred from Bring Cargo AS to Posten Norge AS.

In 2016, a merger between Bring Express AS and Posten Norge AS was determined. The merger was carried out at accounting and tax continuity on 1 January 2017.

Impairment of shares and capital contributions

As the carrying value of shares exceeded the value in use of net assets, impairment of shares in subsidiaries was carried out. The table below also shows capital contributions in 2016.

Company	Impairment in MNOK	Capital contributions in MNOK
Bring Frigo AB	92	
Bring Frigo Norge AS	34	
Bring Cargo International AB	26	
Bring Freight Forwarding AB (tidl Bring Cargo Inrikes AB)	24	
Bring Gudbrandsdalen AS	2	
Bring Citymail Sweden AB		39
Bring Express Norge AS		15
Total	**177**	**54**

The corresponding impairment in 2015 was MNOK 705.

Note 10 Provisions for liabilities

The company's provisions mainly comprise provisions related to restructuring, pensions and other types of provisions (cf. section 3 "Accounting estimates", section 12 "Provisions" and section 13 "Contingent liabilities and assets" in the company's accounting principles

	Reorgani-sation	Pensions	Other	Total
Balance 01.01.2015	**136**	**880**		**1 016**
Provisions recorded during the year	60			60
Reversal of previous year's provisions	(5)			(5)
Effect from discounting	2			2
Provisions utilised during the year	(68)			(68)
Change in pension liabilities during the year		(94)		(94)
Balance 31.12.2015	**125**	**786**		**911**
Provisions recorded during the year	156		4	160
Reversal of previous year's provisions	(8)			(8)
Effect from discounting	1			1
Provisions utilised during the year	(49)			(49)
Change in pension liabilities during the year		25		25
Balance 31.12.2016	**226**	**811**	**4**	**1 041**
Current provisions	33			33
Non-current provisions	193	811	4	1 008

Restructuring

Out of this year's provisions of MNOK 156, MNOK 118 related to personnel initiatives, MNOK 34 premises and MNOK 5 other measures. The most important important provision in 2016 concerned the introduction of one mail flow from 2018.

In addition to restructuring, reorganisation includes severance pay. Severance pay is payable to employees of the Norwegian state who have been made redundant, and is payable for the period until they obtain new employment. For employees in Posten Norge AS, the scheme applies to redundancies made up to and including 31 December 2004.

The liabilities as at 31 December are specified below:

	2016	2015
Personnel related	178	108
Property	35	3
Other measures	5	
Severance pay	8	15
Total reorganisation	**226**	**125**

The disbursements are expected to be MNOK 33 in 2017 and MNOK 193 in later years

Pensions

Pensions are described in note 2.

Disputes

No disputes with any significant risk exposure for the company has been noted.

FINANCIAL ASSETS AND LIABILITIES

Note 11 Overview of financial assets and liabilities

The note gives an overview of the classification of the company's financial assets and liabilities and their carrying amounts (cf. section 14 "Financial instruments" in the company's accounting principles.

			At fair value			At amortised cost		
2016	**Note**	**Value hierar-chy level**	**FVO - Fair value through profit or loss**	**Deriva-tives at fair value through profit or loss**	**Deriva-tives at fair value through compre-hensive income**	**Recei-vables**	**Other financial lia-bilities**	**Total 2016**
Assets								
Interest-bearing non-current receivables	12					1 771		1 771
Other financial assets	9, 18	2		194		3 960		4 155
Interest-free current receivables	13, 18	2		49	2	1 744		1 796
Interest-bearing current receivables	12					2 063		2 063
Liquid assets	14							1 735
Total financial assets								**11 519**
Liabilities								
Interest-bearing non-current liabilities	15, 18	2	635				1 302	1 937
Interest-free non-current liabilities	16, 18	2		24	2		2	29
Interest-bearing current liabilities	15, 18						2 623	2 623
Interest-free current liabilities incl. tax payable	6, 16, 18	2		16			3 302	3 318
Total financial liabilities								**7 907**
Total value hierarchy level 1								
Total value hierarchy level 2			(635)	204				(431)
Total value hierarchy level 3								

			At fair value			At amortised cost		
2015	**Note**	**Value hierar-chy level**	**FVO - Fair value through profit or loss**	**tives at fair value through profit or loss**	**tives at fair value through compre-hensive**	**Recei-vables**	**Other financial lia-bilities**	**Total 2015**
Assets								
Interest-bearing non-current receivables	12					2 077		2 077
Other financial assets	9, 18	2		198		3 780		3 978
Interest-free current receivables	13, 18	2		42		1 636		1 678
Interest-bearing current receivables	12					1 886		1 886
Liquid assets	14							2 667
Total financial assets								**12 285**
Liabilities								
Interest-bearing non-current liabilities	15, 18	2	639				1 406	2 045
Interest-free non-current liabilities	16, 18	2		30	6			36
Interest-bearing current liabilities	15, 18		370				2 147	2 518
Interest-free current liabilities incl. tax payable	6, 16, 18	2		125	17		4 070	4 212
Total financial liabilities								**8 811**
Total value hierarchy level 1								
Total value hierarchy level 2			(1 010)	85	(23)			(948)
Total value hierarchy level 3								

The table above is a starting point for the following information about financial assets and liabilities with references to the relevant notes. In addition, the classification in categories pursuant to IAS 39 is shown, and at which level in the value hierarchy the company's financial instruments at fair value have been assessed to be.

Information on fair value

Applied methods for determining fair value are defined in three categories reflecting varying levels of valuation uncertainty, based on the measurement method's objectivity:

Level 1: Use of listed prices in active markets

Level 2: Use of valuation methods with observable market data as input

Level 3: Use of valuation methods where input is based on a significant degree of non-observable market data

No financial assets or liabilities have been reclassified in 2016 in such a way that the valuation method has been changed from amortised cost to fair value, or vice versa. There were no transfers between level 1 and level 2 of fair value measurements in 2016, and no registrations of financial assets or liabilities in or out of level 3.

Fair value of financial instruments measured at fair value in the balance sheet

The fair value of the company's derivatives and loans in foreign currency (Japanese yen), where the fair value option (FVO) pursuant to IAS 39 has been applied, was measured on the basis of sources described in level 2. Note 18 in the Group accounts has details.

Fair value of financial instruments measured at amortised cost in the balance sheet

Information about fair value is provided in accordance with the disclosure requirements in IFRS 7, even though the assets or liabilities are not measured at fair value in the balance sheet.

The fair value of receivables and other financial liabilities at 31 December 2016 was approximately the same as book value (amoritised cost). Fair value was calculated as the present value of estimated cash flows discounted at the interest rate applicable for corresponding assets and liabilities on the balance sheet date. The measurement of fair value of receivables and financial liabilities was made on the basis of sources described in level 3.

Note 12 Interest-bearing non-current and current receivables

Non-current and current receivables mainly comprise loans from Posten Norge AS to other group companies. (cf. section 14 "Financial instruments" in the Group's accounting principles).

	2016	**2015**
Other non-current receivables	7	6
Loans to group companies	1 764	2 071
Interest-bearing non-current receivables	**1 771**	**2 077**
Other current receivables	81	91
Loans to group companies	1 982	1 795
Interest-bearing current receivables	**2 063**	**1 886**

The change in non-current interest-bearing receivables is mainly due to repayment of debt from Posten Eiendom AS and Posten Eiendom Robsrud AS, reclassification of the first year's instalment and a provision for loss on loans to Bring Cargo Inrikes AB of MNOK 262 (cf. note 5). Other current interest-bearing receivables primarily include prepayments to deposit fund and premium fund in DNB Liv.

Current loans to group companies include receivable connected with the group cash pool and the first year's instalments of debt to group companies.

Note 13 Interest-free current receivables

The note gives an overview of the company's interest-free current receivables, including trade receivables, together with the ageing of receivables and the provision for losses (cf. section 15 "Accounts receivable" in the company's accounting principles).

	2016	2015
Accounts receivables	1 057	975
Receivables from group companies	299	307
Accrued income	211	193
Prepaid expenses	141	130
Short-term derivatives	51	42
Receivables from employees	2	2
Other receivables	35	28
Interest-free current receivables	**1 796**	**1 678**
Accounts receivable by due date		
Not due	928	798
0 - 30 days	112	160
30 - 60 days	11	8
60 - 90 days	3	2
Over 90 days	9	14
Provisions for bad debt	(7)	(7)
Total receivables	**1 057**	**975**
Provisions for bad debts		
As at 01 January	7	7
Provisions allocated during the year	20	24
Actual losses recognised against provisions	(14)	(16)
Over/underfunded accruals in previous years	(6)	(8)
As at 31 December	7	7
Total actual losses on bad debts	14	17
Provisions for bad debts by:		
General provisions	7	7
Total	7	7

The carrying amount of interest-free current receivables was approximately the same as their fair value due to the short period left until maturity. The company had no significant credit risk relating to one individual contracting party, or to several contracting parties that could be regarded as one group due to similarities in credit risk. The company has guidelines to ensure that credit sales take place only to customers with adequate payment ability and that outstanding amounts do not exceed established credit limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

limits. There are no indications that customer receivables not yet due, or already provided for on the balance sheet date, are not collectible.

Accrued income mainly includes earned terminal income related to foreign postal services.

Other receivables primarily comprise receivables concerning social security refunds and Post-in-Shops.

Note 14 Liquid assets

Liquid assets comprise cash in hand, bank deposits and short-term investments at low risk (cf. section 16 "Cash and cash equivalents" in the company's accounting principles).

	2016	2015
Cash and cash equivalents	101	189
Short-term investments	1 634	2 478
Liquid assets	**1 735**	**2 667**

A considerable portion of the cash and cash equivalents was connected to liquidity needs in the sales network. Through a cash account agreement with DNB, Posten Norge is obliged, at any time, to hold sufficient cash to serve the bank's customers. Cash holdings as at 31 December 2016 amounted to MNOK 70 (the corresponding amount in 2015 was MNOK 98), and is based on a requirement to meet 95% of historical net withdrawals. The remuneration for this service is recognised in revenue, and interest from cash holdings is part of finance income.

The company has a bank guarantee in Nordea, limited to MNOK 550, to cover the employees' withheld tax.

A corporate cash pool in Nordea is used in Norway, Sweden, Denmark and the UK, and according to the agreements, Posten Norge AS is the group account holder. The banks can settle withdrawals and deposits against each other, and the net position will accordingly represent the balance between the bank and the froup account holder. Posten had unused credit facilities of MNOK 500 in Nordea and MNOK 50 in DNB as at 31 December 2016

The company's short-term investments consisted of investments in liquid interest funds at low risk. The investments constitute an important part of the company's liquidity reserve.

Information about market-based investments and interest funds is also provided in note 17.

Note 15 Interest-bearing non-current and current liabilities

Interest-bearing non-current and current liabilities comprise debt to credit institutions, bond loans, finance leasing, certificate loans and other interest-bearing debt. Non-current liabilities are presented with one part at fixed interest and one at floating interest. The first year's instalment of interest-bearing non-current debt is included in current liabilities (cf. section 14 "Financial instruments" and section 17 "Loans" in the company's accounting principles).

Interest-bearing non-current liabilities

	2016	2015
Liabilities with fixed interest		
Liabilities to credit institutions	544	648
Bond loans	263	263
Non-current liabilities with fixed interest	**806**	**911**
Liabilities with floating interest		
Liabilities to credit institutions	391	391
Bond loans	738	738
Financial lease obligations	2	5
Other non-current liabilities		
Non-current liabilities with floating interest	**1 130**	**1 134**
Interest-bearing non-current liabilities	**1 937**	**2 045**

Interest-bearing current liabilities

	2016	2015
First year instalment on non-current liabilities	100	672
First instalment on financial lease obligations	4	4
Certificate loans	300	200
Debts to group companies	2 219	1 638
Other current liabilities		4
Interest-bearing current liabilities	**2 623**	**2 518**

In 2016, Posten Norge AS repaid liabilities amounting to MNOK 632 (Norwegian bond loans of MNOK 202, amortising loans from Nordiska Investeringsbanken of MNOK 100 and repayment of Japanese private placement loan of MNOK 330. In addition, the company has increased loans to group companies. The debt to subsidiaries has increased from 2015, primarily due to changes in the group cash pool.

As of December 2016, Posten Norge had certificate loans totalling MNOK 300. Certificate loans are classified as current interest-bearing liabilities. Posten Norge has net increased outstanding balances on the certificate loans by MNOK 100 during 2016.

Note 18 "Financial risk and capital management" in the Group accounts has details on the instalment profiles for debt.

Note 16 Interest-free non-current and current liabilities

Interest-free debt mainly comprised short-term items like trade accounts payable, other provisions concerning salaries, public duties and other incurred expenses (cf. section 14 "Financial instruments" in the company's accounting principles).

	2016	2015
Non-current derivatives	26	36
Other liabilities	2	
Interest-free non-current liabilities	**29**	**36**
Provisions for payroll expenses and public charges	1 538	1 583
Accounts payable	422	470
Provisions for accrued expenses	423	431
Prepaid revenues	416	367
Debts to group companies	151	896
Restructuring	33	52
Other liabilities	169	348
Interest-free current liabilities	**3 153**	**4 147**

The reduction in debt to group companies is due to the settlement of debt related to the purchase of shares in Bring Express Norge AS (2015) and due capital contribution 2015.

Other current liabilities primarily included a provision for repayment of public purchases of non-viable postal services and financial instruments.

Note 17 Financial risk and capital management

Posten Norge has a centralised finance function with the principal objective to secure the Group's financial flexibility, as well as monitoring and managing financial risk.

The note describes the Group's financial risks, including credit risk, market risk (currency and interest rate risk) and liquidity risk. The Group utilises derivatives to manage market risk, and note 18 for the Group provides detailed information about derivatives and hedging (cf. also section 14 "Financial instruments" in the company's accounting principles).

Note 18 for the Group has details.

Note 18 Derivatives and hedging

All derivatives are used in the hedging of currency and interest rate risk. The value of the derivatives fluctuate in relation to the underlying prices, and the note shows the fair value of open derivatives at the balance sheet date (cf. section 14 "Financial instruments" in the company's accounting principles).

2016	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		2
Forward exchange contracts EUR	2	
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Intereset-rate swaps	7	24
Forward exchange contracts SEK	49	15
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	188	
Total	**245**	**42**

2015	Assets	Liabilities
a) Cash-flow hedging		
Interest-rate swaps		6
Forward exchange contracts EUR		17
b) Other economic hedges (hedges not included in hedge accounting according to IFRS)		
Interest-rate swaps	6	33
Forward exchange contracts SEK	1	121
Forward exchange contracts EUR		1
Combined interest-rate/currency swaps	233	
Total	**240**	**178**

The derivatives in the table above are classified by type of hedging for accounting purposes, and the objective of the derivatives is described below.

Information on fair value

The fair value of currency forward contracts is determined by applying the forward exchange rate on the balance sheet date.

The fair value of interest rate and currency swaps is primarily determined by discounting future cash flows at discount rates derived from observable market data.

For all derivatives, the fair value is confirmed by the finance institutions with which the company has made

a) Cash flow hedging

Interest rate swaps

At the end of 2015, the company had a loan of MNOK 500 in Nordiska Investeringsbanken where the interest rate is determined every sixth month and the annual down payment is MNOK 100. In order to ensure fixed interest rate terms, an interest rate swap for corresponding amounts and maturity was entered into in September 2015.

In 2015, Posten Norge entered into a fixed interest rate swap of MNOK 175 related to an underlying bond loan of MNOK 375 with interest rate determinations every third month and a term of 5 years.

Forward contracts EUR

The company had revenues of approximately MEUR 25 for distributing mail from abroad in 2016 (30 million in 2015) and is expecting only just MEUR 20 in 2017. The exchange rate risk is partly hedged by selling forward contracts in euros over a period of time. The changes in value of the forward contracts constituting effective hedging instruments are recognised in other comprehensive income. As of 31 December 2016, Posten Norge had forward contracts for euro revenue in 2017 totalling MEUR 5 with a positive value of MNOK 2. As a consequence of forward contracts realised in 2016, MNOK -13 were reclassified from equity to a reduction in revenue in the Mail segment (-17 million in 2015).

Hedge reserve in equity

Movements in the hedge reserve in equity (cf. the statement of changes in equity) divided between interest rate swaps and forward (exchange) contracts:

	Interest-rate swap	Forward contracts	Total hedging reserve
Balance 31.12.2014	**(10)**	**(21)**	**(31)**
Changes in value	(2)	(4)	(6)
Transfers to income statement[1)]	9	17	26
Associated deferred taxes	(2)	(3)	(5)
Balance 31.12.2015	**(5)**	**(12)**	**(17)**
Changes in value	4	6	10
Transfers to income statement[1)]		13	13
Associated deferred taxes	(1)	(5)	(6)
Balance 31.12.2016	**(2)**	**2**	

1) Positive numbers represent losses

b) Other financial hedges (derivatives not included in hedging relations according to IFRS)

Interest rate swaps

As of 31 December 2016, the company had several interest rate swaps not qualifying as hedging relations according to IFRS.

In 2015, Posten Norge raised a seven-year bond loan of MNOK 350 at a fixed coupon that in its entirety was swapped at a floating interest rate in the same transaction. Parts of the amount, MNOK 88, were then swapped back to a fixed interest rate.

Following a partial repurchase of the bond in September 2015, the interest rate swap related to the bond loan of MNOK 500 was reclassified to derivatives not included in hedging relations pursuant to IAS 39. As at 31 December 2015, NOK 9 were recirculated over the income statement as finance costs. The derivative matured in March 2016.

Forward contracts SEK and EUR

The company uses foreign exchange contracts in Swedish kroner and euros for hedging loans in currencies from the parent company to foreign subsidiaries. Trailing forward contracts constituted MSEK 670 and MEUR 10 as of 31 December 2015. The changes in value are recognised in the income statement and will offset changes in the loans in the income statement as a consequence of currencies.

Investments in foreign subsidiaries are hedged at group level by forward contracts in Posten Norge. As of 31 December 2016, the company has forward contracts totalling MSEK 1 552 (MSEK 1502 in 2016).

Combined interest rate and currency swaps

In 2004, 2008 and 2014, the company entered into long-term loan agreements with Japanese life insurance companies of 5, 3 and 5 billion Japanese yen, respectively, at fixed interest rate terms. At the same time, combined interest rate and currency swap agreements were made, effectively giving the company loans in Norwegian kroner with the interest rate set every third month.

Posten Norge AS has made use of the "fair value option" in IAS 39 for these loans. Changes in interest rates or exchange rates resulting in changes in the value of the Japanese yen denominated loans measured in Norwegian kroner are offset by changes in the value of the combined interest rate and currency swaps

In May 2016, the loan of 5 billion Japanese yen borrowed in 2004 and the associated interest and currency swap was due. As of 31 December 2016, the remaining loans from the Japanese life insurance companies were recognised at a total value of MNOK 635 (MNOK 1 010 in 2015), where the value changes from the borrowing date constituted MNOK 188 (MNOK 233 in 2015). This value change is offset by the interest and currency swap agreements and recognised as an asset.

An interest rate swap has also been established related to the loan of 3 billion Japanese yen, converting this loan to a fixed interest loan. The interest rate swap has the same maturity date as the loan, but does not qualify for hedge accounting. In the table of derivatives and hedging relationships, it is included in the line *interest rate swaps* at a negative fair value of MNOK 23 as at 31 December 2016.

Upon entering into the loan agreement for 5 billion Japanese yen in 2013 and the combined interest rate and currency agreement, the company also made a CSA (Credit Support Annex) agreement. This agreement defines how two swap counterparties act when the value of a swap changes in favour of one of the parties during the swap period. A deposit shall be paid/received in order to reduce the credit risk if the swap’s value exceeds the threshold value (MEUR 2). The swap’s value is measured monthly, and if the value in on one of the parties' favour is larger than MEUR 2, the excess value shall be paid into the counterparty's account. It has also been determined that the minimum amount for such a payment is MEUR 0,5. As of 31 December 215, the company had received MEUR 8,1 from the counterparty.

EQUITY INFORMATION

Note 19 Equity

The shares in Posten Norge AS are owned in full by the Norwegian state, represented by the Ministry of Trade and Fisheries (the Ministry of Transport and Communication until 31 December 2015) (cf. section 18 "Equity" in the company's accounting principles).

As of 31 December 2016, the share capital consisted of 3 120 000 shares at a nominal value of NOK 1 000.

The proposed dividend for the accounting year 2016 is MNOK 19.

At the Annual General Meeting in June 2016, it was determined not to distribute any dividend of the 2015 result. In July 2015, dividends amounting to MNOK 225 of the 2014 result were paid, together with extraordinary dividends of MNOK 75, totalling MNOK 300.

Other matters

Note 20 Guarantees/mortgages

Posten Norge has given various guarantees, including rental guarantees, contract guarantees and other payment guarantees, in connection with current operations, primarily for subsidiaries

	2016	2015
Guarantees for Group companies' liabilities	468	513
Other guarantees	160	160
Total guarantees	**628**	**673**

Guarantees given by Posten Norge AS to group companies and other guarantees are described in full in note 21 for the Group.

In addition, Posten Norge AS has issued capital adequacy guarantees for Bring Cargo Inrikes AB and Bring Shared Services AB at 31 December 2016. There is also a letter of support as of 31 December 2016 for continued operations in Bring Cargo Danmark A/S. Furthermore, the company has provided a delivery guarantee to Statoil Petroleum AS for Bring Cargo AS.

Note 21 Leases

The note shows the company's leasing costs and short-term and long-term liabilities for lease agreements, in addition to rental income and future rental income for hiring out operating equipment. Most of the company's lease agreements are considered to be operating (cf. section 19 "Leasing" in the company's accounting principles).

1. Lessee

1.1 Finance leases

	2016	2015
Carrying amount		
Buildings		
Machines	5	8
Vehicles, fixtures and fittings	1	
Net carrying amount	**6**	**8**
Commitments, buildings		
Commitments, machines	6	9
Commitments, vehicles, fixtures and fitting	1	
Total commitments	**7**	**9**
Annual lease costs	4	3
Future minimum leases		
Next 12 months	4	
1-5 years	3	
After 5 years		
Total future minimum lease	**7**	
Interest rate	7,8 %	
Present value of future lease	**6**	
Of which:		
long-term debt	4	
short-term debt	2	

Leased assets are classified as tangible fixed assets, and associated liabilities as interest-bearing non-current liabilities. The first year's instalments are reclassified as interest-bearing current liabilities (cf. note 15).

The company has agreements on the lease of containers, originally made in 2011 and classified as finance leases.

1.2 Operating leases

	2016	2015
Ordinary lease payments for buildings	764	764
Ordinary lease payments for cars	206	225
Ordinary lease payments for computer equipment	3	2
Ordinary lease payments - other	50	53
Subletting revenues	(9)	(10)
Total lease costs	**1 013**	**1 034**
Future minimum lease payments related to lease agreements that cannot be cancelled, are due as follows:		
Next 12 months	625	
1-5 years	1 301	
After 5 years	937	
Future minimum lease payments due	**2 863**	

The company has approximately 650 lease agreements for various types of property. The agreements include offices and sorting premises, terminals, post offices, parking facilities etc. The leases expire in the period 2015 -2036. On most leases, the company is entitled to extend the lease period when the lease expires.

The most significant lease agreements concern Østlandsterminalen at Robsrud, the "Posthuset" building at Biskop Gunnerusgate 14 A, Posten’s logistics centre at Alnabru with three terminals for freight, parcels and thermo goods, respectively. In addition, the post terminals in Bergen, Stavanger and Tronheim are leased.

The lease agreement for Østlandsterminalen expires on 30 November 2026, but has an option for an extension by 5 plus 5 years.

The lease period for the “Posthuset” building at Biskop Gunnerusgate 14 A expires on 31 December 2025 without any right to earlier notice, but with the option for a 10 years extension. The costs relating to jointly used areas and energy costs are variable and allocated according to a formula based on the floor space rented. The rent is index-linked on an annual basis.

The lease agreements for the terminals in Bergen and Stavanger are current with 6 months’ term of notice. The lease agreement for the terminal in Trondheim has been terminated and will be returned on 31 July 2017. All leases for the buildings at Posten’s Logistics centre at Alnabru run until the first quarter of 2032. The rent is index-linked on an annual basis. The lease agreements for the Bring terminals in Ålesund, Karihaugen and Drammen are also significant, expiring in 2026, 2020 and 2024, respectively.

Other lease agreements mainly relate to mail and freight terminals in Norway.

The company has an agreement with LeasePlan Norge AS for the lease and operation of all types of cars. The normal contract period for each car is two to five years. The company is neither entitled, nor obligated to extend the lease period, or to buy the vehicle when the lease expires. The number of leased cars and mopeds leased at the end of 2016 was 3 739, in addition to 144 trailers.

2. Lessor

Operating leases

	2016	2015
Future rental income due		
Next 12 months	2	
1-5 years	2	
After 5 years	5	
Operating lease agreements	**10**	
Annual rental income	5	9

The company has some operating leases related to the rental of parts of buildings in 2016.

Note 22 Related parties

The company's related parties are primarily subsidiaries in the Group with which Posten Norge AS has transactions.

	2016	2015
Purchases of goods and services from		
Subsidiaries	510	427
Associated companies	21	124
Sales og goods and services to		
Subsidiaries	1 368	1 388
Associated companies	5	37
Leases of property from		
Subsidiaries	279	263
Associated companies		
Leases of property to		
Subsidiaries	14	17

The increase in the purchase of goods and services from subsidiaries from 2015 to 2016 mainly relates to purchases from Bring Transportløsninger AS and Bring Frigo AS.

The balance sheet includes the following amounts resulting from transactions with related parties:

	2016	2015
Accounts receivable	131	243
Other receivables	4 174	3 937
Accounts payable	47	48
Other payables	2 325	2 176
Net	**1 933**	**1 955**

Other receivables and other liabilities:

Other receivables and other liabilities in the company basically concerned the cash pool system (cf. note 14)

Remuneration to the Board and management

Note 1 has details about the remuneration to the board and management.

Loans to employees

Information about loans to employees is provided in note 13.

Note 23 Regulatory issues

Regulatory issues describe relevant matters and regulations not mentioned in other notes.

REGULATORY ISSUES

Postal regulations

A new act on postal services (the Postal Services Act) with regulations came into effect on 1 January 2016. The act implements EU's Third Postal Directive and implies a full liberalisation of the Norwegian postal market. Posten's exclusive right to distribute addressed mail below 50 grams was discontinued at the end of 2015.

According to the Postal Services Act, the requirement of an ordinary daily mail distribution was reduced from six to five days a week. Posten's obligation to secure deliveries of newspapers on Saturdays lapsed on 1 November 2016, after the company Kvikkas AS won the contract with the Ministry of Transport and Communication for Saturday newspaper distribution in areas without normal newspaper delivery.

The arrangement of government procurements of commercially unprofitable universal service obligations has been carried forward with the new regulations. Pursuant to section 9 of the Postal Services Act, the authorities shall cover the net costs by public funding if the bidder is inflicted an unreasonable financial charge in offering postal services required to be delivered.

In November 2016, Stortinget (the Norwegian parliament) approved the white paper dealing with changes in the postal sector, *Postsektoren i endring*. The approval confirmed that Posten can combine priority and non-priority mail into one class of mail with a two-day delivery time. Posten has begun this transition with the aim of having the solution operational from 1 January 2018. Posten was also given greater flexibility to further develop its distribution network, and the opportunity to harmonise the limitation of rural delivery service to households and businesses at least four kilometers away from the nearest designated distribution point. According to plan, the changes in framework conditions will be included in the coming agreement between the Ministry of Transport and Posten on services required to be delivered, which shall replace Posten's temporary licence.

Government procurements and product accounts

According to the Postal Services Act, Posten shall maintain product accounts for regulatory purposes. The accounts shall be submitted to the Norwegian Communications Authority annually. The auditor performs control procedures and issues a statement confirming that the accounts have been prepared in accordance with the requirements.

According to the Postal Services Act (cf. above), Postens' additional costs related to the universal public obligations shall be covered by government procurements granted over the state budget. The annual advance grant to government procurements is adjusted the following year based on a recalculation of the requirement in connection with the product accounts (cf. above). The recalculation shall secure against over or under compensation.

In the state budget for 2016, MNOK 403 for government procurements were granted in advance, including MNOK 40 to the distribution of newspapers on Saturdays. This was MNOK 160 less than Postens' precalculated requirement.

Adjusted for the recalculation, government procurements amounted to MNOK 260 in 2015. The increase from 2015 to 2016 is a consequence of increased additional costs due to declining mail volumes, in addition to the fact that the financing of exclusive right services discontinued when such rights were terminated from 1 January 2016.

Banking and payment services

According to the act *Lov om tilbud av grunnleggende banktjenester gjennom Posten Norge AS' ekspedisjonsnett*, Posten is obliged to offer basic banking services in the rural postal network through Posten Norge AS' distribution network. Posten's additional costs relating to this offer are compensated through the government procurements' scheme. The requirement only includes the rural postal network, but Posten also procures banking services in the rest of Posten's service network (post offices and Post-in-Shops). The services are delivered through an agent agreement with DNB. The current agent agreement expires on 31 December 2019.

Alternative performance measures used in the annual report

The Group's financial information has been prepared in accordance with international accounting standards (IFRSs). In addition, information has been provided about alternative performance measures that are regularly reviewed by management to improve the understanding of the results. In addition, alternative performance measures are applied as general financial terms. The alternative performance measures presented may be determined or calculated differently by other companies.

As a consequence of new guidelines for «Alternative performance measures used in financial reporting", the Group has clarified the definition of performance measures and other financial figures in the annual report, which are not part of the disclosed financial statements.

The following performance measures and other target figures have been applied in the annual report:

		2016	2015
+	Revenue	24 772	25 074
-	Cost of sales	10 086	9 927
-	Payroll expenses	9 749	9 859
-	Other operating expenses	3 599	3 814
=	**EBITDA**	**1 339**	**1 474**

		2016	2015
+	EBITDA	1 339	1 474
-	Depreciation	694	788
=	**EBITE**	**645**	**686**

		2016	2015
	EBITE/	645	686
	Revenue	24 772	25 074
=	**EBITE margin**	**2,6 %**	**2,7 %**

		2016	2015
+	EBITE	645	686
-	Impairment	313	385
+/-	Other income and expenses	169	307
+	Income from associated companies and joint ventures	15	245
=	**EBIT**	**178**	**239**

		2016	2015
	EBIT/	178	239
	Revenue	24 772	25 074
=	**EBIT margin**	**0,7 %**	**1,0 %**

		2016	2015
+	Intangible assets	2 328	2 613
+	Tangible fixed assets	5 767	5 096
+	Current assets	6 740	7 203
-	Liquid assets	2 203	2 761
-	Interest-bearing short-term receivables	102	143
-	Interest-free short-term debt	5 492	5 240
+	Tax payable	149	117
+	Dividends and group contribution	1	23
=	**Invested capital1)**	**7 187**	**6 908**

1) Trailing 12 months' figrues

		2016	2015
	EBITE last 12 months/	645	686
	invested capital	7 187	6 908
=	**Return on invested capital (ROIC)**	**9,0 %**	**9,9 %**

		2016	2015
	Profit/(loss) after tax for the last 12 montns/	39	(61)
	average equity on balance sheet date 1)	5 919	6 065
=	**Return on equity after tax**	**0,7 %**	**-1,0 %**

1) (Opening balance - closing balance)/2

		2016	2015
	Equity on balance sheet date/	5 912	5 926
	equity and liabilities (total capital	15 299	16 097
=	**Equity ratio**	**38,6 %**	**36,8 %**

		2016	2015
+	Interest-bearing long-term debt	1 978	2 111
+	Interest-bearing short-term debt	415	896
-	Market based investments	1 634	2 478
-	Cash	71	98
-	Bank deposits group account	23	80
-	Bank deposits	147	117
=	**Net interest-bearing debt**	**518**	**234**

		2016	2015
+	Revenue	24 772	25 074
-	Revenue in Norway	14 810	15 452
=	**Revenue outside Norway**	**9 962**	**9 623**

		2016	2015
+	Market based investments	1 634	2 478
+	Syndicate facility	3 180	3 367
+	Bilateral credit facilities	750	750
-	Certificate loans	(300)	(200)
=	**Long-term liquidity reserve**	**5 264**	**6 394**

		2016	2015
+	Long-term liquidity reserve	5 264	6 394
+/-	Bank deposits group account	23	88
+/-	Bank deposits outside group account	147	112
+	Bank overdraft not utilised	550	550
=	**Short-term liquidity reserve**	**5 985**	**7 144**

STATEMENT OF THE BOARD OF DIRECTORS

We confirm that, to the best of our knowledge, the financial statements have been prepared in accordance with approved accounting standards and give a true and fair view of the Group and the parent company's consolidated assets, liabilities, financial position and results of operations.

We also confirm that the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the parent company together with a description of the key risks and uncertainties that the company is facing.

16. mars 2017

Idar Kreutzer (leder)

Randi B. Sætershagen (nestleder)

Tove Andersen

Anne Britt Berentsen

Morten Karlsen Sørby

Terje Wold

Odd Christian Øverland

Ann-Elisabeth Wirgeness

Erling A. Wold

Lars Nilsen

Tone Wille (konsernsjef)

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Posten Norge AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Posten Norge AS som består av selskapsregnskap og konsernregnskap. Selskapsregnskapet og konsernregnskapet består av balanse per 31. desember 2016, resultatregnskap, oppstilling av totalresultat, egenkapitaloppstilling og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets og konsernets finansielle stilling per 31. desember 2016, og av deres resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjon av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Sentrale forhold ved revisjonen

Sentrale forhold ved revisjonen er de forhold vi mener var av størst betydning ved revisjonen av årsregnskapet for 2016. Disse forholdene ble håndtert ved revisjonens utførelse og da vi dannet oss vår mening om årsregnskapet som helhet, og vi konkluderer ikke særskilt på disse forholdene. Vår beskrivelse av hvordan vi revisjonsmessig håndterte hvert forhold omtalt nedenfor, er gitt på den bakgrunnen.

Vi har også oppfylt våre forpliktelser beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet* når det gjelder disse forholdene. Vår revisjon omfattet følgelig handlinger utformet for å håndtere vår vurdering av risiko for vesentlige feil i årsregnskapet. Resultatet av våre revisjonshandlinger, inkludert handlingene rettet mot forholdene omtalt nedenfor, utgjør grunnlaget for vår konklusjon på revisjonen av årsregnskapet.

Nedskriving av goodwill

Konsernet har goodwill på MNOK 1 671 i balansen, hvorav MNOK 510 knytter seg til oppkjøp av nordiske logistikkvirksomheter. Goodwill er nedskrevet med MNOK 229 i 2016 i konsernregnskapet.

Konsernets nedskrivingstester medfører utøvelse av skjønn fra ledelsen knyttet til blant annet estimater for fremtidige kontantstrømmer og fastsettelse av avkastningskrav. Som følge av vesentligheten av goodwill i regnskapet, svak inntjening i de nordiske logistikkvirksomhetene og usikkerheten knyttet til estimater på fremtidige kontantstrømmer, har konsernets nedskrivingsvurderinger av goodwill vært et sentralt forhold i revisjonen.

Vi vurderte konsernets nedskrivningsmetodikk og modeller, herunder etterregnet modellene. Vi evaluerte sentrale forutsetninger i nedskrivingsmodellene, herunder vekst, marginer og avkastningskrav basert på ledelsesgodkjente prognoser og tilgjengelig markeds- og bransjeinformasjon. Videre vurderte vi sensitiviteten i anvendte forutsetninger. Vi kontrollerte konsistens i anvendelsen av sentrale forutsetninger og evaluerte konsernets treffsikkerhet i tidligere års nedskrivningstester.

Vi viser til regnskapsprinsippnoten punkt 3.1 om estimert verdifall av eiendeler og note 8 om immaterielle eiendeler.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og konsernsjef (ledelsen) er ansvarlig for øvrig informasjon. Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den ellers viser seg å inneholde vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;

- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde;
- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om konsernregnskapet. Vi er ansvarlige for å fastsette strategien for, følge opp og gjennomføre konsernrevisjonen, og vi har et udelt ansvar for konklusjonen på revisjonen av konsernregnskapet.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Vi avgir en uttalelse til styret om at vi har etterlevd relevante etiske krav til uavhengighet, og kommuniserer med dem alle relasjoner og andre forhold som med rimelighet kan tenkes å kunne påvirke vår uavhengighet, og der det er relevant, om tilhørende forholdsregler.

Av de forholdene vi har kommunisert med styret, tar vi standpunkt til hvilke som var av størst betydning for revisjonen av regnskapet for den aktuelle perioden, og som derfor er sentrale forhold ved revisjonen. Vi beskriver disse forholdene i revisjonsberetningen med mindre lov eller forskrift hindrer offentliggjøring av forholdet, eller dersom vi, i ekstremt sjeldne tilfeller, beslutter at forholdet ikke skal omtales i beretningen siden de negative konsekvensene ved å gjøre dette med rimelighet må forventes å oppveie allmennhetens interesse av at forholdet blir omtalt.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen og redegjørelsene om eierstyring og selskapsledelse og samfunnsansvar

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsene om eierstyring og selskapsledelse og samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Building a better
working world

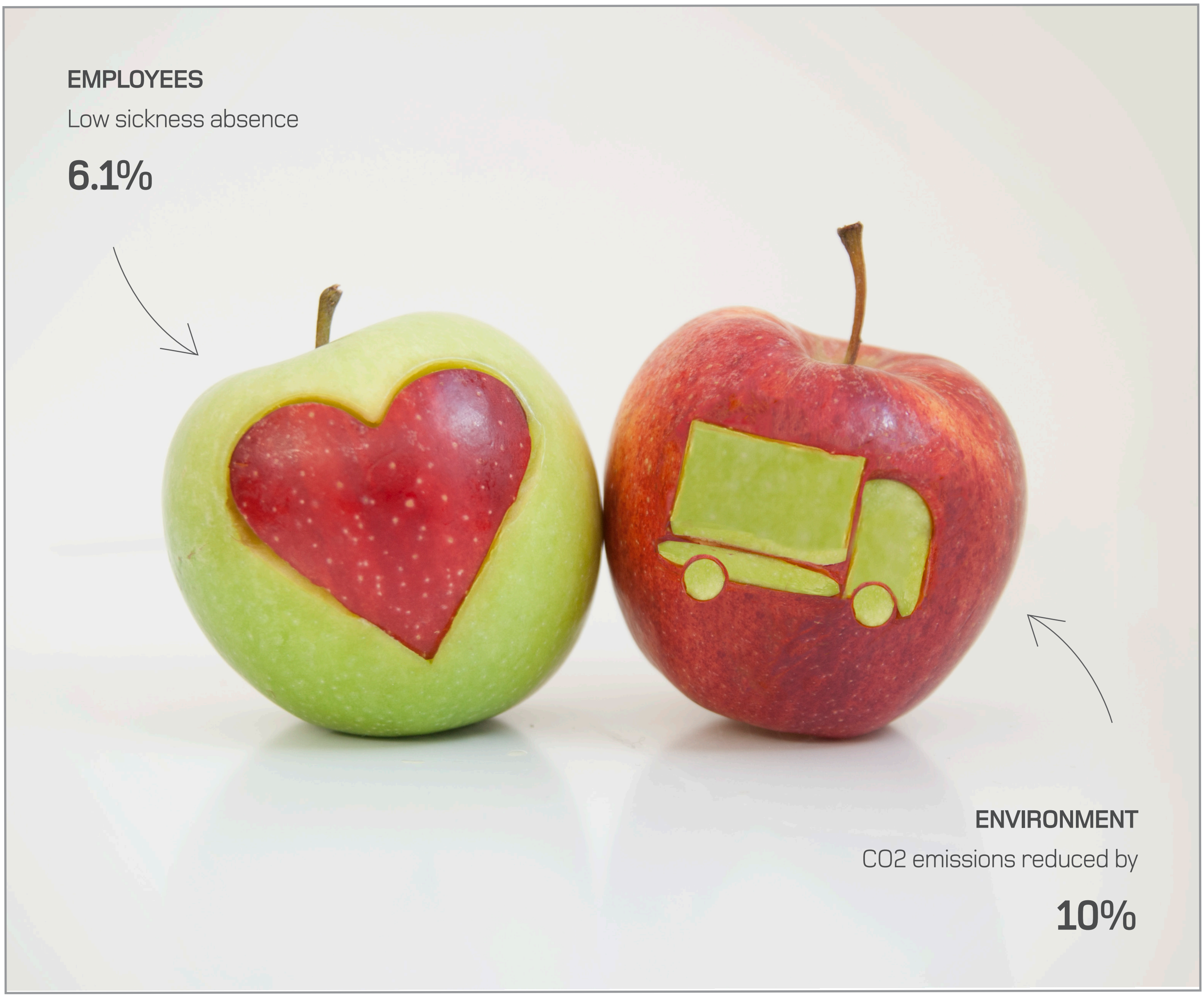
Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 16. mars 2017
ERNST & YOUNG AS

Eirik Tandrevold
statsautorisert revisor

SUSTAINABILITY REPORT 2016



Sustainability Report 2016

This sustainability report gives an account of the value we have created in recent years and the footprint we have left in society. The report evaluates our work and provides direction for the future.

THE GLOBAL COMPACT
WE SUPPORT

Posten Norge participates in the UN Global Compact. The Global Compact is a United Nations corporate sustainability initiative. As a participant, Posten Norge commits to integrating ten basic principles (in human rights, labour, environment and anti-corruption) with its strategy and daily operations and to report annually on its activities and improvements related to these principles.

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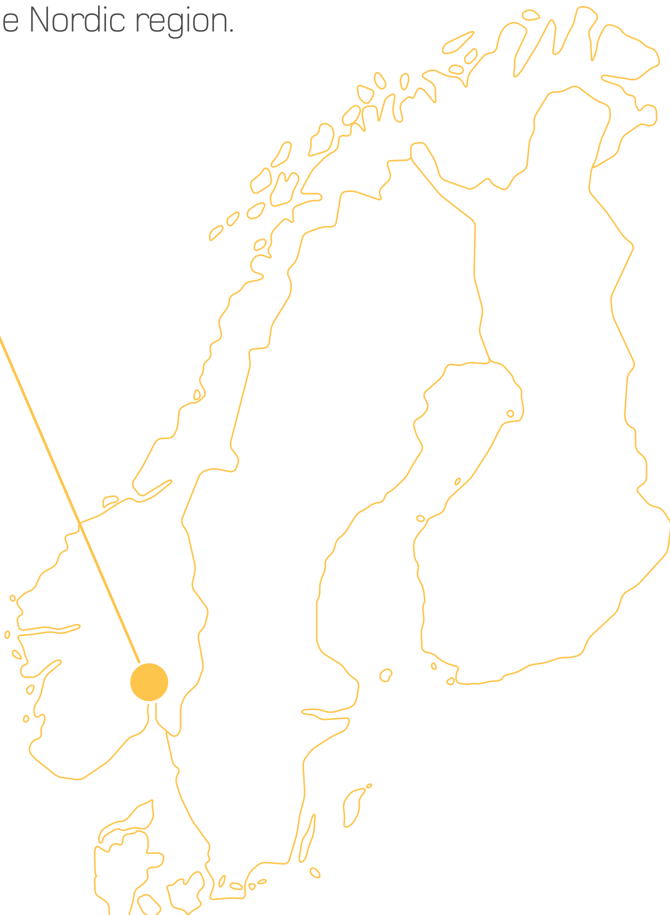
About Posten and Bring

Posten Norge AS is a Nordic postal and logistics group that develops and delivers integrated solutions in postal services, communications and logistics in the Nordic region.



Posten Norge

Posten Norge: Head office in Oslo, Posthuset

Presence: Norway, Sweden, Denmark, Finland, France, Greece, the Netherlands, United Kingdom, Italy, Belgium, China, Germany, Russia, Slovakia, and the United States.

PERMANENT EMPLOYEES IN THE GROUP

16 992

Vision

Posten Norge will be the world's most future-oriented postal and logistics group.

Business concept

Posten Norge develops and delivers integrated postal, communications and logistics solutions, with the Nordic region as its home market.

Future developments

In 2017 Posten Norge and Bring will update the strategy for the Group.
Our goals are to focus the business, orient it towards the customer, and improve profitability.

Our values

Through our values, we reflect a group that can be relied upon in all respects, and one for which we can be proud to work. These values help build our common culture and guide us in all our decisions. Established forms of cooperation between managers, employees, management organs, the owner and the authorities will reflect our values:

• Integrity
• Respect
• Cooperation
• Openness
• Courage

Main goals

Our main goals are based on the requirements and goals that have been set for our operations, and are:

• satisfied customers
• leading market positions
• profitable growth and competitive value growth
• attractive workplaces and a good working environment

Group structure

Posten Norge is organised into four divisions and four corporate staff units. Group management consists of the chief executive officer (CEO) and eight executive vice presidents.

Our brands

posten bring

Posten Norge AS has two brands in the market: Posten for the consumer market and Bring for the business market.

Posten provides mail delivery to private customers throughout Norway, and is responsible for the post office network.

Bring is one of the Nordic region's largest suppliers of postal and logistics services.

Get to know us even better at **postennorge.no**

We accept the challenge

Sustainability. The word carries a lot of weight. Many use the terms 'sustainability' and 'corporate social responsibility' interchangeably. For us in Posten Norge and Bring, sustainability has to do with our long-term value creation; how we manage our resources and run our businesses in the best possible way. Corporate social responsibility is about taking on responsibility beyond what is expected of us or what is profitable.

This year's sustainability report shows that we have much to be proud of. We are leading the green shift in the Norwegian transport industry. We operate 2 047 alternative vehicles. We reduced our CO2 emission levels by 10 per cent in 2016. We enhanced our reputation. We have more proud employees than ever before. Employee satisfaction is high, and sickness absence is low.

“

Posten Norge and Bring must constantly be able to adapt and to change strategy in order to win customers.

This solid foundation is particularly important given the time and market in which we are operating. Competition is fierce, and technology is developing at an increasingly rapid pace. It is no longer a matter of a technology shift, but of a technology race. Our competitors are challenging our most profitable areas, and in Posten Norge and Bring we must constantly be able to adapt and to change our strategy in order to win customers. This also means that we have to respond even faster to changing and adapting the way we use our most important resources: our employees, partners, networks and – not least – our financial capital.

We will update our strategy in 2017. We will no longer base our operations on five-year strategies; we must adapt and evaluate continuously. Commitment to our strategy has now become commitment to our direction. In a changing world we must respond faster, have the courage to disrupt parts of our own service offering and – not least – stand firm when the going gets tough.

The goals for our new strategy are to improve profitability and focus our organisation. The new strategy must define what our core business should be going forward. These changes will focus sharply on customers. We will create a simpler organisation that can more easily try out new offerings and adapt faster to the market. This means that there must be room for trial and error.

Despite our new direction, our responsibilities will remain unchanged. Moreover, we have – and take – additional responsibility in our industry. As Norway's largest actor in the transport and logistics sector, we are used to being in the spotlight. This sharpens our focus. We are concerned with operating our business fairly and responsibly. If we make mistakes, we take responsibility for them. We show the way in finding the best, most sustainable solutions for our business and for the societies in which we operate.

This sustainability report gives an account of the value we have created in recent years and the footprint we have left in society. In 2017 we will follow familiar paths and stake out new ones. Our goal is to follow sounder, greener, more profitable paths in the coming years. The challenge we face may seem overwhelming, but in Posten Norge and Bring we have always enjoyed challenges; you almost have to if you are going to work for us. We have an excellent basis for success: a proud, knowledgeable, engaged and adaptable organisation.

Tone Wille,
Chief Executive Officer

Moreover, we have – and take – additional responsibility in our industry. As Norway's largest actor in the transport and logistics sector, we are used to being in the spotlight.

Our strategy for creating long-term value

For Posten Norge and Bring, sustainability is about the Group's long-term viability. Our key resources for creating value and thereby ensuring this viability are our employees, our relationships and partnerships, our networks and expertise, our ability to change and our financial capital.

Our employees

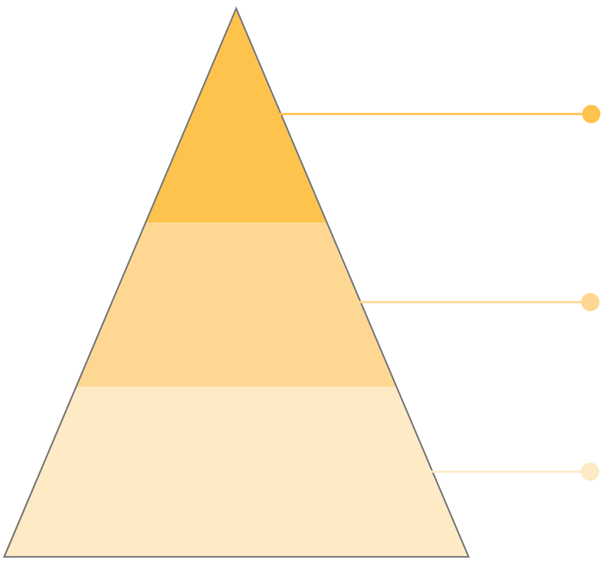
Our relationships and partnerships

Our networks and expertise

Our ability to change

Our financial capital

The Group works continuously on initiatives to improve the measurement and reporting of sustainability (long-term viability). The Group's stakeholders increasingly demand a systematic approach to sustainability, and expect Posten Norge, as a major Norwegian public-sector player, to perform this work methodically.



Posten and Bring's sustainability pyramid

MAKING AN EXTRA EFFORT (VOLUNTARY)
The Group has chosen three priority areas:

- HSE
- The environment/climate
- Integration/diversity

ENSURING LONG-TERM VALUCREATION AND SUSTAINABILITY
Posten Norge works for long-term value creation by ensuring the sustainable and responsible management of our most important resources and meeting its owner's other requirements and expectations.

CARRYING OUT OUR SOCIAL MISSION (STATUTORY)
Posten Norge fulfils the requirements of its operating licence and the Postal Services Act set by society and its owner.

A broader definition of sustainability

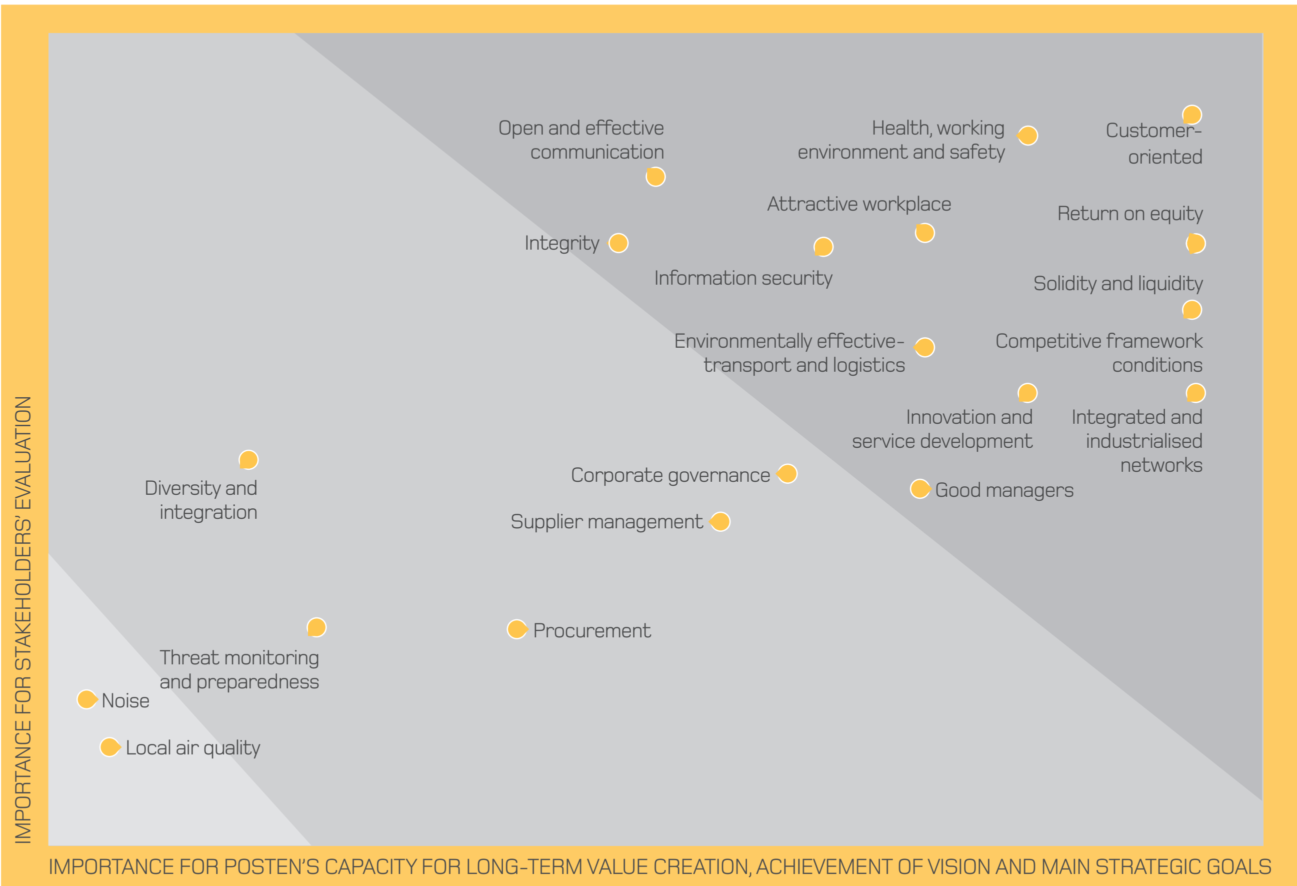
Posten Norge conducted its first materiality analysis in 2013. A good materiality analysis ensures that our key stakeholders are represented and that we report on the most relevant areas to ensure long-term value creation. The Group updated the materiality analysis in 2015.

The updated analysis also formed the basis for the 2016 sustainability report. The analysis was performed after interviews were conducted of 12 key personnel in the Group and after a meeting with the Group's sustainability council. The sustainability council is a continuation of the steering group for sustainability reporting in the Group. The council is tasked with contributing to the further development of sustainability reporting, and consists of experts from within the Group who can provide input and agree on the way forward (G4-25).

The updated materiality analysis is based on a broader definition of sustainability (long-term viability) and is linked to the Group's strategy and governance system. Whereas previously the analysis discussed environmental and social considerations, the latest analysis now addresses the Group's long-term viability and value creation capacity. This change was prompted by the fact that key stakeholders such as owners, corporate customers and investment managers are increasingly requesting more non-financial information. A materiality analysis that covers the entire spectrum of priority areas is also useful internally for understanding and communicating the relationship between critical success factors and ensuring that strategy and governance are integrated.

The materiality analysis resulted in 13 priority areas defined as having most significance for our value creation and for our key stakeholders. We have also opted to report on supplier management, given its growing significance for the Group.

Figure 1.1 Posten Norge and Bring's materiality analysis. The area on the right shows the 13 areas of most significance for our long-term value creation and for our stakeholders.



The updated materiality analysis will contribute to an overall understanding of the Group's business model and of the resources on which Posten Norge and Bring are dependent for creating value. These are described in more detail in the Group's five capital areas representing Posten Norge's five key resources for value creation.

Our five capital areas

These resources (capital areas) have provided the basis for defining which critical success factors (aspects) should be included in the materiality analysis. Opportunities and risks within the most significant success factors have been identified and categorised under each of the capital areas. These form the basis for the 2016 report. Furthermore, we have linked the recommended and recognised Global Reporting Initiative (GRI) Content Index template to these success factors, and conducted an analysis to define which GRI indicators are most important for us to report on. The GRI Content Index template is an international standard that has not been adapted specifically to Posten Norge. We have therefore also included our own indicators, defined by the Group, which are material to us though not currently part of the GRI template.

Figure 1.2 Posten and Bring's five most important resources (capital areas), categorised by critical success factors (aspects) and by which indicators we report on within each group of success factors.

Our employees

- Health, safety and working environment: LA5, LA6, HR3
- Attractive workplace LA1, LA2, LA12, EC5
- Good managers: Own indicator: Employee satisfaction

Our relationships and partnerships

- Customer-oriented: Own indicator: Delivery quality, PR5
- Open and effective communication Own indicator: Reputation
- Integrity: SO3, SO4, SO5, SO7, PR8
- Supplier management SO9, SO10, LA14, LA15, HR10, HR11, EN32, EN33

Our networks and expertise

- Environmentally effective transport and logistics: EN, EN16, EN17, EN18
- Integrated and industrialised networks: Own reporting
- Information security: PR8

Our ability to change

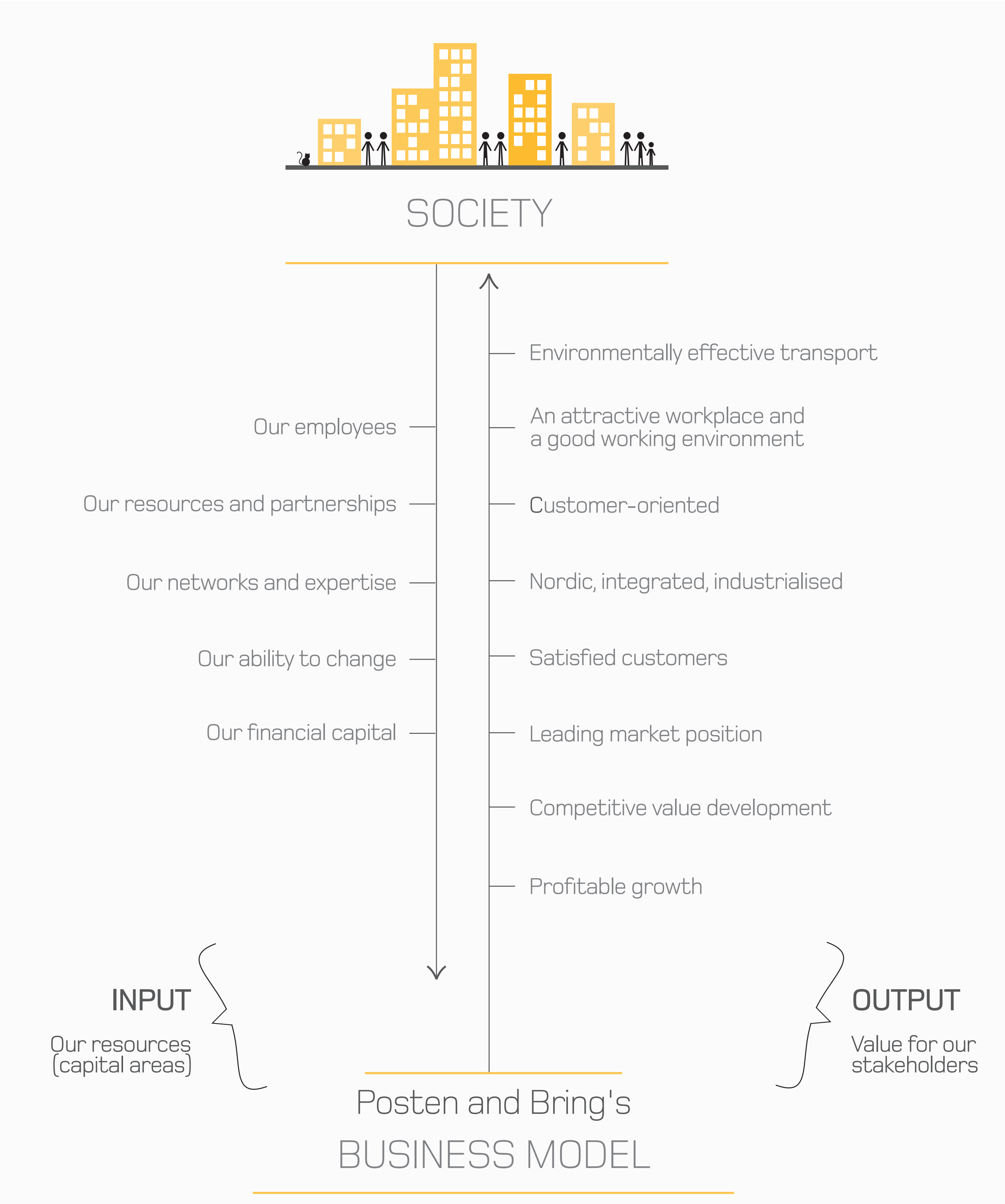
- Competitive framework conditions: Own reporting
- Innovation and service development: LA10

Our financial capital

- Return on equity: Own reporting Notes and financial statements
- Solidity and liquidity: Own reporting Notes and financial statements

Value creation through our business model

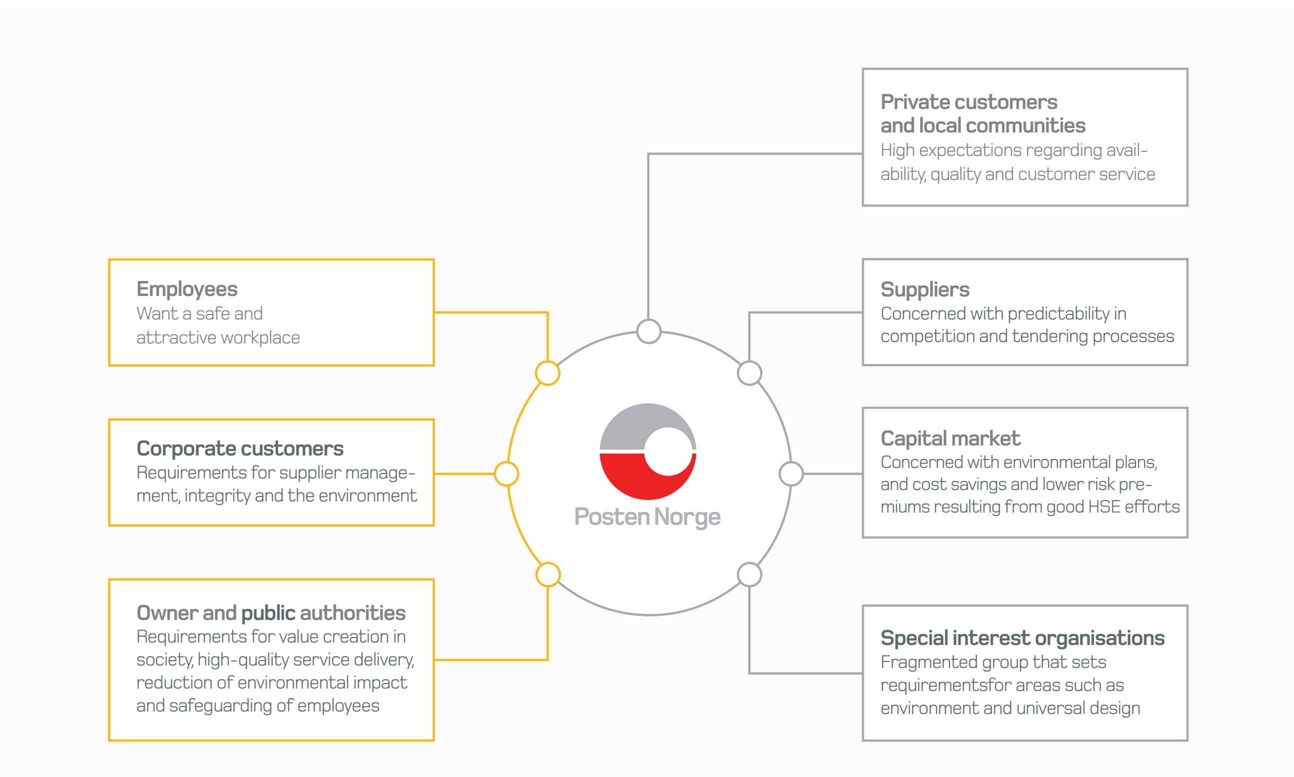
Posten Norge's capital areas are also based on the business model. The resources we invest in the business model and the results they produce in the form of value creation for our key stakeholders (employees, corporate customers, owner, and public authorities).



Our key stakeholders

Defining our key stakeholders has been a central element of the materiality analysis, since our stakeholders are involved in establishing the framework for our work on sustainability. Stakeholders differ in the demands they make on and the expectations they have of Posten Norge (G4-18). Our key stakeholders were identified as the owner, public authorities, corporate customers, and current and future employees. In addition, private customers and local communities, the capital market, suppliers and interest organisations are groups that play a central role in the Group's work on corporate social responsibility and sustainability (G4-24).

Figure 1.3: Posten Norge's key stakeholders. The three most important are shown on the left.



The Group also engages in dialogue with other stakeholders such as trade unions, business and employer associations, political parties, supervisory authorities, competitors and the media. We engage in dialogue with our stakeholders in various formal and informal arenas. The frequency of these meetings varies according to the needs and demands of our stakeholders (G4-26).

New materiality analysis in 2017

In light of the fact that a new Group strategy will be adopted in 2017, a new materiality analysis will be performed and linked to the new strategy. This will form the basis for the 2017 sustainability report.

Our employees

OUR
CAPITAL AREAS

Our employees

Our relationships and partnerships

Our networks and expertise

Our ability to change

Our financial capital

The Group's most important resource is its employees. The efforts and expertise of the Group's employees and managers represent a key success factor in achieving the financial results our owners expect. Creating a positive culture by facilitating a healthy and safe working environment is therefore imperative.

This capital area covers three critical success factors that are material for us to report on so as to ensure sound management of this resource. We report on the following own indicators and GRI indicators per critical success factor (aspects):

1 Health, safety and working environment

GRI indicators: LA5, LA6, HR3

2 Attractive workplace

Own indicator: Reputation. GRI indicators: LA1, LA2, LA12, EC5

3 Good managers

Own indicator: Employee satisfaction

1 Health, safety and working environment

GRI indicators: LA5, LA6, HR3

A healthy working environment in which no one incurs injury or sickness is one of Posten Norge's highest ambitions.

Posten Norge's long-term and systematic HSE activities have produced positive results. The levels of sickness absence and occupational disabilities are lower, and the number of injuries has decreased significantly. These results mean that every day 531 more employees are at work compared with 2006. Our HSE activities have led to the development of sound and robust tools, systems and expertise and – not least – to dedicated and skilled employees. We see that our traditions of continuity and of laying one brick at a time are working.

The Group's positive HSE results provide Posten Norge with significant advantages: lower rates of sickness absence and injuries produced cost savings of NOK 215 million in 2016. Having more employees at work means fewer operational challenges, improved delivery quality, better working conditions, and enhanced reputation. Moreover, road users and suppliers are affected by the quality of Posten Norge's HSE work.

Stakeholders.

- **Corporate customers:** Set requirements for systematic HSE management and often include the right to audit HSE work in their contracts.
- **Owner and public authorities:** Statutory requirements. Expect systematic HSE work.
- **Employees:** Decisive for ensuring attractive workplaces and employee attendance in a labour-intensive operation with a fast pace of change.
- **Investors and banks:** Concerned with cost savings and lower risk premiums resulting from good HSE work.

How we work

Development work and the long-term strategic work on HSE are centralised under the Group HR/HSE. The divisions order services from the Group HR/HSE, which also functions as a coordination centre for the line management in the divisions. In addition, the regions and business areas have local support systems specialising in these areas. HSE is top of the agenda at all management and board meetings. This helps ensure that HSE remains on top of the agenda throughout the company. There is also good tripartite cooperation between management, employee representatives and the safety service. The Group's HSE results are reported systematically. Every month, key performance indicators (KPIs) are reported to Group management. These include key figures for attendance and sick leave, H1 and H2 values, occupational disability, near-accidents and undesirable incidents. The Group's Board of Directors receives reports on and analyses of HSE results at all board meetings.

In order to meet the challenges faced by the Group, cooperation between relevant parties and public authorities is also important (G4-16 and G4-27). In 2016 we continued our work on actively strengthening cooperation with key parties in order to improve our HSE activities. Throughout 2016 Posten Norge worked actively with IW (inclusive working life) advisers from the Norwegian Labour and Welfare Administration's working life centres to find ways of reducing prolonged and recurring sickness absence. Efforts have continued on constantly improving the services provided by the occupational health service. The service is evaluated in monthly reports, regular status meetings and half-yearly cooperation meetings. The divisions are monitored monthly to ensure they use the financial support schemes included in the IW agreement for providing occupational health services and facilitation subsidies.

Close cooperation with the safety service and the employee representatives is essential if we are to achieve our working environment goals. Cooperation strengthens our ability to adapt, and presents opportunities to develop seamless solutions and embed decisions among our employees. Regular tripartite meetings are held at all levels in the organisation.

For many years now the Group has closely monitored the supervisory work carried out by the Norwegian Labour Inspection Authority. This provides a source for improving our HSE activities, both locally and centrally, and our HSE system. None of the supervisory activities carried out in 2016 resulted in orders imposed on Posten Norge AS.

The views of the employees are important in HSE efforts.

GRI indicators G4 LA5: Percentage of the total workforce represented on formal HSE committees in which management and employees are represented, and which help monitor and advise on health and safety programmes in the workplace.

It is important for Posten Norge to ensure that the working conditions for all employees are taken seriously. To achieve this, we rely on feedback from employees. 98.5 per cent of the Group's permanent employees are employed in areas that have formal health and safety committees (working environment committees, tripartite cooperation, etc.). These committees offer advice in addition to monitoring measures promoting health and safety at all levels in the organisation.

If we are to achieve our ambition of becoming a healthy workplace with no occupational injuries or diseases, our workplace must be drug-free. Posten Norge AS therefore works systematically and continuously on preventing and monitoring drug abuse and gambling addiction. Preventive and monitoring tasks are a management responsibility, and a new training concept has been developed to raise management awareness. This training is intended to contribute towards a drug-free workplace that safeguards safety, quality, productivity and attendance and to make managers capable of proactive and early intervention in high-risk incidents of substance abuse and gambling.

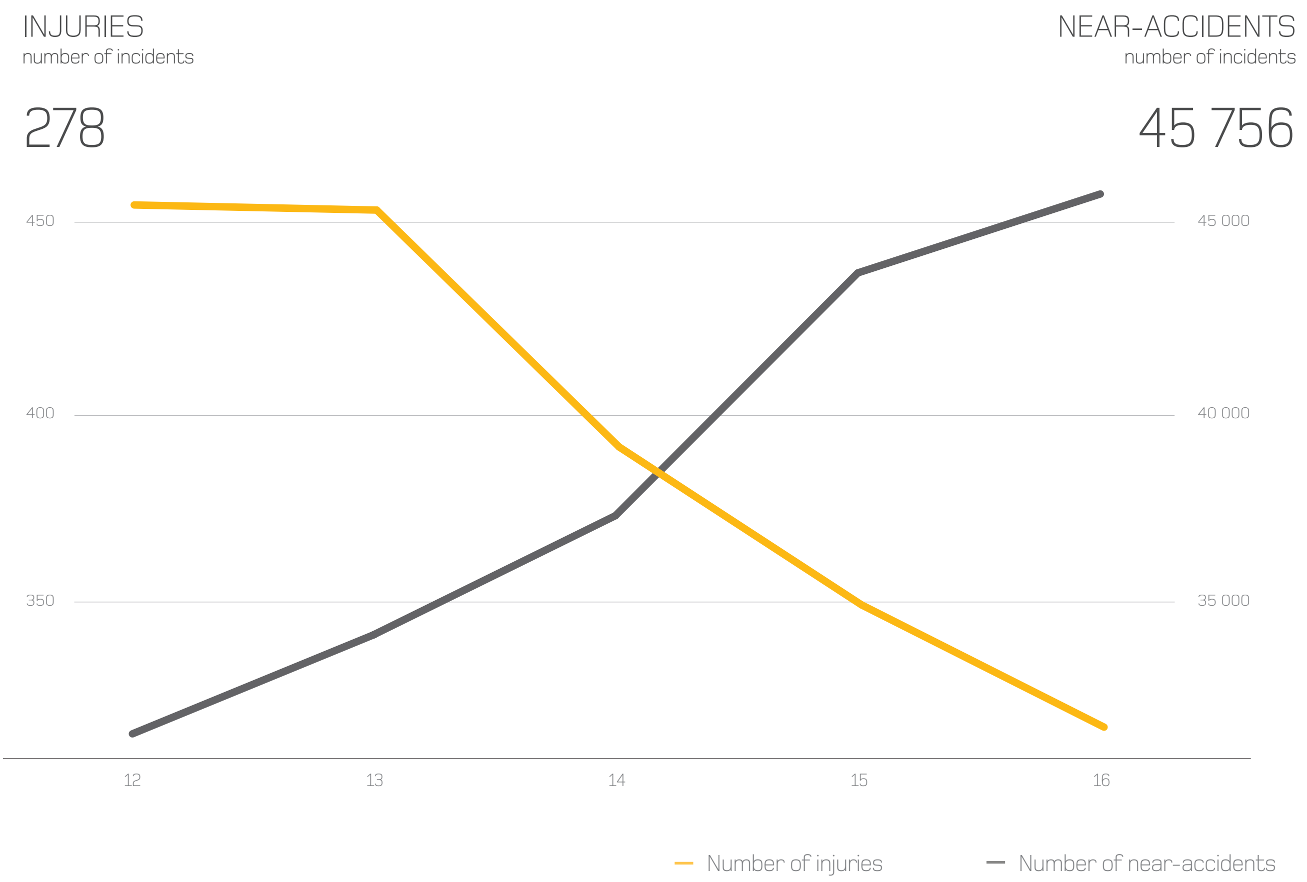
Long-term safety work produces results

GRI indicators G4 LA6: Type and frequency of injuries, occupational diseases, lost working days, absenteeism, and total number of fatalities, by region and gender.

Posten Norge has adopted a long-term and systematic approach to its work on job safety, including safety audits of operating units, accident investigations, reporting on undesirable incidents and near-accidents, and safety dialogue between managers and employees. Posten Norge registers and measures trends in injuries and accidents. These measurements are used to implement measures to reduce the number of accidents that result in absenteeism. The number of registered lost-time injuries has clearly decreased since measurements began in 2006. The Group registers lost-time injuries according to the Federation of Norwegian Industries' standard. Lost-time injuries requiring medical treatment are included in the H1 value, while H2 injuries denote all injuries, including H1 injuries.

In 2016 a total of 278 injuries (H2) were registered in the Group, compared to 331 in the previous year, while 122 H1 injuries were registered, compared with 120 in 2015. The H2 value for the Group as a whole was 9.2, representing an improvement of 15.7 per cent on 2015. This means that the result was 0.6 better than the target of 9.8. The Group will continue its efforts to improve job safety and reduce injuries in 2017, and has set a target of 8.3 for H2 injuries.

Figure 2.1: Number of near-accidents versus the number of injuries during the period 2012 to 2016.



A total of 45 756 near-accidents/undesirable incidents were reported in 2016, which is 1 918 more than in 2015. Posten Norge wants the lowest possible number of accidents/injuries but the highest possible number of reports of near-accidents/undesirable incidents. Focusing on incidents that «almost» happen can help us prevent them from actually occurring. We gain knowledge about risks and dangerous conditions and situations in the workplace before someone is injured, giving us the opportunity to implement preventive measures. The causes of near-accidents and accidents are often the same. We can therefore reduce the risk of injuries by working systematically on gaining control of risks in work processes. Furthermore, registration of undesirable incidents and near-accidents regularly draws attention to risk factors and contributes positively towards building a safety culture.

The group-wide HSE Safety Standard is an important tool in creating a safe working environment. The standard consists of an obligatory checklist for all managers, and contains checkpoints covering everything from securing of buildings and goods to the most important areas for creating a safe working environment. Posten Norge's HSE Safety Standard has been further developed and currently comprises 103 checkpoints. The standard is used annually as a basis for in-house evaluations and audits. The results from audits and in-house evaluations provide a picture of the standard of safety within the Group and serve as instruments in our internal control. During 2016, 20 central audits were performed. In addition, 532 local in-house evaluations were carried out by managers in Posten Norge and Bring. During the three years in which we have used the HSE Safety Standard, the results of both in-house evaluations and central audits have shown that an increasing number of units have achieved the approved level. We will therefore continue to use this method.

To learn more about why accidents occur, all serious incidents where employees are or could have been injured will be investigated, and the resulting reports used for learning purposes. Investigations help identify the underlying reasons for why accidents occur, and ensure that preventive measures are implemented. Eighty investigations were carried out in 2016. All the investigation reports were anonymised and made available on the intranet.

Table 2.2: General overview of injuries, fatalities and sickness absence, for the whole Group and by division.

	H1 value	H2 value	Fatalities	Sickness absence
Posten Norge Group	4.0	9.2	0	6.1%
Posten Norge AS	3.6	7.7	0	6.7%
Mail Division	3.5	9.4	0	6.6%
Logistics Norway Division	6.3	9.9	0	6.2%
Logistics Nordic Division	2.5	11.3	0	4.4%

Table 2.3: Total injuries, fatal accidents and sickness absence in Posten Norge by gender.

	POSTEN NORGE AS			
	H1 value	H2 value	Fatalities	Sickness absence
Women	5.0	9.6	0	8.2%
Men	3.4	6.8	0	6.0%

Another important safety measure is the work on providing information and knowledge about how to handle hazardous goods; that is substances with properties that can pose a risk to life or health, material assets or the environment in the event of a serious accident. As part of this work, Posten Norge placed emphasis in 2016 on training sales staff, and revised and supplemented customer information about hazardous goods and prohibited contents in order to make it easier for our customers to find the information they need. In addition, experience sharing workshops on hazardous goods were arranged for the Group's safety advisers, and the training concept for ADR driver training certificates was revised. The HSE Safety Standard contains a separate chapter on hazardous goods, and compliance with these standards is monitored via central audits and during annual in-house evaluations by the operating units.

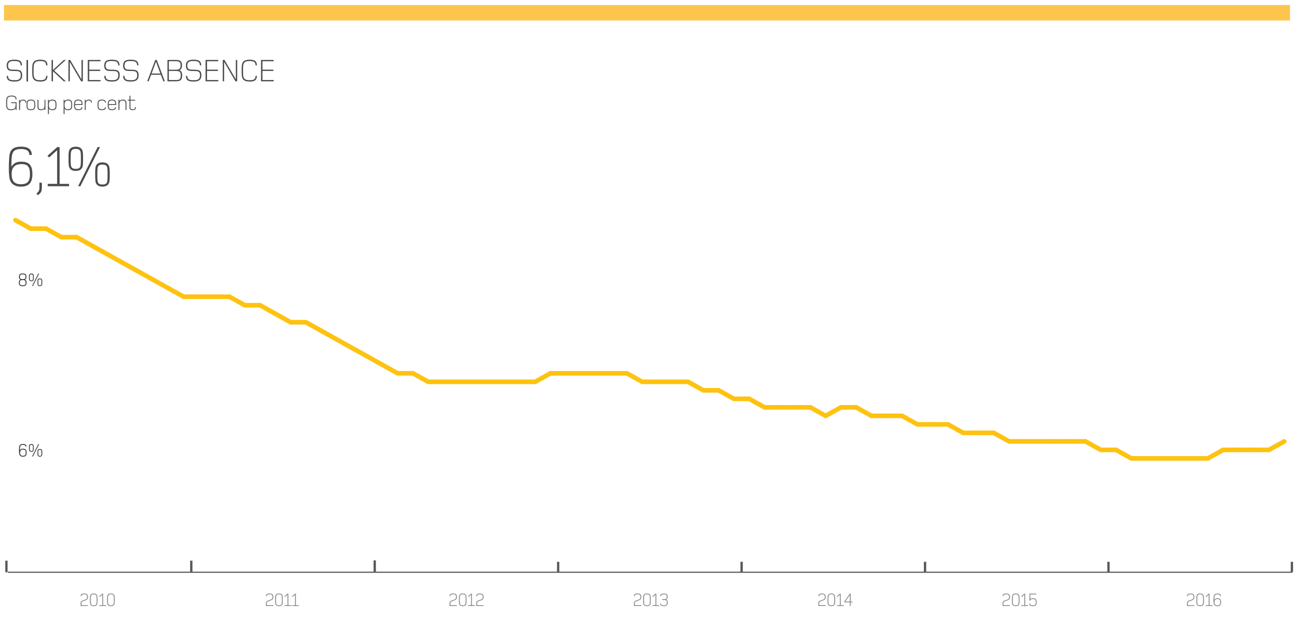
Sickness absence levels remained low

GRI indicators G4 LA6: Type and frequency of injuries, occupational diseases, lost working days, absenteeism and total number of fatalities, by region and by gender.

Sickness absence levels in the Group remained low. The rolling 12-month trend started at 6.0 per cent at the turn of the year and remained stable at 5.9 per cent for most of the year. Sickness absence levels increased during the final months of the year, particularly during the influenza season. The 5.9 per cent target for sickness absence for the year was not reached, and sickness absence for the period ended at 6.1 per cent. The 2017 target for sickness absence is 6.0 per cent.

The Group underwent several restructuring processes in 2016, and more have been announced. Meanwhile, the average age of Group employees is rising. These changes may lead to increased levels of sickness absence. Our own analyses show that sickness absence levels rise with age, and that the older age groups account for the highest levels of sickness absence. Targeted and systematic action was taken throughout 2016 to prevent these changes from leading to increased sickness absence rates. At the same time, the percentage of occupational disabilities in the Group remained low and stable. The percentage of occupational disabilities for 2016 ended at 1.0 per cent, which is 0.1 per cent better than the target. The target for 2016 will remain the same in 2017.

Figure 2.4 Trends in sickness absence from 2010 to 2016, based on a 12-month trend in the Posten Group from 2010 to 2015.



The Group has worked systematically for many years to assist employees with absences of 24 days or more during the past three years to return to work. The programme, called Det Nytter (It Helps), has shown positive results. The number of employees with this rate of absenteeism decreased by 57 per cent by the end of 2016 compared with 2010.

Posten Norge attaches importance to a fact-based approach to sickness absence activities so that we can direct our efforts at those areas with the greatest potential for reducing sickness absence rates. One of those areas concerns employees with recurring sickness absence. In 2016 Posten Norge intensified its efforts to assist employees with this type of absenteeism to return to work. In close cooperation with the Norwegian Labour and Welfare Administration, we have developed a system for identifying and finding durable solutions for these employees. Work capability assessments in cooperation with the occupational health service's physicians, skills development of managers and HR, and close and systematic follow-up of employees have been important focus areas. This work will continue and be intensified in 2017.

At the same time as Posten Norge works on reducing recurring and high levels of sickness absence, we also focus on preventive measures. We continue our commitment to the health promotion programme at the same time as our managers and occupational health service continually focus on early intervention and preventive measures. In 2016 preventive interviews was the most popular service provided by our occupational health service provider. The aim of these interviews is to prevent sickness absence by focusing on prevention work in physical and psychosocial working environments.

There is still reason to believe that systematic use of tools and measures reduces sickness absence. Systematic follow-up of employees on sick leave contributes to predictable processes for all parties involved. Use of Postmodellen, Posten Norge's procedure for following up sickness absence, has been and will continue to be an important tool. In 2017 this model will be revised and further developed to make us even better equipped to further reduce sickness absence.

Posten Norge and Bring are racism-free workplaces

GRI indicators G4-HR3: Incidents of discrimination and corrective action taken.

Integration and diversity are two of the Group's priorities in the area of corporate social responsibility. This means that the Group should have an explicitly racism-free profile and play an active role in integration activities both internally and externally. In cooperation with Norwegian People's Aid, Posten Norge has been a racism-free zone since 2001. The Group's whistleblowing mechanism did not handle any incidents of discrimination in 2016. The Group's annual organisational survey has included the statement «There is no discrimination in my unit» since 2005. On a scale of 1-7, where 7 is best, the answers to this statement scored on average 6.3 in 2016, the same result as in 2015 (G4-HR3).

In 2016 Posten Norge's own mentor programme for promoting integration among unemployed women with immigrant background was run for the fourth time. The aim of the programme is to increase the women's knowledge about Norwegian working life and to assist them in the job-seeking process. This year the programme was arranged in cooperation with an external actor, Moving Mamas. Twenty-three unemployed women with immigrant background are participating in the programme. Nineteen resource personnel from the Group are serving as mentors, and Moving Mamas is providing four mentors from its own network. Posten Norge continues to use both male and female mentors.

2 Attractive workplace

GRI indicators: LA1, LA2, LA12, EC5

One of Posten Norge's four main goals is to offer attractive workplaces and a good working environment. An attractive workplace will attract the most highly skilled and committed employees. Posten Norge and Bring rely on their employees to succeed in achieving their goals and strategies. The Group depends on having employees who produce and deliver first-rate service, in addition to technical personnel with expertise in digital technology, user experience and new customer interfaces. As a labour-intensive organisation, a shortage of suitable manpower represents a significant risk.

Stakeholders

- **Employees:** Important for attracting and retaining suitable employees. Affects efficiency.
- **Corporate customers:** May affect service quality.

How we work

Creating attractive workplaces is not centralised within one specific unit; it is something all employees and managers in Posten Norge and Bring create together, every day. A company that is perceived as a unified organisation makes for an attractive employer. This impression is created when our customers meet our employees, through our digital front-line customer services, how we are portrayed in the media, marketing campaigns and, not least, through our job advertisements.

The marketing department and information department in Group Communications are responsible for strategic brand attraction, and using their marketing and information channels they project Posten and Bring as modern, forward-looking businesses that have their customers and employees at heart. An active PR team answers questions from the media and works to promote positive publicity about the company.

Composition of the workforce

GRI indicator G4 LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group, and other indicators of diversity.

At year end 2016, the Posten Group had 16 992 permanent employees. The Group also has temporary employees and employees with other employment conditions such as on-call temporary staff who can be called on when needed. Posten Norge and Bring have employees in 15 countries, 78.9 per cent of whom are permanently employed in Norway. The countries with the most employees after Norway are Sweden with 16.2 per cent and Slovakia with 2.1 per cent. Overall, the Group's workforce decreased by 8.6 per cent, with Norway accounting for the largest decrease. This is largely due to the discontinuation of mail deliveries on Saturdays.

The percentage of female employees in 2016 was 33.8 per cent, and women make up 28.2 per cent of Group management. The Group appointed its first female CEO in 2016. The new incumbent previously held the position of CFO. However, a woman was temporarily appointed CFO, while the Group management's permanent employees numbered four women and three men. If the CFO is included, the percentage of female employees was 62.5 per cent in 2016. The parent company has 37.3 per cent women, and 32 per cent of managers are women. Group HR/HSE monitors the proportion of women in the Group, and the Group wants the gender balance among managers to be relatively similar to that for the rest of the Group.

In 2016, 45.5 per cent of employees were aged over 50 and 40.4 per cent were aged between 30 and 50 (see Table 2.5). This assures the Group of a stable workforce.

Table 2.5: Age distribution among the Group's employees

Age interval	Management	Employees	Total
Under 30	3.0%	15.0%	14.2%
30 to50	48.7%	39.7%	40.4%
Over 50	48.2%	45.3%	45.5%
Total	100.0%	100.0%	100.0%

Group management has set new diversity targets whereby 17 per cent of employees in the businesses in Norway should have immigrant background. Based on an internal survey in 2016 of all employees in the Norwegian part of the Group, 14.5 per cent of employees are estimated to have immigrant background, representing a slight decrease of 0.2 percentage points compared with 2015.

To increase diversity in management positions, corporate staff units and administration in Norway, a specific target has been set for 9 per cent of employees in these job categories to have immigrant background by the end of 2020. In 2016, 6.3 per cent of the employees in these positions had immigrant background. The number of managers with immigrant background is estimated at 4.6 per cent, representing an increase from 4.4 per cent in 2015. No members of Posten Norge's Board of Directors have immigrant background (see Table 2.6).

Table 2.6: The Board of Directors of Posten Norge, by background, gender and age

Number	Men	Menn , %	Women	Women, %	Total	Total
Non-minority background	6	100%	4	100%	10	100%
30 to 50	0	0%	1	10%	1	10%
Over 50	6	60%	3	30%	9	90%
Minority background	0	0%	0	0%	0	0%
Total	6	60%	4	40%	10	100%

Equal pay and equal opportunities

GRI indicator G4 EC5 Standard entry-level pay levels, by gender, compared with local minimum wages offered at the company's significant operating sites.

The Nordic countries do not apply minimum wage policies. Wage levels and starting wages are adjusted through negotiations between employee representatives and employers. Most of Posten Norge and Bring's employees are employed in Nordic countries. See the organisation chart at postennorge.no.

GRI indicator LA2 Benefits provided to full-time employees but not to temporary or part-time employees, by significant operating sites.

Overall, 99.9 per cent of all Group employees work in companies that offer the same benefits to temporary employees as are offered to permanent employees. These are adjusted under collective or other agreements or are offered by individual companies. 95.6 per cent of Group employees are covered by collective agreements (G4-11).

The restructuring is increasing employee turnover.

GRI indicator G4 LA1: Total number and frequency of new recruitments and employee turnover, by age group, gender and region.

The Group has adopted rules that govern central aspects of local recruitment policies with regard to recruitment processes, equal opportunities, non-discrimination and mobility within the Group.

In 2016 the Group recruited 799 new employees to permanent positions, 55 per cent of whom were recruited in Norway.

Table 2.7: New employee hires in Norway in 2016, by age and gender.

Norway

Age interval	Men	Menn, %	Women	Women, %	Total	Total,%
Under 30	88	20%	39	9%	127	29%
30 to 50	181	41%	38	9%	219	50%
Over 50	91	21%	2	0%	93	21%
Total	**360**	**82%**	**79**	**18%**	**439**	**100%**

Table 2.8: New employee hires outside of Norway in 2015, by age and gender.

Outside Norway

Age interval	Men	Menn, %	Women	Women, %	Total	Total,%
Under 30	102	28%	43	12%	145	40%
30 to 50	152	42%	30	8%	182	51%
Over 50	26	7%	7	2%	33	9%
Total	**280**	**78%**	**80**	**22%**	**360**	**100%**

The Group had a turnover of 17.1 per cent in 2016. The turnover for men was 1.1 percentage points higher than for women. The turnover for part-time employees in the Group was 39.1 per cent in 2016. This figure is high due to the discontinuation of mail deliveries on Saturdays. This is also the reason for the high turnover in the under-30 age group, since many in this group were employed in permanent positions on Saturdays (see Table 2.9). The total turnover for permanent employees in the parent company was 13.4 per cent. The turnover for women was 3.5 percentage points higher than for men. The Group is continuously restructuring, and we see that this rate of turnover is necessary in order to align manpower management with market trends.

Table 2.9: Employee turnover in Norway, by age and gender.

Norway

Age interval	Men	Menn, %	Women	Women, %	Total	Total,%
Under 30	413	39,1%	213	45,1%	626	41,0%
30 to 50	290	8,6%	162	10,7%	452	9,3%
Over 50	356	8,4%	334	12,0%	690	9,9%
Total	**1059**	**12,2%**	**709**	**14,9%**	**1768**	**13,2%**

Table 2.10: Employee turnover outside Norway, by age and gender.

Outside Norway

Age interval	Men	Menn, %	Women	Women, %	Total	Total,%
Under 30	280	47.6%	106	36.4%	386	43.9%
30 to 50	429	30.0%	89	16.5%	518	26.3%
Over 50	197	34.0%	36	24.3%	233	32.0%
Total	**906**	**34.9%**	**231**	**23.6%**	**1137**	**31.8%**

*Turnover figures include voluntary and involuntary resignations, as well as retirees.

3 Good managers

Own indicator: Employee satisfaction

All the employees in Posten Norge and Bring play an important role. Of the 16 992 permanent employees in the Group, approximately 1 200 are managers with personnel responsibilities. All of them play an important role in implementing the Group's strategy.

People are motivated by many factors, such as experiences of self-efficacy, autonomy and recognition, and by tasks that are perceived as meaningful. Good managers stand out by being conscious of these factors and exercising leadership with them in mind. Good management improves performance, cooperation and undesirable turnover, which in turn influence effectiveness and goal achievement. Recruitment and development of good managers is therefore regarded as a priority task in achieving the Group's goals.

Stakeholders

- **Owner and public authorities:** Relevant to Posten Norge's goal achievement.
- **Corporate customers:** Good management may impact the quality of services provided to customers.
- **Private customers and local communities:** Good management may impact the quality of services provided to customers.
- **Employees:** Decisive for motivation and performance. Important for attracting and retaining suitable employees.

How we work

Recruitment and development of good leaders is part of our long-term strategic organisational development. Responsibility for this work lies with Organisational Development in Group HR, but the most important developments take place in the managers' day-to-day management. Organisational Development develops group-wide structures and content and helps with implementing measures in the line management.

Group management is regularly updated on organisational development activities and kept informed about the progress of central measures. One example of this is the annual reporting on management capacity and capabilities

The Group's managers must practise value-based leadership that balances involvement and control. Managers are role models in the way they conduct themselves, and must bring the Group's values to life. Our managers embody the following qualities: visibility, clear leadership, willingness to take and delegate responsibility, ability to develop and inspire employees.

These qualities are measured as part of the organisational survey. The Group's managers are expected to follow up on the results of this survey and implement measures that are monitored in a separate plan (G4-27). The corporate staff can monitor the plans and the progress of measures that are implemented. They can also measure trends in the results from the organisational survey (if more than five persons respond).

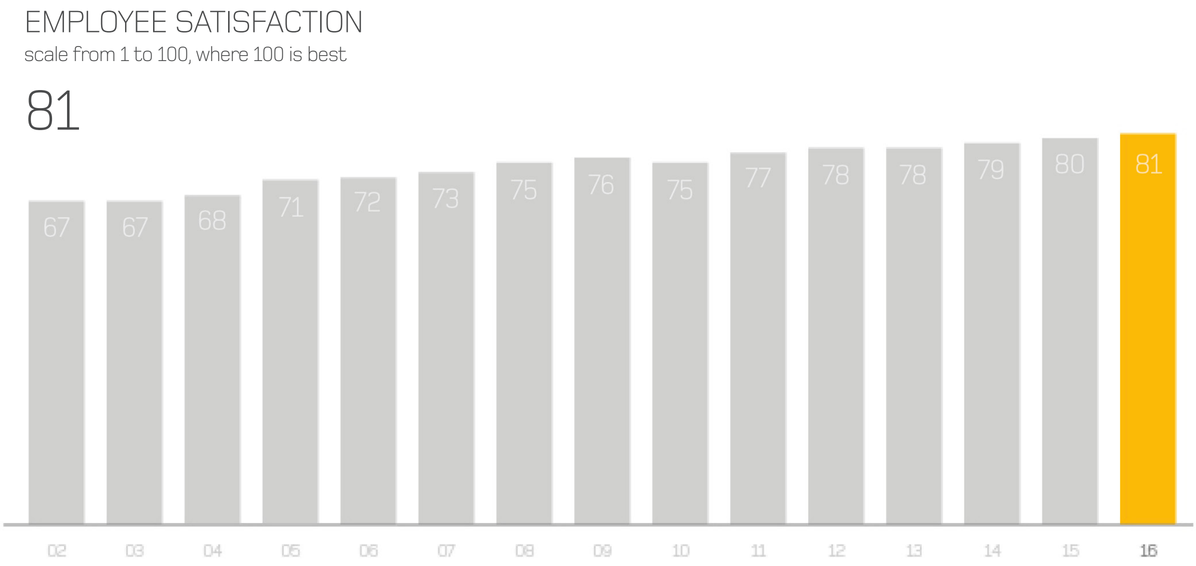
Systematic appraisal interviews between managers and employees are carried out at least once a year and are known as PLUSS interviews. Managers are responsible for engaging in dialogue with employees on central initiatives and topics that affect working processes and the working day out in the units.

Record-high level of employee satisfaction

Own indicator: Employee satisfaction

The annual organisational survey showed a high level of employee satisfaction in the Group. In 2016, 84 per cent of Group employees responded to this survey. The total index in the survey has risen gradually, and has shown a significant increase from 61 when it was launched in 2001 to a new record high of 81 in 2016. This is the best result ever for the Group, and one few other large comparable businesses can match.

Figure 2.11 Trends in employee satisfaction from 2001 to 2016



Our relationships and partnerships

OUR
CAPITAL AREAS

Our employees

Our relationships and partnerships

Our networks and expertise

Our ability to change

Our financial capital

It is strategically important for Posten Norge and Bring to maintain, create and strengthen relationships with key stakeholders. Good relationships and communication with the owner, customers, partners and suppliers are key to achieving our desired results.

The Group sets a high standard of integrity, which helps ensure that the Group operates in a responsible and fair manner and in accordance with applicable laws. We also require our suppliers and partners to comply with this standard of integrity.

There are four aspects that we consider crucial when reporting on this capital area, to ensure that the area is properly managed. We report on the following GRI indicators for each aspect:

1 Customer-oriented
Own indicator: Delivery quality, GRI indicator: PR 5

2 Open and effective communication
Own indicator: Reputation

3 Integrity
GRI indicators: SO3, SO4, SO5, SO7, PR8

4 Supplier management
GRI indicators: SO9, SO10, LA14, LA15, HR10, HR11, EN32, EN33

1 Kundeorientert

Egen indikator: Leveringskvalitet, GRI-indikator: PR 5

For us, customer orientation means understanding each customer's business and how we can help to create a fantastic experience for the customer's customer. Through our expertise, service-minded mail carriers and drivers, and digital solutions that make it easier for our users, we will help our customers succeed.

Our customer's brand is in our hands when we deliver throughout the Nordic region each day. This is a huge responsibility and obligation.

At the same time, we are continually looking for improvements and opportunities to innovate new solutions that create added value for our customers, large and small. This is clearly stated in our customer promises: Posten – «We live to deliver» and Bring – «Finding New Ways»

Stakeholders

- **Owner and public authorities:** Quality indicator. Concerned with Posten Norge's value-creating function in rural areas. Legislative requirements concerning coverage levels and availability
- **Corporate customers:** Posten Norge increasingly contributes to delivering on promises to customers (interview). Key differentiator when selecting Posten Norge as a partner
- **Private customers and local communities:** Affected by Posten Norge's everyday service, reliability and reputation.
- **Employees:** Linked to pride, efficiency and satisfaction

How we work

In 2014, the Group launched Kundens Stemme (The Customer's Voice), a tool which continually measures customers' experiences with services or enquiries. The measurements are based on the Net Promoter Score (NPS) method, and include questions relating to loyalty and satisfaction concerning both the brand and the actual point of contact for the customer. The Net Promoter Score allows both corporate customers and private customers to give feedback to the Group on their overall perception of the company. Results and feedback from our customers are followed up in the line organisation, forming the basis for customer-oriented continuous improvement within the organisation.

Good delivery quality is crucial for Posten Norge and Bring in order to satisfy the owner's licence requirements, but also to earn the trust of our customers. We therefore measure the delivery of letters and parcels on an ongoing basis to monitor the delivery quality in Posten Norge's distribution network. The measurements contribute to ensuring a robust nationwide distribution system. Measurement of mail delivery quality is carried out in accordance with a European standard using test mailings, and is conducted by an external company.

Posten Norge does not undertake its own customer surveys related to social and environmental issues. The topic of corporate social responsibility is addressed by the Posten Norge and Bring sales organisation when raised by customers (G4-26). Health, safety, environment and quality are on the agenda at all operational meetings, both internally and externally with customers and suppliers.

The focus on corporate social responsibility among Bring's customers is increasing, particularly in the offshore segment.

Posten Norge AS, the Logistics Norway Division and Bring Cargo AS are ISO 9001:2008-certified within the following business areas: international and national shipping and logistics, parcels, freight and warehousing, aircraft and marine, and offshore. Bring International & Offshore is also certified in accordance with Achilles and follows NORSOK S006N and the Norwegian Oil and Gas Association's guidelines 116 and 091. The certifications clarify the requirements set down for Bring International & Offshore within the areas of health, working environment, safety, external environment and quality.

Bring International & Offshore is also represented on the boards of several industry associations and is active in the development of its local communities.

High customer satisfaction with Posten Norge and Bring

GRI indicator PR 5: Results from customer satisfaction surveys

In 2016, 26 per cent of those who received an NPS invitation provided feedback about their experience after having contact with customer service, telemarketing, or self-service (Mybring), or after receiving a delivery.

Overall, on a general level for 2016, the quarterly results show that customer satisfaction with all the contact points is at the same level as the previous year. Posten Norge works continually to improve the contact points, but the customer's service expectations change over time, while the Group is undergoing changes that may indirectly affect the experience and feedback at certain times. During 2016 the measurements were also expanded to include multiple units, but collectively these have little effect on the total.

Customer service started the year with the best quarterly result for satisfaction since measurement began in 2014, but experienced a negative trend during the spring, which was then partly compensated by a slightly positive trend in the third and fourth quarters. Mybring (self-service) experienced stable quarterly measurements, but a weaker fourth quarter. Satisfaction with completed deliveries generally stabilised at a high, even level compared with the other contact points.

No overall goals have yet been determined for NPS because Posten Norge is still in an implementation phase in several contact points. The units within the respective contact points established, or are establishing, goals as sufficient data and insights become available about what affects developments. The structure and form of overall NPS goals will be considered during 2017.

Good delivery quality

Own indicator: Delivery quality

Delivery quality for priority mail (delivered overnight) was 86.1 per cent for 2016.

This is 1.1 percentage points above the owner's licence requirement and 0.7 percentage points better than the previous year. Other licence requirements linked to domestic quality goals were also met. Delivery quality for non-priority mail was 95.9 per cent within four days compared to the licence requirement of 85 per cent. Delivery quality for parcels was 87.9 per cent within four days, which also exceeded the licence requirement of 85 per cent. We will work hard to maintain this excellent delivery quality in the coming years.

2 Open and effective communication

Own indicator: Reputation

Open and effective communication is crucial to building a good reputation, creating understanding for the decisions the Group makes, and to help develop solid relationships with key stakeholder groups.

Reputation and ability to adapt could be negatively affected if the stakeholders' information needs are not met. Employees, customers, investors, partners, suppliers and special interest organisations want an overview of how Posten Norge and Bring operate. Inadequate internal communication could lead to challenges in restructuring processes, lower efficiency and challenges in realising synergies.

Stakeholders:

- **Owner and public authorities:** Want information on whether Posten Norge meets its required rate of return and fulfils its social responsibility.
- **Corporate customers:** Dialogue is a prerequisite for customer information, and corporate customers look for simplicity when communicating with Posten Norge and Bring
- **Private customers and local communities:** Want simplicity when communicating with Posten Norge
- **Employees:** Linked to company pride and potential restructuring processes
- **Suppliers:** Predictability in tender competitions
- **Investors and banks:** Clear information is important for analyses and decisions related to lending and insurance and pension premiums

How we work

Group Communications must support the Group's business strategies and goals and contribute to a good reputation, strong brands, satisfied customers and proud employees. The information department is responsible for group-wide internal and external communication channels and the Group's Financial Report and Sustainability Report. The Group has an active media team that acts as point of contact with the media.

The Group's marketing department is responsible for the Group's communication with potential and existing customers. The Group endeavours to adhere to the Norwegian Marketing Act in all market communication with its customers. The Group's annual marketing plan is quality-assured against this legislation. The Group has a procedure to ensure that all external communication is quality-assured by Group Communications.

The Group uses Ipsos MMI's annual profiling survey on major Norwegian companies as its measurement parameter for perceived reputation of Posten Norge and Bring.

In 2016, 116 companies were evaluated with regard to overall impression, environmental awareness, corporate social responsibility, finances and ethics. The survey is based on a nationally representative selection.

Good reputation for environmental awareness

Own indicator: Reputation

Posten Norge enjoys an excellent reputation. In 2016 Posten Norge ranked 14th on overall impression in Ipsos MMI's survey.

This is an improvement of eight places, from 22nd place last year, and six places better than the target of 20th place. Sixty-eight per cent have a «very good» or «fairly good» impression of Posten Norge.

We are very pleased with this result, especially when this improvement comes during a challenging year which included the end of Saturday mail delivery and changes in the rural postal service. This shows that the Group has managed to cope with difficult issues in an effective manner. The high ranking shows that the Group has established a good, robust reputation, and that people understand that «Posten Norge is changing because people are changing.» We will retain the goal of 20th place in 2017. The reason for this is the fast pace of change and the demanding restructuring still to come.

Bring is included in the measurement for the first time and received the same score as Posten Norge, with 68 per cent having a «very good» or «fairly good» impression of the company. Bring ended up in 13th place in overall impression.

In this survey, corporate social responsibility and ethics are defined as a company's ability and willingness to adhere to laws and regulations, and to act fairly and responsibly towards employees, customers, consumers and the authorities. In 2016, 54 per cent stated that they had a good impression and 23 per cent that they had a bad impression of Posten Norge within this area. Posten Norge moved to 9th place from 8th place in the previous year. Bring ranked 14th place with respect to social responsibility and ethics.

Environmental awareness is defined as how a company is viewed with regard to protection of the environment in the broadest sense, both in terms of production and in its use of products in general. Posten Norge moved from 5th place in 2015 to 4th place in 2016 in this area. Posten Norge was only beaten by environmental notables such as the recycler Norsk Gjenvinning, the national railway NSB and the dairy company TINE within the area of environmental awareness (G4-27). Bring ended up 11th in this year's environmental awareness measurement.

3 Integrity

GRI indicators: SO3, SO4, SO5, SO7, PR8

Posten Norge and Bring's integrity standard is particularly focused on the areas of corruption and other financial irregularities, legal competitive practices, social dumping, privacy protection and information security.

We continually focus on maintaining a high standard of integrity. We demand the same of our suppliers and partners; they must undertake to comply with our Ethical Standards for Suppliers. High requirements concerning internal and external integrity help raise the standard across our entire industry and enhance relations with key partners.

Inadequate compliance with the integrity standard could result in significant negative consequences for our reputation and financial results. Investment in internal training and knowledge-building are therefore crucial to ensure compliance. We also focus on monitoring that our suppliers and partners adhere to our standards of integrity.

Stakeholders

- **Owner and public authorities:** Requirements set down in legislation as well as expectations.
- **Corporate customers:** Set down clear requirements concerning follow-up of integrity in their invitations to tender and when entering into contracts.
- **Suppliers:** Concerned with fairness during the processing of tenders and collaborative relationships.

How we work

The Group's lawyers have an overall responsibility for ensuring that our integrity standard has the correct content and is properly disseminated within the Group. This involves creating and maintaining group-wide tools such as guidelines and manuals, e-learning programmes and training courses. These tools will enhance understanding of the standard and compliance with it. Group management is updated every six months on the status, risk situation and ongoing initiatives in the work related to compliance with the integrity standard within the Group. A network of local resource persons in each division and subsidiary will ensure that there is adequate information about group-wide tools, and that these tools are implemented locally.

The overall principles for the work with integrity are outlined in the Group's ethical guidelines, integrity handbook and the Group policy for corporate social responsibility. These principles are then put into operation via rules and group-wide tools. Managers and other key employees are given regular information and training on the integrity standard to ensure a high level of competence within the organisation.

The Group's lawyers are also responsible for the management and operation of its group-wide whistleblowing mechanism. This mechanism was established in 2008 and is available to all Group employees regardless of the country or company with which they are associated.

If employees experience, discover or suspect unacceptable conditions, they are encouraged to notify their immediate superior. Where this is not possible or found too difficult, everyone employed by the Group can contact the Group's whistleblowing mechanism. Employees can report anonymously.

The whistleblowing mechanism is easily accessible and can be reached by email, telephone and mail. The Group's whistleblowing mechanism ensures that reports are handled appropriately with regard to both the person reporting and the person(s) whose actions are reported. An important part of this process is to ensure that the whistleblower is not subjected to retaliation after submitting a report.

The General counsel will in individual cases report to the CEO, and may, when deemed necessary, report directly to the Board Chair. The Group's whistleblowing mechanism reports every six months to the internal control committee, the CEO and the Board's audit committee. The report details the number and type of reports received, the result of each report and the measures and activities initiated and implemented. In addition, a report is presented annually to the working environment committee in Posten Norge AS.

Identification of integrity risks

GRI indicator G4 SO 3: «Total number and percentage of operations assessed for risks related to corruption and to significant risks that are identified.»

As a part of the process to assess the risk of violation of the integrity standard, including the risk of violation of the anti-corruption rules, a survey was carried out across all divisions within the Group this year, as in previous years.

The survey this year was more detailed than previously, and also included additional topics, including whistleblowing. In addition, in 2016 division affiliation was registered to also capture this dimension.

The survey, which was conducted anonymously, covered the subjects of corruption, competition law, labour rights, whistleblowing, privacy protection and information security. The survey was sent to Group management, managers at level 3 in the Group and other selected management groups in Norway and abroad. The survey was sent to 94 people, of whom 74 responded.

In addition to the survey, in-depth interviews were conducted regarding international transport. The topics covered in the interviews were corruption, competition law, the use of suppliers and labour rights.

The basis for the overall risk assessment linked to compliance with integrity standards also included experiences and observations made by the Group lawyers through general and specific training, and other contact with Group entities and suppliers.

The risk analysis was carried out in spring 2016. The analysis indicates that cross-border transport and illegal anti-competitive practices are still the clearest integrity risks within the Group. Furthermore, it indicates that the EU's coming data protection regulation, which will apply in Norway from May 2018, requires a quality check of existing procedures and routines, as well as information and training measures on this topic. The risk analysis was presented to Group management in June 2016.

Communication and training

GRI indicator G4 SO 4: «Communication and training on anti-corruption policies and procedures.»

The Group has an integrity programme to help strengthen the Group's standard for ethics and aspects related to integrity. Posten Norge and Bring's integrity standard focuses on the following areas: corruption and other financial irregularities, legal competitive practices, social dumping, privacy protection and information security. Based on these topics, various tools were developed for employees and selected partners. These tools help managers and employees in the Group actively take ownership and live up to the Group's integrity standard. The integrity programme was adopted by the Board of Directors of Posten Norge AS in October 2011.

The integrity programme is based on the Group's ethical guidelines adopted in 2006, and includes ethical guidelines, an integrity handbook and an e-learning programme. The guidelines and integrity handbook were distributed to all Group employees in 2011 and 2012. All new employees receive the ethical guidelines and an integrity handbook when they join the Group. Our partners must commit to comply with the Group's Ethical Standards for Suppliers, which among other things stipulates that corruption is unacceptable and that the supplier must work actively against all forms of corruption. In this regard, see the section Supplier management in the chapter Our relationships and partnerships.

The primary target group for the e-learning programme consists of those employees in the Group deemed to be most vulnerable to the typical risk situations identified in the integrity programme.

The e-learning programme may be completed individually or in groups. The latter is achieved in practice by the managers registering to participate in the e-learning portal and completing the course in plenum with their group or unit. In 2016 the course was completed 268 times by individuals or groups. We are currently unable to register employees who complete the e-learning programme as part of a group. Therefore, we do not have precise numbers on how many people actually completed the e-learning programme in 2016. In 2017 we will look into how we can establish a registration mechanism to capture this.

The 268 registered course completions were distributed within the Group as follows: Four from the Mail Division, 135 from the Logistics Norway Division, 0 from the E-commerce Division, 37 from the Logistics Nordic Division, four from the Group staff units and 88 from the in-store post office group.

To calculate the percentage of employees who completed the e-learning programme in 2016, we must use the 268 registered course completions as a starting point. There were 16 992 permanent employees in the Group at the end of 2016. The 268 registered course completions represent approximately 1.6 per cent of all permanent employees. The primary target group consisted of 8 321 employees at the end of 2016. The 268 registered course completions represent approximately 3.2 per cent of the primary target group.

Considering that the primary target group includes 8 321 employees, relatively few completed the e-learning programme in 2016, even if we assume that several of the 268 course completions involved groups. The reason for the relatively low number is partly because most employees in the target group have already completed this training, and partly because follow-up of the e-learning programme received somewhat less attention in 2016.

In July 2016 the Group rules on whistleblowing were revised. In June 2016 a Group policy and Group rules were established to ensure compliance with privacy protection regulations. These documents were presented to individual management teams and relevant forums, and information and training measures will continue in 2017.

For managers, corporate staff, sales and marketing resources as well as other key employees, there is a need to complete training beyond e-learning. Therefore, a course designed for a classroom setting was developed for this specific target group. This course is based on the integrity handbook and e-learning programme, but goes into more detail and prioritises discussions about relevant dilemmas that arise.

In 2016 approximately 146 people attended these customised training courses. This corresponds to around 0.9 per cent of permanent employees in the Group and around 1.8 per cent per cent of the primary target group. This customised training was mainly carried out in the Logistics Nordic Division, in the Swedish part of the Group's operations.

As mentioned, one of the subjects of the integrity programme is legal competitive practices. To ensure that all employees have sufficient knowledge of and comply with the competition rules, a separate handbook was created in 2013: Posten and Bring's Ten Commandments of Competition Law. The handbook is available in print version in both Norwegian and English, and is also available on the Group's intranet.

No corruption incidents identified

GRI indicator G4 SO5: «Confirmed incidents of corruption and actions taken»

In 2016 the Group's whistleblowing mechanism received one report that was investigated and assessed. The case involved a suspected violation of the anti-corruption rules. After a thorough review of the case it was concluded that no violation of the anti-corruption rules had taken place.

The whistleblowing mechanism also received some notifications that were not processed further. The reason for this was either that the allegations received were deemed unfounded or that the case lay outside the mandate of the whistleblowing mechanism.

In 2016 a link was added to the start page of the Group's intranet to the whistleblowing mechanism page providing more details, including contact information. At the Group forum in February 2016, attended by the Group's level 2 and 3 managers, the whistleblowing mechanism was on the agenda. The whistleblowing mechanism was also on the agenda at Group management meetings, and separate information material was prepared for each EVP to distribute to the employees in their respective organisations. The whistleblowing mechanism was also presented to employees through training on the integrity standard and is clearly mentioned in guidelines and handbooks.

No fines for non-compliance with laws and regulations

GRI indicator G4 SO7: «Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.»

In 2016 the Group was neither fined nor received non-monetary sanctions for non-compliance with laws or regulations.

No complaints for violation of privacy protection regulations

GRI indicator G4 PR8: «Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.»

Handling of information about individuals and companies is an important part of Posten Norge and Bring's operations. The Group is therefore highly focused on compliance with privacy protection policies to ensure that we process information in accordance with applicable legislation. Compliance with the privacy protection policy formed part of the risk assessment in 2016.

In 2016 the Group continued to work on the further development of procedures to ensure effective compliance with the privacy protection policy.

In 2016 the Group received no complaints from public authorities regarding violations of the privacy protection regulations. Furthermore, the Group received no such complaints from private individuals.

For reporting on the part of the indicator related to the loss of customer data, see the section Information security in the chapter Our networks and expertise.

Future integrity work

In recent years we have generally focused on implementing the integrity programme's tools. The main focus for 2016 was to develop the methodology for the risk assessment and to make further efforts to strengthen the integration of the programme in the existing channels. In addition, work on the Group's policy and rules on privacy protection had high priority in 2016.

Posten Norge's focus on the integrity programme will continue and be strengthened in 2017. Recent cases show that more stringent requirements are being imposed on companies and management in several areas of law. An example of this is the EU data protection regulation, which will enter into force from May 2018. The regulation will lead to more stringent requirements for businesses that process personal data, and significantly higher fines for failure to comply with the regulation. Until the regulation enters into force, therefore, Posten Norge will focus on implementing the Group's policy documents on privacy protection, which were adopted in June 2016. Furthermore, existing routines and frameworks will be quality-assured and further developed to ensure a systematic approach to compliance with the privacy protection regulations.

In addition to the Group lawyers, who are centrally located, a network of local resource persons was established who will also contribute to local awareness and implementation of the integrity programme.

These local resource persons are important for ensuring familiarity the integrity programme throughout the Group. In 2017 the maintenance and strengthening of this network will be given priority.

4 Supplier management

GRI indicators: SO9, SO10, LA14, LA15, HR10, HR11, EN32, EN33

Posten Norge and Bring is exposed to reputational risk related to suppliers and subcontractors who to a substantial degree represent Posten Norge and Bring and perform work for the Group, for example in in-store post offices and transport suppliers (G4-10e). Posten Norge and Bring's suppliers therefore influence the company's ability to deliver on customer promises and other strategic goals. As a major operator, the Group has the opportunity to have a positive influence on industry standards and conditions through its corporate social responsibility activities in the supply chain.

Important stakeholders

- **Corporate customers:** Major companies place demands on Posten Norge and Bring for systematic follow-up. Corporate customers expect suppliers acting on behalf of Posten Norge and Bring to comply with their standards.
- **Owner and public authorities:** Expect acceptable behaviour and no social dumping.
- **This is important because suppliers who represent Posten Norge and Bring indirectly also represent the owner.**
- **Suppliers:** Want predictability and control.

How we work

Group HR/HSE and the HSE/CSR department ensure systematic, group-wide solutions and coordinate CSR work in the supply chain within the Group. Suppliers with group-wide agreements are followed up by Group Procurement. Transport suppliers are followed up by the relevant divisions and business areas. Divisional coordinators manage local coordinators in any businesses having contact with transport suppliers, and ensure local commitment.

Group management is regularly updated on the status, risk profile and ongoing initiatives in the work related to compliance with the Group's requirements for suppliers. All suppliers who have signed an agreement with the Group must sign the Ethical Standards for Suppliers, which states the minimum requirements placed by the Group on its suppliers, as well as HSE and environmental declarations. The largest road transport suppliers must also sign an environmental transport declaration.

Engaging in dialogue with both existing and potential suppliers is central to the procurement procedures of Posten Norge AS. As part of its standard procurement process (G4-26), Posten Norge engages in both written and verbal dialogue in the form of workshops. In its dialogue with the supplier market, the Group generally emphasises good business practices and compliance with the Group's ethical principles and values. Confidence in the supplier market is a prerequisite for achieving good terms and conditions and covering the Group's procurement requirements satisfactorily. This applies both before entering into a contract and during the contractual period (G4-27).

Targeted measures against illegal labour practices

GRI indicators G4: SO10, LA15, EN33, HR11: Substantial actual and potential negative consequences for society (SO10) in the supply chain, environmental criteria (EN33), labour practice criteria (LA15) and human rights criteria (HR11) in the supply chain, and for implemented measures.

A total of 115 suppliers submitted self-reporting for the first time in 2016, and 34 suppliers updated existing self-reporting. All of these were assessed on compliance with the Group's Ethical Standards for Suppliers, including HSE, employee rights, human rights, business practices and the environment. Within priority categories (transport, cleaning, work clothing and construction), 58 per cent* of suppliers submitted self-reporting. These suppliers represent 77.6 per cent of the total procurement costs associated with the priority categories. In the vehicle transport category, which is closely connected to the core business of the Group, 66 per cent submitted self-reporting. These suppliers account for 80 per cent of the total costs of transport services in the Group.

The Group continued its efforts against illegal labour practices within the transport industry, focusing particularly on the carrier and express transport segment.

Six unannounced inspections were carried out at 10 different locations in the Nordic region in connection with the Group's minimum standards for ethics and the environment. In total, 107 drivers and 37 assistants were checked and interviewed. These individuals were associated with 67 different transport suppliers contracted by various Group companies.

Suppliers found to be in possible violation of the Group's standards were followed up with an audit.

Fourteen road transport suppliers were audited for compliance with the Group's Ethical Standards for Suppliers. Three supplier relationships were terminated as a result of the audit, for violations of the law, among other things. Improvement plans were agreed with 11 of the audited suppliers regarding compliance with the Group's standards.

The Group's audit and control council approves the audits and inspections. The council consists of the Executive Vice President HR/HSE, head of HSE and CSR, head of procurement, and general counsel. The council is presented with risk assessments from the supply chain and in light of these defines risk reduction measures.

A new strategy for corporate social responsibility in the supply chain will be adopted in 2017, which will apply until 2020.

Road transport – the biggest environmental challenge

GRI indicator G4 EN33: Significant actual and potential negative environmental impacts in the supply chain and actions taken.

A total of 146 road transport suppliers submitted self-reporting related to compliance with the Group's environmental requirements. Four road transport suppliers (2.7 per cent) reported deviations from the Group's minimum requirements for European emission standards (minimum Euro 4) and 14 road transport suppliers (9.6 per cent) reported deviations from the Group's age requirements for light vehicles (maximum age of five years for vehicles under 3.5 tonnes).

The most significant negative environmental impacts identified among the Group's transport suppliers originate from road transport. Road transport accounted for 66 per cent of total emissions at the transport supplier level in 2016, air transport for 17 per cent, ferry transport for 14 per cent and train transport for 1 per cent.

The emissions relate to: emissions of greenhouse gases contributing to global warming, predominantly carbon dioxide, methane and nitrogen oxide, emissions of air pollutants contributing to poorer local environments, such as nitrogen oxides, particulate matter, carbon monoxide, hydrocarbons and finally, traffic noise. No agreements were terminated with any suppliers due to environmental impacts. Even more stringent environmental requirements for transportation suppliers will be considered in 2017.

GRI indicator G4 HR11: Significant actual or potential negative impacts on human rights in the supply chain and actions taken.

No suppliers were identified as having significant actual or potential negative consequences on human rights.

Criteria for supplier selection

GRI indicators G4 S09, HR10, LA14: Percentage of new suppliers selected based on criteria for social consequences (S09), human rights criteria (HR10), labour practices (LA14) and environmental criteria (EN32).

For all 46 acquisitions implemented by Group Procurement in 2016, there was a requirement in the pre-qualification phase that all suppliers had to accept the Group's Ethical Standards for Suppliers and complete declarations concerning the environment and HSE. The Group's guidelines are available on www.postennorge.no

* All percentage calculations are based on a list of suppliers with annual revenue exceeding NOK 2 million during 2016.

Our networks and expertise

OUR
CAPITAL AREAS

Our employees

Our relationships and partnerships

Our networks and expertise

Our ability to change

Our financial capital

Posten Norge and Bring's networks are the lifeblood of our business. Knowing how to make the best use of our networks is vital if we are to succeed in our strategy of becoming Nordic, customer-oriented, integrated and industrialised. The Group is wholly dependent on good operating models in order to optimise our terminal and logistics networks, and, not least, to reduce our environmental impact on society. At the same time, Posten Norge and Bring are becoming ever more dependent on technology. This technology is a critical factor that keeps a large proportion of our networks and value chains in operation.

There are three critical success factors (aspects) that we must report on in this capital area to ensure it is properly managed. We report on the following GRI indicators for each aspect:

1 Environmentally effective transport and logistics

GRI-indikatorer: EN 15, EN 16, EN 17, EN 18

2 Integrated and industrialised networks

Own reporting

3 Information security

GRI indicator: PR8

1 Environmentally effective transport and logistics

GRI indicators: EN15, EN16, EN17, EN18

In Norway the transport sector is the largest source of greenhouse gas emissions, while at the same time mobility is fundamental to almost all value creation. If Norway is to meet the EU's expectation of a 40-per-cent reduction in greenhouse gases in sectors not subject to the EU emission targets for 2030, most of the emissions will have to occur in the transport sector. As one of the Nordic region's biggest transport operators, the impact from our CO2 emissions is significant. The Group's emissions account for around 1 per cent of Norway's climate emissions of 53.9 million tonnes CO2e. The environment is one of the Group's most important focus areas within corporate social responsibility, and the Group's two largest climate challenges are reducing CO2 emissions from heavy vehicles and minimising local pollution. Our biggest initiatives are therefore to phase out fossil fuel for heavy vehicles and electrify vehicles in the cities.

Stakeholders

- **Owner and public authorities:** The Norwegian government's state ownership policy requires more environmentally friendly operations.
- **Corporate customers:** Major customers (ASKO, IKEA, oil and gas) are concerned with environmental issues and set requirements for Posten Norge.
- **Private customers and local communities:** Customers notice environmental efforts. Posten Norge moved from 5th to 4th place in IPSOS MMI's 2016 reputation survey in the category for environmental awareness. In our experience, customers in Sweden show an interest in the environment.

How we work

The Group is actively working to reduce the extent of its environmental impact. Posten Norge's environmental vision is «to work in a goal-oriented manner to achieve environmentally effective operations and sustainable development that help us become the world's most future-oriented postal and logistics group.» The overall goal is to reduce the Group's CO2e emissions by 40 per cent by 2020. The goal is divided into two periods, 2008-2014 and 2015-2020. The first period has now ended, with emissions reduced by 30 per cent from the base year of 2008. The goal for the next period is a 10-per-cent reduction in emissions by 2020 (using 2014 as the base year). The results from the 2016 carbon footprint show a 10-per-cent reduction from 2015, representing a 13-per-cent reduction since the base year of 2014[1] (total 43 per cent from 2008). A large proportion of the reduction is due to the transition from diesel to HVO in Logistics Norway Division. Reclassification of raw materials and an increased biofuel mandate resulted in reduced supplies and a doubling in price for HVO in 2017. There is therefore great uncertainty about further investment and phasing out of fossil fuels for heavy vehicles. Beyond the transition to HVO, the reduction can largely be explained by a reduction in freight volume, primarily by sea and air. A large proportion of this reduction is probably due to economic cycles. As a result, the duration of the emission reductions is uncertain.

The HSE and corporate social responsibility department in Group HR/HSE ensure the systematic, group-wide reuse of good solutions and a holistic approach. A group-wide environmental network consisting of environmental resource persons from all business areas also ensures that the Group shares lessons learned and best practice throughout the organisation. The expertise we need in specific areas is secured via partners and suppliers. A climate reporting system that covers the entire Group is used to register the Group's total climate impact. The Board and Group management are regularly updated on the status, the risk situation and ongoing initiatives within our environmental work. Our environmental work is also defined in

[1] Market-based method

a separate environmental policy and strategy, which is supported by action plans in the business areas. The Group works according to annual environmental action plans in the business areas, and this work is followed up in quarterly reports, business reviews, management's KPIs and PLUSS appraisal interviews. Annual goals are set for the Group and business areas up to 2020.

Interaction between companies, organisations and authorities is key to solving the major environmental challenges facing the Group (G4-16 and G4-27). In 2016 the Group continued its cooperation with the environmental organisation ZERO in Norway and the 2030 Secretariat in Sweden. The Group is a partner in a project to establish environmentally effective distribution of goods in central Drammen, and participates in the international EU project FREVUE in cooperation with SINTEF. The Group engages in ongoing dialogue and cooperation with various parties, such as the dairy company TINE, the Confederation of Norwegian Enterprise (NHO) and the Institute of Transport Economics (TØI), and has held lectures on the environment on several occasions, both in Norway and Sweden, as well as participating in Almedalen Week conference. The Group also participates in Næring for klima (Business for Climate), a collaboration between the City of Oslo and the private sector, and a similar collaboration with the City of Stockholm called Klimatpakten (The Climate Pact). The Group is affiliated with the International Post Corporation, which promotes international industry cooperation, and is also a member of the environmental procurement initiative Svanens Innkjøperklubb and the non-profit recycling organisation Grønt Punkt.

Reducing greenhouse gas emissions and pollution

GRI Indicator EN15: Direct greenhouse gas emissions (CO2e)

In 2016 the Group continued to implement its decision to use renewable diesel for heavy transport. By establishing their own filling facilities and using HVO (hydrogenated vegetable oils) at existing commercial filling stations, Posten Norge and Bring will have over 700 trucks running on fossil-free diesel on Norwegian and Swedish roads. This will result in reduced greenhouse gas emissions and less pollution. This is a second-generation fuel and consists of vegetable oils and waste certified in accordance with the EU's sustainability criteria.

The arguments against first-generation biodiesel, such as that using raw materials like rapeseed oil and sugar cane took up valuable land and pushed up food prices in poor countries, do not apply to HVO. Reclassification of the raw material PFAD from waste to by-product will make it challenging in 2017 to obtain sustainable raw materials that are certified according to the EU's sustainability criteria. To maintain this commitment and avoid going back to fossil fuels will be a high priority for the Group in the future.

The Group has 120 biogas vehicles, including the first in the world to meet the Euro 6 emissions standard. Vehicles that run on bioethanol are being tested in Bergen.

Bring in Sweden continues its commitment to renewable diesel. Bring has 191 vehicles that have consumed over 6.8 million litres of HVO. Bring in Sweden conducted a pilot to test HVO in light trucks where suppliers do not approve of using renewable diesel as fuel. This pilot has been successful, and the fuel functions flawlessly.

The Group now has Norway's largest electric vehicle fleet with more than 1 200 electric vehicles consisting of 580 electric mopeds, 493 electric vehicles and 143 electric trolleys. Our commitment to electric vehicles creates green jobs, and in 2016 one of our vehicle suppliers, Loyds, opened a new factory in Fredrikstad to produce more electric mopeds. Today over 80 per cent of Norway's population lives in cities and towns, and this percentage is expected to increase. The Group's focus on zero emission solutions and its co-locating of these has resulted in totally emission-free mail distribution for 39 city and town centres across Norway. This improves air quality and results in less noise and greenhouse gas emissions.

Posten Norge no longer delivers on Saturdays, which means an end to Friday flights. This has led to a positive environmental impact, since emissions from air transport have been reduced by 11 per cent from 2015.

In 2016 the Group expanded its electric vehicle commitment. With support from the public energy conservation agency Enova, the Group purchased the first two electric vans in the Nordic region of a size suitable for delivery of parcels and freight. The electric vans will be used in the centre of Oslo, will help build a market, and show that electricity is a good option also in this segment.

The Group also upgrades its vehicle fleet regularly, which helps reduce local emissions. The average age of the vehicles in the parent company is 1.8 years. Seventy eight per cent of the vehicles meet the Euro 6 emissions standard and 21 per cent meet Euro 5. The Group has introduced speed reductions for 647 trucks, which has advantages in terms of both the environment and safety.

Reporting

In 2016 the Group reviewed the reporting system to improve the quality of the data reported. The Group made no changes in emission factors from 2015 to 2016. This is because all the fuel types used in 2016 were also included in 2015, and because the changes in emission factors have been negligible. However, the review uncovered that calculations for some vehicle categories were not completed for certain types of biofuel. Historical data for 2014 and 2015 was adjusted by 14 000 and 4 000 tonnes CO2e respectively.

In 2015 the Group reviewed the emission factors used in greenhouse gas reports and switched from reporting on CO2 to reporting on CO2 equivalents. CO2e gases are CO2 (carbon dioxide), N20 (nitrous oxide) and CH4 (methane).

This covers all emissions from sources defined in the Greenhouse Gas (GHG) Protocol, except for refrigerant gases, which are not part of CO2e. Other greenhouse gases that are not part of the GHG protocol are not reported.

All emissions in the Group's carbon footprint in 2016 are stated in tonnes CO2 equivalents. Emission calculations are based on a mix of consumption figures, data from various transport systems related to suppliers, and on estimates where data is not particularly precise.

Total carbon footprint shows major progress

The Group reduced its emissions by 10 per cent from 2015 to 2016 (49 051 tonnes CO2e). The reduction was achieved due to implemented greenhouse gas measures, the transition to HVO, more efficient means of transport, and purchases of guarantees of origin.

Table 4.1: Total carbon footprint for the Group in tonnes CO2e from 2014 to 2016. Scope 1 is GRI indicator EN15, Scope 2 is GRI EN16 and Scope 3 is GRI EN17.

[tonnes CO2e]*	2014	2015	2016	20163
Scope 1	**136 078**	**128 595**	**106 541**	**109 949**
Road	135 407	127 981	105 995	109 404
Buildings	670	613	546	546
Scope 2 (location-based)	**21 558**	**15 609**	**15 131**	**15 131**
Scope 2 (market-based)	**50 342**	**11 951**	**2 453**	**2 453**
Electricity (location-based)	19 184	13 091	12 678	12 678
Electricity (market-based)	47 968	9 432	0	0
District heating	2 374	2 519	2 453	2 453
Scope 3	**367 645**	**349 525**	**328 617**	**328 617**
Road	234 400	219 141	216 458	216 458
Rail	4 331	5 492	4 655	4 655
Air	68 793	62 630	56 005	56 005
Water	56 072	56 760	47 355	47 355
Business travel	4 049	5 503	4 143	4 143
Total (location-based)	525 281	493 729	450 289	453 698
Total (market-based)	554 065	490 071	437 611	441 019
	2014	2015	2016	2016
Outside of Scopes**	41 253	49 422	66 014	66 014

*) Emission factors come from the Department for Environment Food & Rural Affairs' (Defra) collection of emission factors from 2015. The emission factors are tank-to-wheel (TTW). For location-based electricity the consolidation method is «operational control» according to the GHG Protocol.
**) «Outside of scopes» is the direct CO2 effect of the combustion of biofuels.
2 Market-based method for greenhouse gas emissions from electricity assumed
3 Includes acquisitions. In 2016 only the acquisition of Espeland Transport was added to the 2015 accounts.

Major reduction in emissions from Posten Norge's own vehicles (Scope 1)

GRI Indicator EN15: Direct greenhouse gas emissions

The Group reduced its direct emissions by 14 per cent (18 646 tonnes CO2e) from 2015 to 2016. The two climate measures, transition to HVO and biodiesel, together contributed 50 per cent of a 13-per-cent reduction in greenhouse gas emissions in 2016 (16 743 tonnes CO2e) compared with 2015. The measures related to HVO and Biodiesel 50 (50% renewable and 50% fossil fuel) apply to the Logistics Norway and Logistics Nordic Divisions. The Mail Division reduced its direct emissions by 12 per cent (2 132 tonnes CO2e) due to a smaller fleet and a transition to a higher Euro standard (Euro 6).

Table 4.2 (Scope 1): Direct greenhouse gas emissions in tonnes CO2e fell by 14 per cent (18 646 tonnes CO2e) from 2015 to 2016.

Scope 1 [tonnes CO2e]	2014	2015	2016	2016
Group	136 078	128 595	106 541	109 949
Road	135 407	127 981	105 995	109 404
Buildings	670	613	546	546
Logistics Norway Division	**88 784**	**91 276**	**75 922**	**79 330**
Road	88 687	91 157	75 855	79 263
Buildings	97	119	67	67
Logistics Nordic Division	**27 466**	**19 420**	**14 840**	**14 840**
Road	27 050	19 041	14 588	14 488
Buildings	417	379	351	351
Mail Division	**19 828**	**17 899**	**15 779**	**15 779**
Road	19 670	17 784	15 652	15 652
Buildings	157	115	127	127
Outside of Scopes	**n/a**	**27 024**	**40 933**	**40 933**

Reduced emissions from electricity consumption (Scope 2)

GRI Indicator EN16: Energy: indirect greenhouse gas emissions.

The Group increased its electricity consumption from buildings by 3 per cent in 2016. This includes electricity consumption from the Group's 1 217 electric vehicles.

Since 2015 the EU requires reporting of emissions from electricity to use two methods: location-based and market-based. The requirements must correspond with the GHG Protocol. Using the location-based method, the Group reduced its indirect emissions by 3 per cent. This reduction is due to reduced electricity consumption, mainly in the Logistics Nordic Division, where three cold storage facilities in Denmark were closed down at the end of the year. In Sweden, as in 2015, energy mapping was carried out in accordance with statutory requirements. Using the market-based method, the Group reduced its indirect emissions by 79 per cent. This large reduction is due to the fact that the Group bought electricity with guarantees of origin for 100 per cent of the Group's electricity consumption in 2016, compared with 83 per cent in 2015. Electricity with guarantees of origin is power that is produced from renewable energy sources; hydroelectricity in the case of the Group's purchases.

Table 4.3 (Scope 2): Indirect greenhouse gas emissions (tonnes CO2e) through electricity consumption

Scope 2 [tonnes CO2e]	2014	2015	2016	2016
Group (location-based)	**21 558**	**15 609**	**15 131**	**15 131**
Group (market-based)	**n/a**	**11 951**	**2 453**	**2 453**
Electricity (location-based)	19 184	13 091	12 678	12 678
Electricity (market-based)	47 968	9 432	0	0
District heating	2 374	2 519	2 453	2 453

Stable emissions from suppliers (Scope 3)

GRI Indicator EN17: Other indirect greenhouse gas emissions

Since 2015, emissions from the Group's suppliers have fallen by 6 per cent. The largest decline was in sea and air transport and a somewhat smaller decline in other areas.

Logistics Norway Division reduced its emissions from suppliers by 8 per cent from 2015 to 2016. Emissions decreased in all areas, but the greatest reduction was within sea and air transport. The reduction in emissions from sea transport is explained by reduced activity and the use of newer ships with lower fuel consumption. Posten Norge no longer delivers on Saturdays, which means an end to Friday flights. As a result the division reduced its emissions from air transport by 11 per cent (6 259 tonnes CO2e).

Logistics Nordic Division reduced its emissions by 3 per cent from 2015 to 2016. The reduction is greatest in road transport and business travel. Emissions from road transport decreased by 1 per cent (1 397 tonnes CO2e). The reduction is due mainly to reduced activity (including in Spain). From 2015 to 2016 the division reduced its emissions from business travel by 46 per cent (1 158 tonnes CO2e). Fewer business trips were taken in 2016, but the decrease is also explained by an incorrect reporting of flights in Europe for one of the division's companies in 2015 (627 tonnes CO2e).

The Mail Division's emissions increased by 72 tonnes CO2e since 2015. The increase is due to increased emissions from road transport, while emissions from business travel were reduced.

Table 4.4 (Scope 3): Other indirect greenhouse gas emissions in tonnes CO2e from our suppliers fell by 6 per cent (20 908 tonnes CO2e) from 2015 to 2016.

Scope 3 [tonnes CO2e]	2014	2015	2016	2016
Group	**367 645**	**349 525**	**328 617**	**328 617**
Road	234 400	219 141	216 458	216 458
Rail	4 331	5 492	4 655	4 655
Air	68 793	62 630	56 005	56 005
Water	56 072	56 760	47 355	47 355
Business travel	4 049	5 503	4 143	4 143
Logistics Norway Division	**223 996**	**215 217**	**197 836**	**197 836**
Road	108 846	112 665	111 265	111 265
Rail	4 207	5 371	4 536	4 536
Air	68 196	57 859	51 600	51 600
Water	41 628	38 211	29 429	29 429
Business travel	1 119	1 111	1 006	1 006
Logistics Nordic Division	**141 218**	**131 546**	**128 002**	**128 002**
Road	124 537	105 583	104 186	104 186
Rail	124	121	120	120
Air	597	4 771	4 405	4 405
Water	14 445	18 549	17 926	17 926
Business travel	1 515	2 523	1 365	1 365
Mail Division	1 947	2 257	2 329	2 329
Road	1 017	893	1 007	1 007
Business travel	930	1 364	1 322	1 322
E-Commerce Division	**38**	**41**	**36**	**36**
Business travel	38	41	36	36
Staff group	**448**	**465**	**415**	**415**
Business travel	448	465	415	415
Outside of Scopes	**n/a**	**22 398**	**25 081**	**25 081**

Towards a more greenhouse gas emissions efficient organisation

GRI Indicator EN18: Emission intensity for greenhouse gases

Group revenue in 2016 remained about the same as in 2015, while emissions per NOK of revenue were lower. This indicates a more greenhouse gas emissions efficient organisation.

Table 4.5: Group emission intensity for greenhouse gases in the last three years. All emissions are included (Scopes 1-3) in the calculation of emission intensity.

Relative target	2014	2015	2016
CO2e emissions (grams) per NOK 1 earned	22.5	19.5	17.8

* Market-based, Scope 2 is used in calculating emissions intensity.

The Group will continue its environmental commitment in 2017

In 2017 the Group will work actively to phase out fossil fuels and replace them with sustainable renewable diesel, continue the electrification of vehicles in cities and towns, and consider a new environmental ambition towards 2030.

Another important priority will be to continue the co-location of units in new terminals with innovative energy solutions. This will reduce the energy consumed and the kilometres driven. At the same time we will recertify our 47 units and certify new terminals. Our employees are our most important resource in our environmental efforts. The Group will continue supporting the Environmental Fund (Miljøfondet) on behalf of all employees and to provide general environmental knowledge through the e-learning programme Step by Step and training in environmentally effective driving.

2 Integrated and industrialised networks

Own reporting

Quick, efficient and reasonably priced deliveries with a high degree of precision and good solutions that give recipients control is a strategic goal for Posten Norge and Bring. Integrated and industrialised networks are the key to achieving this. The emergence of e-commerce has led to an influx of new solutions, both in terms of delivery options and user-friendly technology. Online shopping creates growing volumes and seasonal fluctuations that can challenge the capacity of the network. Meanwhile, mail volumes are steadily decreasing. All this requires continual adjustment of structures and processes.

Stakeholders

- **Owner and public authorities:** Have an implicit interest through required rate of return.
- **Corporate customers:** Have an implicit interest if optimisation of the networks affects prices, customer service or quality. They expect their interaction with Posten Norge to be simple.
- **Employees:** Linked to their own working day and workplaces
- **Suppliers:** May affect the working day and expectations
- **Investors and banks:** May implicitly be relevant to credit risk

How we work

In Posten Norge, we live to deliver. This means managing and operating a large transport network which stretches from customers via terminals and distribution units to recipients throughout the Nordic region. The shipments we transport vary enormously in size and weight – from a letter weighing a few grams to heavy freight weighing many tonnes. The Group's approximately 17 000 employees are responsible for valuable assets in the form of terminals and vehicles. In addition, a large number of small and large local carriers operate throughout the region on contract for Posten Norge and Bring. Considerable expertise is required to structure and manage such a large network. The network must operate cost-effectively, be environmentally friendly, and provide our own employees and our partners' employees with a good working environment and a high degree of safety.

Making major investments to renew the terminal structure

In recent years the Group has carried out a significant investment programme to renew the terminal structure. To utilise our resources optimally, separate freight and parcel terminals are being co-located.

In addition, the total number of terminals is being reduced to ensure efficiency and full utilisation of capacity. In 2016 new terminals were opened in Drammen and Mo i Rana, and construction of new terminals began in Trondheim, Narvik and Gothenburg. In 2017 the new central logistics centre at Alnabru in Oslo will open. The decline in mail volume and the transition to a single, two-day class of mail means that the activities in the mail terminals will be restructured.

In a vast country like Norway, with its scattered settlement pattern, significant synergies can be gained through joint distribution of various types of freight between terminals, delivery points and distribution units.

Renewing the Group's technological foundation

Through the programme New Posten and Bring the Group is renewing its technological foundation – both to manage resources in the network and to further develop tools for customers to manage their own logistics. The Customer Portal Mybring is constantly being improved and its functionality expanded. On the recipient side, both Posten Norge's website and tracking app are continually being developed. Within the Group, employees are receiving new tools that make their working day more efficient, improve resource utilisation and enable improvements of work processes. As part of the programme, all work processes are being reviewed to remove unnecessary process deviations and utilise new technology. At the same time, service categories and transport terms and conditions are being simplified and oriented towards the customer.

Our employees are the key to success

Despite huge investments in buildings and technology, the quality of a network always depends on the people who operate it – their work efforts, motivation and expertise. There is a major restructuring underway in the network. All the Group's employees are actively implementing these changes.

Both logistics expertise and an ability to change will continue to be key success factors in the coming years.

3 Information security

GRI indicator: PR8

Information security means ensuring that all data processed electronically is kept sufficiently confidential and accessible and that they are complete and correct. This means that the data at all times must be protected against unauthorised access and against intentional and unintentional undesirable changes, and that it must be accessible to those who need it, when they need it.

Our work on information security is becoming ever more important for Posten Norge and Bring. The digitalisation and globalisation of society has radically changed the way we work.

Digital tools for delivering mail, tracking parcels and communicating sensitive personal data via Posten Norge's secure digital mailbox, Digipost, are examples of this. Violation of information security can affect our customers and employees, and it can have serious consequences for our business in terms of loss of reputation, increased costs and loss of revenue.

Stakeholders

- **Owner and public authorities:** Expect implementation of effective information security and compliance with regulatory requirements, including personal data regulatory requirements for information security
- **Corporate customers:** Expect and require adequate information security, including secure and efficient information flow, predictability and absence of downtime.
- **Private individuals:** Customers and employees expect personal information to be handled in accordance with the regulations in a safe and secure manner that supports their work.

How we work

Posten Norge and Bring's strategy for information security is based on active risk management. The goal is to establish and maintain a level of security that protects personal information, products and services and that also takes reasonable account of risk, cost and operational matters. We work continuously on information security, and focus as much on the employees' knowledge about and attitudes to information security as on the technology that is used to increase the efficiency of information processing.

The department for Information Security in the Group IT staff unit has technical responsibility for information security in the Group. This responsibility involves setting standards and terms, as well as serving as an active adviser and driving force behind establishing adequate information security for all information processing in the Group. This applies to the processing that takes place in the organisation as well as in the systems, applications and networks. The governing standard for information security is set through Group policies and rules. We set security requirements for our suppliers, we work actively on changing attitudes among employees, and we participate in decision-making processes affecting information security. We also closely monitor the ongoing threat situation for cyber security. We carry out security tests of our infrastructure, conduct security audits of suppliers and our internal processes, and take measures to maintain satisfactory information security.

The daily responsibility for information security rests with the line organisation in the business area having the closest relationship to the information being processed. These people are best placed to determine the need for protection and assess the consequences of missing information, confidentiality breaches and undesirable changes to data. Managers are responsible for the information processing in the services and work processes their department owns, develops and administers.

No complaints of lost customer data

GRI indicator PR8: «Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.»

In 2016 the Group did not receive any complaints from public authorities regarding loss of customer data, nor from private individuals.

For reporting on the part of the indicator related to violation of customer's privacy protection, see the section Integrity in the chapter Our relationships and partnerships.

Must successfully implement «comprehensive information security»

Our ambition for the future is to support the business needs for innovation and efficiency through increased digitalisation and use of new technology – without sacrificing an acceptable level of risk. For example, information security must continually adapt to changing needs for mobile access and more stringent legal requirements for privacy protection. To achieve this we need to successfully implement comprehensive information security that is supported by industry standards such as ISF's Standard of Good Practice (SoGP) and ISO/IEC27002. Systematic work on risk assessments and awareness of acceptable risk are prerequisites to success in this area.

Our ability to change

OUR
CAPITAL AREAS

Our employees

Our relationships and partnerships

Our networks and expertise

Our ability to change

Our financial capital

Posten Norge and Bring must be able to adapt to rapid changes in both framework conditions and customers' needs in order to achieve long-term value creation. The markets Posten Norge and Bring operate in are, and have been for a long time, undergoing dramatic developments driven by factors such as globalisation and major technological changes. These have resulted in changes in customer behaviour and greater competition, which, among other things, demand rapid innovation.

There are two aspects of this capital area that we have chosen to report on to ensure our employees maintain a strong ability to change, and not least, a healthy pace of innovation. We report on innovation and service development in accordance with a GRI indicator.

1 Competitive framework conditions

Own reporting

2 Innovation and service development

GRI indicator: LA10

1 Competitive framework conditions

Own reporting

In order to ensure a good regulatory framework, it is important that Posten Norge works proactively and with a long-term perspective in relation to key authorities. It is especially important to create an understanding of the need to restructure and adapt the service offering in the mail segment. Changing the regulatory framework can often take a long time. One example of this is the process involving the new Postal Services Act that took many years. There are financial and strategic risks associated with framework conditions that are poorly suited to the competition situation and changed customer needs.

Stakeholders

- **Owner and public authorities:** Expect good, constructive input in relevant processes.
- **Suppliers:** Posten Norge's framework conditions influence suppliers' framework conditions
- **Private customers and local communities:** Framework conditions may have consequences for further development of services (especially mail)
- **Employees:** May affect their working day.

How we work

Posten Norge's social mission is to ensure the provision of high-quality, cost-effective, nationwide postal services. This is stipulated by the company's articles of association.

As in previous years, Group management held quarterly meetings with the Ministry of Transport and Communications (SD). Corporate social responsibility was the main topic at the last of these meetings in 2016. On 1 January 2017 responsibility for the management of the state's ownership of Posten Norway AS was transferred from SD to the Ministry of Trade, Industry and Fisheries. SD will remain responsible for postal legislation, including the system of state procurement of universal service obligations that are commercially unprofitable.

The Norwegian Communications Authority (Nkom) supervises Posten Norge's fulfilment of its statutory obligations pursuant to the Postal Services Act, regulations and licence. The Group must also deal with other relevant authorities that affect our business, including our corporate social responsibility activities.

Posten Norge has a separate regulatory unit responsible for working on framework conditions nationally and internationally. This includes:

- Dialogue with SD on overall framework conditions
- Dialogue with SD and Nkom on specific matters
- Reporting to Nkom including delivery times and annual product accounts
- Active participation in the Universal Postal Union and in industry organisations at the EU level
- Membership and participation in the employers' association Spekter and the Confederation of Norwegian Enterprise (NHO) Logistics and Transport
- Consultation input and other participation in political matters of significance to the Group

Posten Norge must act as a credible and constructive contributor to discussions on all matters pertaining to regulatory and other matters that directly affect our activities so we can fulfil our role as a socially responsible company and meet our universal service obligations in the Norwegian postal market.

Implemented a number of structural changes

Posten Norge implemented a number of structural changes and measures in the last few years that helped maintain revenue in mail operations despite a significant drop in mail volume. Political acceptance for and amendments to regulatory requirements have to a large extent been necessary conditions for this restructuring. If regulatory requirements are not tailored to the restructuring Posten Norge considers necessary to ensure the satisfactory development of profitability, the extra costs must be financed through state procurement of commercially unprofitable services.

Important changes in Posten Norge's framework conditions in 2016

Posten Norge's limited exclusive right to the distribution of addressed mail was discontinued when the new Postal Services Act came into force on 1 January 2016. The state procurement of commercially unprofitable universal service obligations has been carried forward in the new law. Posten Norge discontinued ordinary mail delivery on Saturdays on 5 March 2016.

Posten Norge's obligation to ensure the delivery of newspapers on Saturdays lapsed on 1 November 2016, after the company Kvikkas won the contract with the Ministry of Transport and Communications for Saturday newspaper distribution in areas without normal newspaper delivery.

In November 2016 the Storting (the Norwegian parliament) approved the white paper dealing with changes in the postal sector, Postsektoren i endring. The approval confirmed that Posten Norge can combine priority and non-priority mail into one class of mail with a two-day delivery time. Posten Norge has begun this transition with the aim of having the solution operational from 1 January 2018. The transition will result in a reduction in the number of employees and provide significant cost savings. Posten Norge was also given greater flexibility to further develop its distribution network, and the opportunity to harmonise the limitation of rural delivery service to households and businesses at least four kilometres away from the nearest designated distribution point.

2 Innovation and service development

GRI indicator: LA10

Most established companies are now undergoing major change and continuous improvement. 2016 was no exception for Posten Norge and Bring. The trends we have seen in recent years – with significant changes in the competitive situation, technology, market dynamics and especially in customer needs, intensified in 2016. This backdrop represents an exciting and challenging situation for Posten Norge, something our customers have also noticed.

One of the changes made in 2016 was to discontinue Saturday delivery as a direct result of reduced mail volumes. Meanwhile, the trend of increasing parcel volumes continues. If we combine this with increasing international trade, we have a backdrop for change that is both wanted and needed.

One of the key drivers of change today is digitalisation. For us in Posten Norge and Bring this represents a broad range of opportunities and some challenges. We continually ask ourselves how we can meet our customers' needs in a better way in the future.

We must take advantage of the digital universe for the benefit of our customers – through new business models, better services, more efficient operations, excellent platforms and – not least – a good digital customer interface. Many of the changes our customers and partners are experiencing are natural and expected developments: Posten Norge is changing because people are changing.

Stakeholders:

- **Owner and public authorities:** Are interested in return on equity (maintaining it requires adaptability) and at the same time are interested in good restructuring processes.
- **Corporate customers:** Are interested in ensuring that Posten Norge satisfies current customer needs at any given time. Are increasingly demanding new, preferably customised services.
- **Private customers and local communities:** Are interested in ensuring that Posten Norge satisfies current customer needs at any given time. Are increasingly demanding new services and business models.
- **Employees:** Are interested in good restructuring processes that involve, for example, requirements and expectations concerning internal and external mobility. Innovation may affect job numbers.

How we work:

To secure our positions in markets undergoing rapid change, we must, in addition to acquiring new expertise, undergo a cultural transition. A «digital DNA» must form the foundation as we solve the challenges of tomorrow. We must also continue to develop the way we work to include more agile processes, while expanding our mindset to encompass a broader set of collaboration models.

Through clear management focus we ensure that innovation and creativity are not perceived as a central responsibility, but as something to which all our employees can contribute, from ideas about new disruptive models to continuous improvement of the existing ones.

The Board is committed to raising the Group's capacity for innovation and digital drive to develop new growth areas and solutions for customers, both senders and recipients. In 2017, the Group will update it strategy. The new strategy will be based on how the organisation should work more systematically on innovation in the future.

Innovation on the agenda

To a greater extent than previously, the changes the Group is experiencing require us to think innovatively in multiple dimensions. It is no longer enough to just think in terms of productivity improvements or smarter ways of using existing services and processes. In order to ensure we succeed tomorrow we have to challenge, develop and change the status quo. Some things will also have to be radically changed. Many industries gained new competitors who have changed the market's dynamics almost overnight. Examples of this include passenger transport, accommodation and banking and finance. The threat inherent in simply reacting is clearer than ever. In our opinion, many of the changes we are experiencing are permanent. This means that innovation is no longer simply an alternative; it is an absolute necessity.

In 2016 we continued our productive partnership with the Centre for Service Innovation at the Norwegian School of Economics (NHH) (see csi.nhh.no) and also worked actively with many partners on the Customer Care 2015 project. Posten Norge also became a major partner in StartupLab. These collaborations will continue in 2017.

Measuring our future capacity for innovation

The Center for Service Innovation developed an index called the Norwegian Innovation Index (NII). NII measures customer perception and the innovation capacity of companies. The index is based on the notion that it is not nations that are innovative, but companies. Furthermore, it is not the managers and companies that should judge how innovative they are, but the customers. Data collection is underway and the results will be presented for the first time in April 2017. We will consider using this index as an internal indicator of our capacity for innovation in our Sustainability Report next year.

Future challenges

Examples of areas that will affect our industry in the future include the network and platform economy, the opportunities inherent in the growth of the online grocery market, the consequences of 3D printing for supply chains, how drones can supplement our existing delivery portfolio, and what the explosive growth of the 'internet of everything' means for our activities. We continuously challenge ourselves with the ambition of being able to deliver even better services to our customers based on the business models of the future. Going forward, the Group will therefore continue to work on developing the postal and logistics ecosystem in which we operate, both alone and together with our customers and partners.

Working to ensure employees have a strong ability to change

GRI indicator G4 LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

Development opportunities for employees help make the Group a more attractive employer. At the same time, they help to better equip employees to cope with changes in their working day and taking on new tasks.

In addition to the upgrading of skills that takes place on the job, courses are offered via the Group's own learning portal, the Posten and Bring Academy. In 2016 the Academy delivered 46 089 individual e-learning courses, including e-learning adapted for Posten Norge's in-store post office partners in Norway and external carriers.

The Group aims to have the largest possible number of employees in Norway with certificates of apprenticeship. Young people with relevant technical education within transport and logistics are recruited via the apprenticeship scheme.

At the last count in 2016 there were around 1 100 employees with certificates of apprenticeship and around 75 apprentices in training.

For employees in transition, the Group can offer retraining based on individual assessments. The Group also offers scholarships. The scholarships are intended to help motivate employees to upgrade their formal qualifications. Forty-one scholarships were awarded in 2016.

The Group systematically works to develop groups of managers and individual managers on different levels as needed.

In 2016, 81 employees participated in the Group's various management development measures: 46 in the relationship development programme The Confident Manager and 35 in the newly established front-line management programme. Team development courses were delivered at the request of divisions and staff units.

In order to maintain a supply of good management candidates, the Group works on identifying managerial talent.

The Group still uses an electronic tool to conduct PLUSS appraisal interviews. In addition, ambition and willingness for organisational and geographical mobility is surveyed.

The Aspiring Managers programme is intended to recruit more front-line managers from among our own employees. This programme was held once in 2016 for seven participants (G4-LA10).

The Group also developed its own concept for statutory basic training on the working environment. This training consists of three compulsory parts: two e-learning courses and one two-day seminar. The training is intended to provide the participants with an understanding of our HSE work in Posten Norge and Bring, and improve cooperation between the various participants in HSE efforts. Eighty-five managers, employee representatives, safety representatives and HR/HSE employees completed the new training in 2016.

Sixteen participants from the Mail Division and Logistics Norway Division completed the Manager Upgrade programme in 2015.

The goal of the programme is to develop front-line managers who have the potential to take on greater management responsibilities at a higher level or across regions or business areas in the Group.

In 2016 two programmes were completed with a total of 21 participants.

The Group's two-year trainee programme was conducted for the seventeenth time. The trainee programme is part of Posten Norge's long-term focus on management development and the recruitment of critical expertise, and five Group trainees started in 2016. Four summer internships and six university or university college internships were completed in autumn 2016.

The Group continued its commitment in 2016 to increasing the language abilities of employees who do not speak Norwegian satisfactorily. Employees in Posten Norge and Bring in Norway are offered courses in basic Norwegian skills, such as reading, writing and oral skills. The courses are held nationwide and are offered every spring and fall. Thirty-two employees completed the course in 2016. This measure, which receives public funding, is an important tool for integrating employees with immigrant background.

Our financial capital

Our financial capital provides the foundation for our ability to develop Posten Norge and Bring and create long-term value for our owner. Satisfactory financial performance, solidity and liquidity are vital for gaining access to new capital.

There are two critical success factors (aspects) that we must report on in order to ensure we have solid financial capital. We do not report on these aspects in accordance with any GRI indicators.

1 Return on equity

Own reporting.

2 Solidity and liquidity

Own reporting.

1 Return on equity

Own reporting.

Good return on equity is required to meet the requirements and expectations from the owner, banks and investors. Return on equity is important for access to capital markets and provides financial flexibility and ability to implement ongoing strategies and investment programmes.

Stakeholders

- **Owner:** Sets requirements concerning return on equity after tax
- **Investors and banks:** Relevant to raising capital
- **Employees:** Relevant to job security

How we work

Group Treasury and Property addresses the key financial functions for the entire Group. This department is responsible for ensuring that the Group has financial freedom of action that provides divisions and staff units with the opportunity to operationalise strategies and achieve their goals.

Group Treasury and Property is, via the Group's investment committee, is responsible for quality-assuring all substantial investments in the Group. Investment decisions are based on thorough analyses and must fulfil given criteria to ensure the required return on equity.

Group Treasury and Property and the Group's lenders meet regularly to discuss topics such as investment plans and financing needs. In addition to the Group's presentation of the annual and half-year results, relevant banks and investors are also invited to an annual meeting to review Posten Norge's financial results, strategies and prospects.

Low return on equity in 2016

It is important for Posten Norge to have the financial flexibility to carry out its investment plans and operations in a challenging market. At the same time all managers and employees in Posten Norge are responsible for ensuring an acceptable return on capital by helping to continuously improve operations.

Posten Norge's investments in new terminals, together with the ongoing improvement programme in the Group, will lead to more integrated and standardised work processes, improved customer experience and increased profitability. Overall, ongoing and future investments and improvement initiatives will contribute to more efficient operations and increased return on equity.

At the end of 2016 Posten Norge's equity was around NOK 5.9 billion and its equity ratio was 38.6 per cent. The return on equity in 2016 was not satisfactory, primarily because of write-downs and provisions as well as challenging markets.

2 Solidity and liquidity

Own reporting.

Solidity and liquidity are important in satisfying the requirements of the owner, banks and investors, and to ensure the Group's ability to implement operational goals.

Stakeholders

- **Owner:** Expects robust solidity and liquidity
- **Investors and banks:** Relevant to raising capital
- **Employees:** Relevant to job security

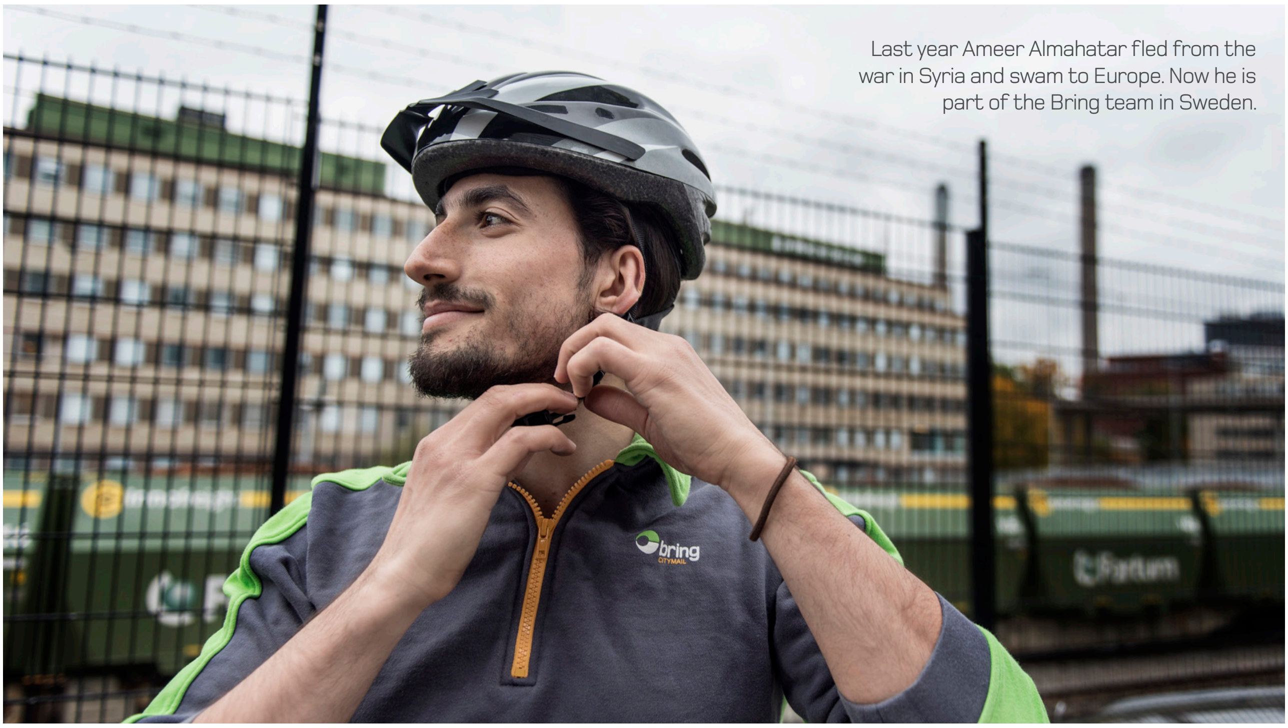
How we work

Group Treasury and Property is responsible for liquidity management and solidity. The Group must at all times maintain satisfactory liquidity and loan reserves, and the investment programme is continually monitored so that capital requirements do not conflict with this goal.

Robust solidity and liquidity

Posten Norge has excellent liquidity and solidity and significant financial flexibility. Good capital discipline has helped enable the Group to implement the company's long-term strategies and further develop the Posten and Bring brands in a constantly changing market.

For a complete overview of our financial capital, please refer to the **financial statements** and **notes** in the Financial Report.



Last year Ameer Almahatar fled from the war in Syria and swam to Europe. Now he is part of the Bring team in Sweden.

An extra effort

For Posten Norge, corporate social responsibility is about how our operations affect people, the environment and society. The environment, integration and diversity are priorities for the Group.

An extra effort means taking responsibility above and beyond what is expected or profitable. Posten Norge takes special responsibility to reduce the company's impact on the wider environment, and we prioritise a good working environment in all organisational and business development. In addition, the Group takes a particularly active role in its work with integration and diversity, and works toward a racism-free working environment.

This work is important for securing Posten Norge's strong position in society and for strengthening its reputation. A good reputation will help attract and motivate employees, strengthen competitiveness and provide wider scope to further develop the Group's business.

The Group's corporate culture must be characterised by an active attitude to taking social responsibility.

Group Policy for corporate social responsibility

In 2011, the Group introduced a separate Group policy for corporate social responsibility. This policy is part of the Group's governance documents and describes on a general level how the different disciplines are to be governed and monitored in the Group.

The purpose of the policy is to ensure that the Group complies with applicable legal requirements and expectations from the Group's stakeholders with regard to protecting people and those parts of society and the environment that are affected by the Group's operations. The Group's corporate social responsibility policy is based on Ethical Standards for the Posten Norge Group.

Sustainability on the Board agenda

The Board is very satisfied with the corporate social responsibility work that is being done and regards the work on sustainability as exemplary in the way it is linked to the strategy and highlights specific challenges.

The Board believes Posten Norge stands out as a model organisation in the priority areas of: health, safety and working environment (HSE), diversity and the wider environment. The Board closely monitors the work and development, among other things through approval of the annual Sustainability Report.

Summary of reported performance indicators in 2016

The GRI G4 template includes two levels at which we can report: Core or Comprehensive. For 2015 we met the requirements for Core. In total we report on 29 indicators, 26 of which are GRI indicators and four of which are Posten Norge's own indicators. The Comprehensive level is highly extensive and requires us to report on 42 GRI indicators as well as expanding our profile information.

The auditor verifies all indicators in all texts included in the Sustainability Report (where the performance indicators are reported). We also report profile information. This includes general information about the Group and our operations. Most of this profile information can be found in the Financial Report or on www.postennorge.no. In the auditor's statement, the auditor confirms that this profile information has been reported.

Table 6.1 focuses on which indicators we report within our 13 most important sustainability areas (we also included supplier management), based on a new updated materiality analysis that was conducted in 2015

Our sustainability areas (significant aspects)	GRI: DMA and performance indicators	Number of GRI indicators	Verified by auditor EY
Health, working environment and safety	**GRI indicators: LA5, LA6, HR3**	3	Yes
Attractive workplace	**GRI indicators:** LA1, LA2, LA 12, EC5	4	Yes
Good managers	**Own indicator:** Employee satisfaction	1 own	Yes
Customer-oriented	**Own indicator:** Delivery quality GRI indicator: PR5	1 + 1 own	Yes
Open and effective communication	**Own indicator:** Reputation	1 own	Yes
Integrity	**Gri-indikatorer:** SO3, SO4, SO5, SO7, PR8	5	Yes
Supplier management	**GRI indicators:** SO9, SO10, LA14, LA15, HR10, HR11, EN32, EN33	8	Yes
Climate-effective transport and logistics	**GRI indicators:** EN15, EN16, EN17, EN18	4	Yes
Integrated and industrialised networks	**Own reporting**	Text	Yes
Information security	**GRI indicator:** PR8	PR8 is also found under integrity	Yes
Competitive framework conditions	**Own reporting**	Text	Yes
Innovation and service development	**GRI indicator:** LA10	1	Yes
Return on equity	Own reporting See also the Financial Report	Notes and financial statements	Yes
Solidity and liquidity	Own reporting See also the Financial Report	Notes and financial statements	Yes
TOTAL		26 + 3 own	

GRI – GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page number (or link) Information related to standard disclosures and that is required may be included in other reports prepared by the organisation. In those cases, the organisation may refer to where the relevant information can be found.	External assurance Confirms whether standard disclosures have been verified by an external party. If yes, include the page number in the report where the external assurance is documented.
STRATEGY AND ANALYSIS		
G4-1	Message from the CEO (page 6-7), Board of Directors' report in the Financial Report	Yes
ORGANISASJONSPROFIL		
G4-3	This is Posten Norge (page 4)	Yes
G4-4	Segments - postennorge.no/om-oss/organisasjon	Yes
G4-5	Nordic region map - postennorge.no/om-oss	Yes
G4-6	Nordic region map - postennorge.no/om-oss	Yes
G4-7	Corporate governance in the Financial Report	Yes
G4-8	This is Posten Norge (page 5), www.postennorge.no/om-oss/fire divisions	Yes
G4-9	Note 1 Segments in Financial Report, www.postennorge.no/om-oss/fire divisjoner, Sustainability Report	Yes
G4-10	Our employees (page 14) Supplier management (page 36)	Yes
G4-11	Our employees (page 14) Equal pay and equal opportunities (page 22)	Yes
G4-12	Sustainability report, postennorge.no/om-oss	Yes
G4-13	Note 23 Financial Report	Yes
G4-14	Corporate governance (section 10) in Financial Report	Yes
G4-15	UN Global Compact (page 2) Global Reporting Initiative G4 (page 63) Zero, Sintef, Næring for klima, International Post Corporation Svanens Innkjøperklubb and Grønt Punkt (page 41)	Yes
G4-16	Our networks and expertise (page 40-41)	Yes
IDENTIFIED SIGNIFICANT ASPECTS AND LIMITATIONS		
G4-17	postennorge.no/om-oss/organisasjon/konsernstruktur	Yes
G4-18	Our strategy to create long-term value (page 8-9)	Yes
G4-19	Our strategy to create long-term value (page 10)	Yes
G4-20	Accounting principles in Financial Report, Sustainability Report	Yes
G4-21	Accounting principles in Financial Report, Sustainability Report	Yes
G4-22	Our networks and expertise (page 40), Our employees (page 14)	Yes
G4-23	Sustainability Report	Yes

GRI – GENERAL STANDARD DISCLOSURES CONTINUED

General Standard Disclosures	Page number (or link) Information related to standard disclosures and that is required may be included in other reports prepared by the organisation. In those cases, the organisation may refer to where the relevant information can be found.	External assurance Confirms whether standard disclosures have been verified by an external party. If yes, include the page number in the report where the external assurance is documented.
STAKEHOLDERS		
G4-24	Key stakeholders (page 12)	Yes
G4-25	Key stakeholders (page 12), Sustainability Report	Yes
G4-26	Key stakeholders (page 12)	Yes
G4-27	Key stakeholders (page 12)	Yes
REPORTING PARAMETERS		
G4-28	1 January to 31 December 2016	Yes
G4-29	Norwegian edition of the online report 18 March 2017. English edition of the online report 7 May 2017.	Yes
G4-30	Annual reporting	Yes
G4-31	rapport@posten.no	Yes
G4-32	Sustainability report, GRI content index (page 63)	Yes
G4-33	External assurance report (page 68)	Yes
CORPORATE GOVERNANCE, OBLIGATIONS AND ENGAGEMENT		
G4-34	postennorge.no/om-oss, corporate governance in Financial Report, external assurance statement (page 68)	Yes
ETHICS AND INTEGRITY		
G4-56	About Posten and Bring (page 4-5), Sustainability report, Our relationships and partnerships (page 27), Integrity (page 31)	Yes

GRI – SPECIFIC STANDARD DISCLOSURES					
DMA and Indicators	**Page number (or link)** Information related to standard disclosures and that is required may be included in other reports prepared by the organisation. In those cases, the organisation may refer to where the relevant information can be found.	**Omitted information** In special cases where it is not possible to document the information, identify what information has been omitted.	**Reason for omission** In special cases where it is not possible to document the information, provide the reason for the omission.	**Explanation for omission** In special cases where it is not possible to document the information, provide the reason why the information is omitted	**External assurance** Confirm whether standard disclosures have been verified by an external party. If yes, include the page number in the report where the external assurance is documented.
CATEGORY: FINANCE					
EC5	Attractive workplace (page 21)				Yes
CATEGORY: ENVIRONMENT					
EN15	Environmentally effective transport and logistics (page 41-44)				Yes
EN16	Environmentally effective transport and logistics (page 45)				Yes
EN17	Environmentally effective transport and logistics (page 45-46)				Yes
EN18	Environmentally effective transport and logistics (page 47)				Yes
EN32	Supplier management (page 38)				Yes
EN33	Supplier management (page 37)				Yes
CATEGORY: SOCIAL CONDITIONS LABOUR PRACTICES AND DECENT WORK					
LA1	Attractive workplace (page 22)				Yes
LA2	Attractive workplace (page 22)				Yes
LA5	Health, safety and working environment (page 15)				Yes
LA6	Health, safety and working environment (page 16-19)	LA6-1 and LA6-2: Posten Norge does not report on occupational disease rate (ODR) or lost day rate (LDR) by region or gender.	This information is not available. we will consider how or whether we should report on this in the future.	Procedure for reporting of data is not in place.	Yes
LA10	Innovation and service development (page 56-57)				Yes
LA12	Attractive workplace (page 20-21)				Yes
LA14	Supplier management (page 38)				Yes
LA15	Supplier management (page 36-37)				Yes
CATEGORY: SOCIAL CONDITIONS HUMAN RIGHTS					
HR3	Health, safety and working environment (page 19)				Yes
HR10	Supplier management (page 38)				Yes
HR11	Supplier management (page 38)				Yes

GRI – SPECIFIC STANDARD DISCLOSURES FORTSETTER

DMA and Indicators	Page number (or link)	Omitted information	Reason for omission	Explanation for omission	External assurance
	Information related to standard disclosures and that is required may be included in other reports prepared by the organisation. In those cases, the organisation may refer to where the relevant information can be found.	I In special cases where it is not possible to do cument the information, identify the information	In special cases where it is not possible to document the information, provide the reason for the omission.	In special cases where it is not possible to document the information, provide the reason why the information is omitted.	Confirm whether standard disclosures have been verified by an external party. If yes, include the page number in the report where the external assurance is documented.
CATEGORY: SOCIAL CONDITIONS SOCIETY					
SO3	Integrity (page 32)	We currently have no risk analysis that allows us to fully answer SO3.	The information is currently unavailable. During 2017 we will consider how we can produce this reporting in the future.	Procedure for reporting of data is not in place.	Yes
SO4	Integrity (page 32-34)	Posten Norge does not currently have reporting systems that allow us to fully report on who received information and participated in training by employee category, business partner or region.	The information is currently unavailable. During 2017 Posten Norge will consider how we can produce this reporting for 2017.	Procedure for reporting is not in place.	Yes
SO5	Integrity (page 34)				Yes
SO7	Integrity (page 34)				Yes
SO9	Supplier management (page 38)				Yes
SO10	Supplier management (page 36-37)				Yes
CATEGORY: SOCIAL CONDITIONS SOCIETY					
PR5	Customer-oriented (page 28)				Yes
PR8	Integrity (page 34-35), Information security (page 51)				Yes

State-authorised public accountants

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

Til Styret i Posten Norge AS

Uavhengig attestasjonsuttalelse - Posten Norges bærekraftrapport for 2016

Vi har foretatt en uavhengig kontroll av Posten Norges bærekraftrapport 2016 (Rapporten). Vi har vurdert om informasjonen som blir presentert i Rapporten bygger på relevante kriterier i retningslinjene for bærekraftrapportering fra Global Reporting Initiative G4 alternativ «core» (GRI G4).

Ledelsens ansvar
Postens ledelse er ansvarlig for utvelgelse av den informasjon og innsamling av data som presenteres samt utarbeidelse av Rapporten i overenstemmelse med kriteriene i GRI G4.

Vår uavhengighet og kvalitetskontroll
Vi har overholdt kravene til uavhengighet i Lov om revisjon og revisorer (revisorloven) og andre etiske krav i Den norske Revisorforenings regler om etikk, som er basert på grunnleggende etiske prinsipper som integritet, objektivitet, profesjonell kompetanse og tilbørlig aktsomhet, konfidensialitet og profesjonell adferd.

Vi anvender Internasjonal standard for kvalitetskontroll (ISQC 1) «Kvalitetskontroll for revisjonsfirmaer som utfører revisjon og forenklet revisorkontroll av regnskaper samt andre attestasjonsoppdrag og beslektede tjenester» og har et omfattende kvalitetskontrollsystem som omfatter retningslinjer og rutiner for overholdelse av etiske krav, profesjonelle standarder og gjeldende lover og forskrifter.

Revisors oppgaver og plikter
Vår oppgave er å avgi en uavhengig uttalelse til styret om Rapporten basert på vårt arbeid. Vårt arbeid er utført i henhold til ISAE 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk økonomisk informasjon». Standarden krever at vi planlegger og utfører handlinger for å oppnå moderat sikkerhet for at Rapporten er utarbeidet i tråd med relevante kriterier for bærekraftsrapportering etter GRI og ikke inneholder vesentlig feilinformasjon.

Vårt arbeid har bestått av følgende aktiviteter:

- Gjennomgang av Postens prosess for utarbeidelse av Rapporten for å opparbeide oss en forståelse av hvordan samfunnsansvaret ivaretas i praksis i virksomheten
- Intervjuet rapporteringsansvarlige for å opparbeide en forståelse av prosessen for utarbeidelse av Rapporten
- På stikkprøvemessig grunnlag verifisert informasjon i Rapporten mot grunnlagsdata og annen informasjon utarbeidet av Posten Norge
- Evaluert helheten i informasjonen i Rapporten og om den bygger på kriteriene i GRI G4, herunder kontrollert konsistens i informasjonen

Etter vår oppfatning er innhentede bevis tilstrekkelige og hensiktsmessige som grunnlag for vår konklusjon.

Konklusjon
Basert på vår gjennomgang og utførte handlinger er vi ikke blitt oppmerksomme på forhold som gir grunn til å tro at Rapporten ikke i all vesentlighet er utformet i samsvar med kriteriene i GRI G4 eller inneholder vesentlig feilinformasjon.

Oslo, 16. mars 2017
ERNST & YOUNG AS

Eirik Tandrevold
statsautorisert revisor